

# CHAIN OF LAKES NEW CHURCH DEVELOPMENT

## NOVEMBER 4, 2011, FACT SHEET ON PROPOSED PROPERTY PURCHASE

### 1. ASSUMPTIONS UNDERLYING PROPERTY SEARCH

- a. Expected maximum church size: 600 to 1,000 members
- b. Location: prefer within 1½-mile radius of the intersection of Lexington Avenue NE and 125<sup>th</sup> Avenue NE (aka County Hwy 14/Main Street)
- c. Acreage to be purchased: 8-10 acres

### 2. PROPERTY FACTS

- a. Location: approximately 1½ west of the target intersection on the south side of County Hwy 14 (see map)
- b. Acreage to be purchased: approx. 8.9 acres

### 3. PURCHASE COST ESTIMATES (NOT INCLUDING BUILDING COSTS)

The following shows the estimated costs to purchase the property pending construction, including all government fees, assessments, and taxes that would have to be paid at closing. It does *not* include any building costs or any government fees, assessments, or other charges due when a building permit is approved, since these will be incurred when a church building is constructed.

|  |                        |
|--|------------------------|
| a. Purchase price  | \$550,000 <sup>1</sup> |
| b. Title and closing costs   | 10,000                 |
| c. Broker fees   | 6,000                  |
| d. Survey, site design, and government approval costs                                | 20,000                 |
| e. Soil borings  | 6,000                  |
| f. Park dedication fees (already paid)   | 0                      |
| g. 2011 taxes due in 2012<br>(Prorated to date of closing assumed as April 30, 2012) | 17,000 <sup>2</sup>    |
| h. Contingency for unexpected costs  | <u>16,000</u>          |
| Total  | \$625,000              |

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<sup>1</sup> The purchase price is firm; the seller's Board of Directors has approved it.

<sup>2</sup> 2011 property taxes due in 2012 have already been assessed assuming residential construction. The expected value for church use cannot be claimed until tax year 2012.

#### 4. HOLDING COST ESTIMATES

This section estimates the Presbytery costs to hold the property before construction begins on a new church. At this time, the only known holding cost is property taxes. Anoka County takes the position that non-profits owe property taxes based on the land's potential use until a non-profit constructs a building on the land and uses it for a non-profit purpose.

Annual property taxes due beyond 2012 \$8,000-12,000

#### 5. AVAILABLE FUNDS

The funds listed below represent the approximate cash on hand in funds normally used for New Church Development. Future possible sales, for example, the House of Faith property in Northeast Minneapolis, have not been listed.

|  |                |
|--|----------------|
| a. Presbytery New Church Development Funds                     |                |
| (1) Warrendale sale (portion not committed to Stadium Village) | \$117,000      |
| (2) Waverly sale (portion not committed to Howard Lake)        | 109,000        |
| b. Presbytery Capital Fund                                     | <u>130,000</u> |
| Total  | \$356,000      |

#### 6. FINANCING OPTIONS

Since the Presbytery does not have sufficient funds on hand without tapping reserves not typically used for New Church Development, the alternative is to borrow funds from the Synod of Lakes and Prairies (Synod) and the General Assembly (GA).

The Synod will not fund more than 45% of the acquisition cost and requires that the Presbytery invest at least 10% of the acquisition cost. A Synod loan would be for 25 years with the following payment terms: Years One to Five – *interest only* payments with interest at 1%; and Years Six to 25 – principal and interest payments with interest of 2% in Years Six to Ten, 3% in Years 11 to 15, 4% in Years 15 to 20 and 5% in Years 20 to 25.

The GA has several loan programs for church development. For purposes of this analysis, the loan terms of the Presbyterian Investment and Loan Program (PILP) have been assumed because this program carries the highest interest rate (5%) and must be paid off in 20 years.

Using these terms, the following table shows two Presbytery payback scenarios: (a) the Maximize Capital Option where \$130,00 from the Presbytery Capital Fund is used to purchase the property; and (b) the Minimize Capital Option where only \$60,000 from the Presbytery Capital Fund is used. In both scenarios, a Synod loan covers 45% of the acquisition cost, and a GA PILP loan covers the remainder.

In the table under Years One through Five of loan paybacks, the holding costs are added to the loan payments. Holding costs are *not* added after Year Five under the assumption that the Chain of Lakes congregation will build a church no later than five years from now, at which time the property tax holding costs would end.

| <b>Fund Sources And Payments</b>        | <b>Maximize<br/>Capital Option</b> | <b>Minimize<br/>Capital Option</b> |
|---|------------------------------------|------------------------------------|
| Presbytery New Church Development Funds | \$226,000                          | \$226,000                          |
| Presbytery Capital Fund                 | 130,000                            | 60,000                             |
| Cash Total                              | \$356,000                          | 286,000                            |
| Synod Loan                              | \$247,500                          | \$247,500                          |
| GA-PILP Loan                            | 21,500                             | 91,500                             |
| Grand total                             | \$625,000                          | \$625,000                          |
|   |                                    |                                    |
| Years One to Five Synod annual payment  | \$2,472                            | \$2,472                            |
| Years One to Five GA annual payments    | 864                                | 3,660                              |
| Years One to Five annual holding costs  | 8,000-12,000                       | 8,000-12,000                       |
| Years One to Five total annual payments | \$11, 336-15,336                   | \$14,132-18,132                    |
|   |                                    |                                    |
| Years Six to Ten Synod annual payment   | \$17,328                           | \$17,328                           |
| Years Six to Ten GA annual payment      | 2,724                              | 11,592                             |
| Years Six to Ten total annual payment   | \$20,052                           | \$28,920                           |
|   |                                    |                                    |
| Years 11 to 15 Synod annual payment     | \$17,940                           | \$17,940                           |
| Years 11 to 15 GA annual payment        | 2,292                              | 9,780                              |
| Years 11 to 15 total annual payment     | \$20,232                           | \$27,720                           |
|   |                                    |                                    |
| Years 15 to 20 Synod annual payment     | \$17,328                           | \$17,328                           |
| Years 15 to 20 GA annual payment        | 1,860                              | 7,908                              |
| Years 15 to 20 total annual payment     | \$19,188                           | \$25,236                           |
|   |                                    |                                    |
| Years 20 to 25 Synod annual payment     | \$15,468                           | \$15,468                           |
| Years 20 to 25 GA annual payment        | 0                                  | 0                                  |
| Years 20 to 25 total annual payment     | \$15,468                           | \$15,468                           |