

TEXAS  
METHODIST  
FOUNDATION  
STEWARDED POTENTIAL

# RESOURCE GUIDE FOR *building* PROJECTS

FOR CHURCHES AND DISTRICT BOARDS  
OF CHURCH LOCATION & BUILDING



# INTRODUCTION

*TMF is a nonprofit organization offering assistance to United Methodist churches, institutions and individuals across Texas and New Mexico through loans, investments, leadership development, grants, legacy giving, and stewardship and endowment services. Our purpose is “to empower the Church in the achievement of her God-appointed missions.” We offer resources that strengthen the ability of United Methodists to advance Christian ministries.*

In times of growth, TMF can act as your conversation partner and advisor. We have helped hundreds of United Methodist churches and institutions expand their ministries and reach and serve more people through larger or improved facilities. We can work with you in an advisory role and, if you choose, as your primary lender. Our loan staff provides a cash flow projection for your proposed project to help ensure project costs will not compromise your existing ministries.

Loan services offered by TMF include:

- Direction on understanding safe debt limits, borrowing alternatives and budgeting growth

- Consultation on construction projects
- Loans for capital improvements, new construction, relocation, equipment, and refinancing existing debt

This Resource Guide is designed to assist you with the process of planning, building, and budgeting your project. The information has been collected and refined since 1962 when TMF made its first church loan, beginning a process that has connected many congregations throughout Texas and New Mexico with the capital resources they need to reach more and more people with Christ’s message of hope. The first section gives an overview of the tasks and responsibilities of the District Board of Church Location and Building. The other sections apply to both the district boards and to churches.

We are honored to partner with congregations as they discern how to best live out God’s unique call for them to serve their communities. If you need additional information or have any questions about the information in this resource guide, please call us at 800-933-5502.



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# OVERVIEW

## *DISTRICT BOARD OF CHURCH LOCATION & BUILDING*

The District Board of Church Location and Building (the Board) serves as a safety net for The United Methodist Church. This committee reviews local church building, renovation and acquisition plans. This review process and questions generated by it are a vital part of the connectional system. Questions asked during church presentations and approvals granted by the Board help ensure that local churches thrive and grow while addressing the needs of their communities.

As such, it is extremely important that each member of the Board takes his/her duties and responsibilities seriously. While each church will feel strongly about a particular project, the Board must determine whether the church is adequately prepared to move forward on a

project. Analyzing a project in terms of how it will enhance the ministries and missions of the local church, rather than focusing on the notion that “new construction will bring new members,” is a paramount responsibility of this committee.

This guide outlines the functions of the Board, such as analyzing documents presented to them for approval, and helps members understand requirements that each church must follow. While we have attempted to address most areas, it is the ultimate responsibility of each member to be familiar with the proposed project, ask appropriate questions, and determine for themselves if the proposal is in the best interests of the local church.



## *FUNCTIONS*

The Board is the primary group responsible for the prevention of serious errors in church locations, facilities, financing and construction. The Board's approval is necessary for purchase of a church site, for every major building decision made by local churches, and for the purchase of a district parsonage.

The Board's approval is the denomination's way of ensuring that sound planning has taken place in advance of a major project, all relevant factors have been carefully considered, and experience beyond the local church has been brought to bear on the decision.

Ensuring that decisions concerning individual churches are not made in isolation from other churches, the Board is responsible for developing a district strategy for church location and new church development.

## *RESOURCES*

The Book of Discipline of The United Methodist Church 2016 (Chapter 6 Church Property ¶2501-2552).

## *MEMBERSHIP*

The Board consists of the District Superintendent and a minimum of six and a maximum of nine additional persons nominated by the District Superintendent in consultation with the District Nominating Committee, if one exists, and elected annually by the annual conference, provided that in a district of great geographical extent an additional board may be elected.

It is recommended that the membership include one-third clergy, one-third laymen, one-third laywomen and, where possible, should be inclusive of gender, race, age, and people with disabilities. The members must be professing members of The United Methodist Church.

Members of the Board, excluding the District Superintendent, are divided into three classes.

One-third are elected annually for a three-year term.

A chairperson and a secretary are elected annually at the first meeting following annual conference.





# OVERVIEW

## *continued*

### *DECISIONS*

The decisions of the Board have legal authority; therefore, accurate minutes of the meetings must be recorded and archived.

The Board investigates and determines that building sites are properly located for the community to be served and adequate in size for future expansion and parking facilities.

The Board is responsible for developing strategies for changing neighborhoods.

The Board files a written report communicating its decision(s) to the appropriate Charge Conference and District Conference or District Superintendent. In addition, it is often helpful for a member of the Board to meet with and interpret the Board's actions to the local church Building Committee.

The Board's decisions terminate after one year if the local church has taken no action to carry out those decisions.

The local church has a right of appeal to the annual conference to challenge the conclusions of the Board.

The Board determines if facilities are designed to be energy efficient and handicapped accessible.

The Board reviews proposals to ensure they are feasible and financially sound.

### *OTHER CONSIDERATIONS*

Local churches should bring the following information to their meeting with the Board: Study Committee report to their Charge Conference; proof of proper 10-day notice sent to Charge Conference; minutes of the Charge/Church Conference showing the vote count, along with written consent from the Pastor and District Superintendent.

In accordance with the "25% rule," the Board must approve any remodeling of a parsonage or church building only if remodeling exceeds 25% of the value of that building.

In most cases, a local church will need to meet with the Board three times during the building or remodeling process.

When a church remodels or adds a new building, will local building codes require all other buildings (or parts of those buildings) be brought up to current building codes? Include parsonage in these considerations.

Each annual conference may have certain standards which govern such things as parsonages and similar structures.

Sale of church property to another United Methodist church or other denomination.

Suggested space needs for different age levels and rooms.



# REVIEW REQUIREMENTS

## CHURCHES

The 2016 Book of Discipline of the United Methodist Church outlines the planning and financing requirements for local church building, if the church desires to build, purchase or remodel a church, educational building or parsonage. The following is a summary of those requirements. Information in the shaded boxes includes additional suggestions from TMF.

### RESPONSIBILITY

### TASK

Local Church

Establish a study committee.

Study Committee

Possible approach to gather information and build consensus:

- Congregational survey
- Interview staff and leaders
- Meet with program groups

Analyze the needs of the church and community.

Project potential membership with attendance. Write the church's program of ministry (§§ 201-204).

Develop an accessibility plan, including chancel areas.

This information will form the basis of the report to be presented to the charge conference (§2544.4) and to be used by the building committee (§2544.5). The study committee's findings become part of the report to the District Board of Church Location and Building (§§2544.6, 2521.1).

Local Church

Secure the written consent of the pastor and the district superintendent.

Submit the data to the District Board of Church Location and Building (§§ 2544.6, 2521.1).

*RESPONSIBILITY*

*TASK*

District Committee of Church  
Location and Building

Review and approve

Charge Conference

Authorize the project and elect a building committee of no less than three members (§2544.4(a)).

Building Committee

Possible approach to gather information and build consensus:

- Town hall meetings
- Individual dialogue with leaders
- Church-wide mailing



Estimate the facilities needed.

Determine the cost of properties to be obtained. Develop preliminary architectural plans.

Ensure that all newly constructed or purchased buildings and parsonages contain ground level handicapped accessible facilities.

Estimate construction costs.

Develop a financial plan for the total costs including cash, pledges and borrowed amounts.

Submit a statement for the need of the proposed facilities, architectural plans and financial estimates and plans to the district board of church location and building (§2544.6).

Local Church

Conduct Capital Campaign

District Committee of Church  
Location and Building

Review and approve preliminary data from the church (§2544.6).

Senior Pastor

With written approval of the district superintendent, call a church conference to recommend the project, including all preliminary data.

Church Conference

Review and approve preliminary data from the building committee (§2544.7).

Building Committee

After approval of the preliminary data, obtain detailed plans and estimates of costs and submit them to the charge conference and the District Board of Church Location and Building (§2544.8).



# REVIEW REQUIREMENTS

## *CHURCHES*

### *RESPONSIBILITY*

### *TASK*

Charge Conference

Review and approve final data (§2544.8).

District Committee of Church  
Location and Building

Review and approve final data (§§2544.8, 2521.2).

Local Church

Obtain a fee simple title to the property.

Submit formal loan application (if needed).

Shall not enter into a contract or use any volunteer labor that would incur any financial obligation until there is cash on hand, pledges payable during the construction period, or a loan (or written commitment for a loan).

No trustee or church member can be required to personally guarantee any loan made to an agency of The United Methodist Church.

Recommend that contractor be properly bonded.



# INITIAL planning

## THREE PLANS FOR CHURCHES

To ensure a successful building project, we recommend that you clearly outline three plans. Your plan for the vision and ministry of your church must be completed first. This is the most critical plan because it establishes what you ultimately want to accomplish. The facilities plan prescribes an environment conducive to fulfilling your vision. Once these plans are in place, a financial plan, may be assembled. The financial plan is ineffective unless the other two plans are well-defined and supported.

1

### VISION AND MINISTRY PLAN

*Develop a mission statement.*

- Define your community.
- What are the needs of your community?
- What are your ministerial objectives?

2

### FACILITIES PLAN

*Before meeting with an architect, make the following determinations:*

- What kind of environment will you need to fulfill your ministerial objectives?
- Which facilities are most needed?
- What is your timeline?
- Will planned facilities accommodate future growth?
- Will your future growth support the planned facilities?

3

### FINANCIAL PLAN

*The answers to these questions are critical when planning how to fund your project:*

- Are cash funds available to apply toward the project?
- If you will have to finance part of the project, how will you manage the debt and set a safe debt limit?
- Do you have plans for an annual or capital stewardship program?
- Has your church considered the establishment of a permanent endowment fund to go towards maintenance of the building?

A woman in a striped dress is seen from behind, operating a drone in a large, open-plan church under construction. The interior is filled with steel beams and structural elements. The scene is overlaid with a dark blue tint.

# CRITICAL QUESTIONS

## CHURCHES

It is always less expensive for a church to pay cash for a capital project. However, a church might consider borrowing when its vision and ministry depend on a capital project that cannot be paid for in cash, and it can generate enough income to service the debt and not create shortfalls or hardships on the other obligations of the church. Almost every church we encounter conducts a capital campaign for major projects. A capital campaign is an organized effort to raise funds over and above the operating budget. This money can be used to pay for construction costs and principal and interest for the term of the campaign. During this time the operating budget should be able to grow enough to make the monthly loan payments and cover apportionments, maintenance, programming, staff and other needs.

*question:*

Should we consider a capital campaign?

*question:*

Should we hire a consultant?

WHAT WE HAVE OBSERVED:

*collect*  
**85%**

Churches using an outside consultant will collect 85% of their pledges.

*timeframe*  
**2-5**

Churches using an outside consultant take between 2 and 5 months of preparation time for a capital campaign.

*raise*  
**2X**

Churches using an outside consultant can expect to raise 2X more in commitments than if they used a self-led campaign.

## SEARCH

You should interview as many consultants as possible to find the right match (see consultant interview sheet) for your church. Contact your TMF Area Representative for additional information on capital campaigns.





# MAKING CHOICES

## *CONSULTANT INTERVIEW QUESTIONS:*

**Who is the on-site consultant responsible for this campaign?**

**How many years of experience does the consulting company have? How many years of experience does the consultant have?** (Number of campaigns in United Methodist Churches / Number of campaigns in similar sized churches / What were the last three campaigns the consultant conducted and their outcomes?)

**Will there be one person conducting this campaign?** Will this person conduct other campaigns at the same time? How much time will the consultant actually spend on-site?

**How much time will this campaign take and what is the best time of the year for our campaign?**

**Will church members be used in the campaign? If so, how many? How will they be used?**

**How will the campaign be developed to meet the distinctive needs of our congregation?** How will the consultant work with the congregation in preparing for an effective campaign and setting goals?

**What kind of follow-up is provided?**

**What are the fees and how are they paid? What are the other costs associated with this campaign?**

**How will the consultant lead the congregation in understanding Christian stewardship and giving, specifically in the United Methodist Wesleyan tradition?**

# CAPITAL CAMPAIGN

## consultant list

\*TMF will not endorse any specific firm, but offers this list as a service.

***HORIZONS STEWARDSHIP COMPANY***

P.O. Box 627

Cabot, AR 72023 | 501-843-9448 or 888-298-2020

[www.horizonsstewardship.com](http://www.horizonsstewardship.com)

***SRD GROUP***

4224 Main St.

Dallas, TX 75226 | 214-537-8618

[www.thesrdgroup.com](http://www.thesrdgroup.com)

***CARGILL & ASSOCIATES***

4701 Alta Mesa

Fort Worth, TX 76133 | 817-292-9374 or 800-433-2233

[www.cargillassociates.com](http://www.cargillassociates.com)

***CCS FUNDRAISING***

5050 Quorum Drive Suite 700

Dallas, TX 75254 | 214-799-8555

[www.ccsfundraising.com](http://www.ccsfundraising.com)



# FINANCIAL PLANNING

## *FINANCES*

When a church is considering a building project, financial issues are at the forefront of the decision making process. Sometimes it is difficult to know if the right questions are being asked, much less whether you are coming up with the correct answers. Dealing with these issues can be made easier if you have a solid financial plan and a quality lender.

The challenge is to find a lender who offers the services you need at competitive rates. Additionally, you want a lender who understands what you do, knows the community you serve and recognizes the importance of your work. At TMF, we offer our constituents a full range of financial services including loans. Whether we serve as your lender or just offer guidance on your building project, you can be assured that we

are deeply committed to helping your church fulfill its mission.

In working with your church to develop a financial plan that will support a loan and still fund the many ministries to which you are already committed, we become partners. Your mission and ministries, your history and current status, your vision for the future - are critical to consider when outlining a financial plan for your church's future. We can help you assemble a complete picture of the financial obligations and possibilities for your church. Over the years, we have worked with churches of all sizes, ages, demographic makeup and financial conditions. This experience combined with an opportunity to get to know what is unique about your church helps us custom tailor a financial plan that matches your needs and objectives.





# CONSIDER:

## GROWTH EXPECTATIONS

### *FINANCES*

We see active, growing churches increase their operating income an average of up to three percent a year. Occasionally, we see a church grow at a greater rate but very seldom is this growth maintained on a year-to-year basis. For loan approval purposes, we use a realistic growth projection customized for each church in our Cash Flow Model (found on page 19-21) to project future growth.

Churches often think that overall growth in membership will automatically increase the operating income. However, it has been our experience that the strongest correlation to increased operating income is attendance in small group participation and active mission outreach programs.



# MOVING?

LOOK AT PROPERTY VALUES

## *FINANCES*

If your church is relocating, you may be counting on defraying the cost of the move by selling the current site. Before you estimate your profits, understand that selling church property can be difficult and the market value of your property may be much lower than you anticipate. Be willing to take an objective look at your property value and consult a real estate broker if necessary.

From experience, we know that selling existing church property is an emotional and stressful process. Therefore, TMF has put several safeguards in place to protect you from frustration. We do not loan money to the potential buyer of your old site. Nor do we lend money based on a note receivable you take from a buyer. Our decision on your loan will not be based on the future sale of the old site to pay down on a new loan.





# REALISTIC BORROWING:

## DETERMINING SAFE DEBT LEVELS

### FINANCES

While these guidelines help you calculate the absolute maximum amount your church should borrow, this does not mean you should borrow the maximum. It is in the best interest of the church to consider many factors before determining the amount of debt that is safe, including:

- Current budget items
- Available cash future growth
- Capital campaign pledges
- Amount of debt service available in the budget (loan payment)

TMF has developed a **Cash Flow Model** (page 19-21) to help churches analyze their proposed project and their ability to pay for the associated expenses. Using this model, **the remaining loan balance should be equal to or less than the amount that the church's operating budget can service, after the completion of the capital campaign.**

To illustrate this model, an example of a Cash Flow Model is attached, using the following assumptions:

Operating Budget	\$625,000
Estimated Project	\$1,793,000
Cash for Project	\$125,000
Budget Growth	Year One – 2% Year Two – 3% Year Three – 2%
Outstanding Debt	\$88,275
Annual Debt Service	\$60,000
Capital Campaign (3-year)	\$937,500



# CASH FLOW model

## FINANCES

The Cash Flow Model has three sections:

- Current financial position and estimates on campaign pledges and collection of those pledges
- Growth and interest rate assumptions
- Budget growth projections and growth in debt service

The first section uses numbers provided by the church for budget, existing debt, annual debt service and cash on hand that can specifically be used for the upcoming project. This section will also contain either an amount that was pledged on the capital campaign or an assumption for a future campaign. This model assumes that the church is raising 1.5 times the current budget for the campaign and that the campaign is collected at 85%. This section also contains the estimated cost of the new project.

The second section contains the interest rate, growth and debt allocation assumptions. In this model, the assumption is an interest rate of 5.00% with an annual increase in the operating budget of 2% for the first year, 3% for the year after construction is complete and 2% again for the third year. The assumption section for this model also reflects the “set-a-side” from each year’s growth to specifically increase debt service. In this model, it is assumed that 20% of each year’s growth will be used to increase debt service.

The last section is a projection of growth based on the assumptions listed above. The projections reflect growth in the budget (\$625,000 to \$643,750 is a 2% increase, \$643,750 to \$675,938 is a 3% increase and

\$656,625 to \$669,758 is a 2% increase) each year the campaign is being collected. The debt service within the operating budget is increased by 20% of each year’s growth (\$637,500 - \$625,000 = \$12,500. 20% of \$12,500 = \$2,500 and \$60,000 + \$2,500 = \$62,500 for 2020) and continues annually during the campaign so that debt service is increased from \$66,325 in 2021 to \$68,952 in 2022.

The second page shows a month-by-month cash flow of the project. This page will account for all the cash inflows and outflows of the project. This section also reflects cash on hand, existing debt, interest that is paid as well as the collection of the capital campaign. The main focus is the estimated remaining loan amount balance (lower right hand number on page 21).

The purpose of this model is to compare the estimated remaining loan balance and the amount of annual debt service that will be gradually built into an operating budget over a three-year period. While this model will help determine if a project is feasible, the factors that have been included in the model must be evaluated. Many assumptions and projections affect the model – project size, capital campaign size, growth rate of budget, interest rate, collection of campaign, etc. The reasonableness of each one of the assumptions must be reviewed and discussed to properly evaluate the project the church has proposed. Overly aggressive assumptions will result in an excessive loan balance or will require the church to build debt service at a rate that will jeopardize existing missions and ministries.

# CASH FLOW model

## FINANCES

Financial Information and Projections for Example United Methodist Church as of 1/15/2018. This model solves for total maximum project amount with a 3-year capital stewardship program of 1.5x the 2018 annual income.

### FINANCIAL INFORMATION (projected for 2019) 2018 Annual Income

<b>Annual income</b>	\$625,000	
<b>Annual debt service in operating budget</b>	\$60,000	9.60%
<b>Cash on hand specifically for this project</b>	\$125,000	
<b>Capital Stewardship Program (May 2019 - April 2022)</b>	\$937,500	1.50
(Collected at 85%)	\$796,875	
<b>Total project cost*</b> (August 2019 - July 2020)	\$1,793,000	
(*Total project includes all costs associated with the project - architect/engineering fees, construction contract, landscaping, furnishings, contingency, change orders, etc.)		
<b>Existing debt</b> (Parsonage loan balance as of 1/15/2019)	\$88,275	

### ASSUMPTIONS

<b>If the interest rate is</b> Wall Street Journal Prime @ 1/15/2019 = 5.50%	5.00%	
<b>and the operating income grows</b> (Growth projections for planning purposes only.)	2.00%	1st Year - 2020
	3.00%	2nd Year - 2021
	2.00%	3rd Year - 2022
<b>and you set aside ____% of the new money for debt service.</b>	20.00%	

### GROWTH PROJECTIONS

<b>2020 Operating Income \$637,500 with Debt Service of \$62,500</b>	9.80%	
<b>2021 Operating Income \$656,625 with Debt Service of \$66,325</b>	10.10%	
<b>2022 Operating Income \$669,758 with Debt Service of \$68,952</b>	10.29%	
<b>Which will support a loan in the amount of</b>	\$870,658	*(A) 1.30
<b>The remaining loan balance is projected to be</b>	\$870,532	*(B) 1.30
<b>Which requires debt service of</b>	\$68,942	10.29%
		(20 year amortization)

\*Look at (A) and (B). IF (A) is equal to or greater than (B), this means that the budget can support the remaining debt without additional capital stewardship programs. IF (A) is less than (B), these figures indicate the operating budget cannot support the remaining debt on its own.

If all of these figures are accurate, the operating budget can afford a total project of	\$1,793,000	
The highest loan balance will occur at the end of the construction phase	\$1,307,673	July 20
Estimated new funding amount	\$1,307,673	

This is not a commitment for a loan. All rates, terms and other assumptions are for discussion purposes only. Final rate and terms will be outlined after loan committee approval and issuance of commitment letter.

# CASH FLOW *model*

## FINANCES

Month	+ Cash	+ Pledges	+ Service	= Total	- Payment	= Reduction	- Draws	= Loan Amt
Jan-19	\$125,000	\$0	\$5,000	\$130,000	\$368	\$129,632	\$88,275	\$0
Feb-19	\$41,357	\$0	\$5,000	\$46,357	\$0	\$46,357	\$0	\$0
Mar-19	\$46,357	\$0	\$5,000	\$51,357	\$0	\$51,357	\$0	\$0
Apr-19	\$51,357	\$0	\$5,000	\$56,357	\$0	\$56,357	\$0	\$0
May-19	\$56,357	\$26,563	\$5,000	\$87,920	\$0	\$87,920	\$0	\$0
Jun-19	\$87,920	\$26,563	\$5,000	\$119,482	\$0	\$119,482	\$0	\$0
Jul-19	\$119,482	\$26,563	\$5,000	\$151,045	\$0	\$151,045	\$0	\$0
Aug-19	\$151,045	\$26,563	\$5,000	\$182,607	\$0	\$182,607	\$149,417	\$0
Sep-19	\$33,191	\$26,563	\$5,000	\$64,753	\$0	\$64,753	\$149,417	\$84,664
Oct-19	\$0	\$26,563	\$5,000	\$31,563	\$353	\$31,210	\$149,417	\$202,871
Nov-19	\$0	\$26,563	\$5,000	\$31,563	\$845	\$30,717	\$149,417	\$321,871
Dec-19	\$0	\$26,563	\$5,000	\$31,563	\$1,340	\$30,223	\$149,417	\$440,764
Jan-20	\$0	\$26,563	\$5,208	\$31,771	\$1,837	\$29,934	\$149,417	\$560,227
Feb-20	\$0	\$26,563	\$5,208	\$31,771	\$2,334	\$29,436	\$149,417	\$680,227
Mar-20	\$0	\$26,563	\$5,208	\$31,771	\$2,834	\$28,937	\$149,417	\$800,707
Apr-20	\$0	\$26,563	\$5,208	\$31,771	\$3,336	\$28,435	\$149,417	\$921,689
May-20	\$0	\$26,563	\$5,208	\$25,130	\$3,840	\$21,290	\$149,417	\$1,049,816
Jun-20	\$0	\$26,563	\$5,208	\$25,130	\$4,374	\$20,756	\$149,417	\$1,178,476
Jul-20	\$0	\$26,563	\$5,208	\$25,130	\$4,910	\$20,220	\$149,417	\$1,307,673
Aug-20	\$0	\$26,563	\$5,208	\$25,130	\$5,449	\$19,682	\$0	\$1,287,992
Sep-20	\$0	\$26,563	\$5,208	\$25,130	\$5,367	\$19,764	\$0	\$1,268,228
Oct-20	\$0	\$26,563	\$5,208	\$25,130	\$5,284	\$19,846	\$0	\$1,248,382
Nov-20	\$0	\$26,563	\$5,208	\$25,130	\$5,202	\$19,929	\$0	\$1,228,453
Dec-20	\$0	\$26,563	\$5,208	\$25,130	\$5,119	\$20,012	\$0	\$1,208,442
Jan-21	\$0	\$26,563	\$5,527	\$25,449	\$5,035	\$20,414	\$0	\$1,188,028
Feb-21	\$0	\$26,563	\$5,527	\$25,449	\$4,950	\$20,499	\$0	\$1,167,529
Mar-21	\$0	\$26,563	\$5,527	\$25,449	\$4,865	\$20,584	\$0	\$1,146,945
Apr-21	\$0	\$26,563	\$5,527	\$25,449	\$4,779	\$20,670	\$0	\$1,126,275
May-21	\$0	\$26,563	\$5,527	\$25,449	\$4,693	\$20,756	\$0	\$1,105,519
Jun-21	\$0	\$26,563	\$5,527	\$25,449	\$4,606	\$20,843	\$0	\$1,084,676
Jul-21	\$0	\$26,563	\$5,527	\$25,449	\$4,519	\$20,929	\$0	\$1,063,747
Aug-21	\$0	\$26,563	\$5,527	\$25,449	\$4,432	\$21,017	\$0	\$1,042,730
Sep-21	\$0	\$26,563	\$5,527	\$25,449	\$4,345	\$21,104	\$0	\$1,021,626
Oct-21	\$0	\$26,563	\$5,527	\$25,449	\$4,257	\$21,192	\$0	\$1,000,434
Nov-21	\$0	\$26,563	\$5,527	\$25,449	\$4,168	\$21,280	\$0	\$979,153
Dec-21	\$0	\$26,563	\$5,527	\$25,449	\$4,080	\$21,369	\$0	\$957,784
Jan-22	\$0	\$26,563	\$5,746	\$25,668	\$3,991	\$21,677	\$0	\$936,107
Feb-22	\$0	\$26,563	\$5,746	\$25,668	\$3,900	\$21,767	\$0	\$914,339
Mar-22	\$0	\$26,563	\$5,746	\$25,668	\$3,810	\$21,858	\$0	\$892,481
Apr-22	\$0	\$26,563	\$5,746	\$25,668	\$3,719	\$21,949	\$0	\$870,532
		<b>\$796,875</b>	<b>\$211,809</b>		<b>\$122,941</b>		<b>\$1,881,275</b>	





# TOTAL PROJECT COST

## FINANCES

### Calculating Total Project Cost

Most often, there are expenses relating to a project that are not included in the construction contract. This checklist will help identify and estimate other costs related to the construction.

Construction Contract:	<input type="text"/>
Architect/Engineering Fees:	<input type="text"/>
Landscaping:	<input type="text"/>
Audio/Visual:	<input type="text"/>
Furniture and Equipment:	<input type="text"/>
Contingency Fund:	<input type="text"/>
Total Project Cost:	<input type="text"/>



# BUILDINGS AND MINISTRY

## *BUILDING*

Sharing Our Knowledge. As a minister or layperson directing a building project, you may not have anticipated wearing so many hats. Financial officer, construction captain, mediator and interior designer are just a few of the roles you play. Certainly, your education prepared you to wear some of these hats, experience has prepared you for others, but sometimes you may feel like you are expected to be an expert on everything. We work with numerous

churches every year and can guide you through your projects. One of the ways we can serve you is to share our knowledge. We understand that buildings are an integral part of your ministry. They provide the environment in which you teach, serve your community, minister and worship. If we can help you complete your construction project efficiently, within budget and to specification, then we have done our job.





# INTERIM CONSTRUCTION LOANS

## *BUILDING*

**Pay As You Build.** During the construction phase of a project, the church will need to pay for the work as it is done. A construction loan is set up so that loan proceeds can be drawn on an as needed basis. During the construction phase, the church pays interest only on the amount drawn.

- If you choose to do the interim loan with us, there will be only one closing and one set of closing documents and costs.
- Like most lenders, we require a qualified inspector to verify each draw request.
- To ensure that your project will be completed within budget, on time and according to contract specifications, we require a fixed price construction contract and a contractor who provides Builder's Risk Insurance, General Liability Insurance, and Worker's Compensation Insurance. Payment and Performance Bonds are recommended by TMF and The Book of Discipline.
- You must maintain a retainage account of 10 percent that will be held until the construction project is complete and all documentation is finalized.
- If we fund the interim construction loan, it is imperative that you do not begin any construction prior to receiving a WRITTEN NOTICE TO PROCEED from TMF.





## *BUILDING*

There are other costs associated with building that you must consider, such as:

- Architect Fees
- Engineering Fees
- Closing Costs
- Change Orders
- As Built Survey
- Capital Campaign
- Payment and Performance Bonds
- Permits
- Zoning Changes
- Inspections
- Interest on Loans
- Builder's Risk and Liability Insurance
- Worker's Compensation
- Maintenance Costs
- Staff Needs
- Utilities
- Contingency Amount
- Furnishings
- Landscaping Signs
- Environmental Study Costs

**CONSIDER:**  
ALL THE COSTS

# TIME considerations

## BUILDING

Estimated Timeline for a Building Project (months prior to beginning construction)

36 to 24	<ul style="list-style-type: none"> <li>Establish study committee</li> </ul>
18 to 16	<ul style="list-style-type: none"> <li>Submit study committee's findings to district committee on church location and building</li> <li>Hold charge conference to approve project and to elect building committee</li> <li>Prioritize and list the needs of the church</li> <li>Determine the estimated safe debt limit for the church</li> </ul>
15 to 14	<ul style="list-style-type: none"> <li>Interview and hire an architect for preliminary drawings</li> <li>Interview and consult with a contractor</li> </ul>
14 to 13	<ul style="list-style-type: none"> <li>Submit building committee's findings to district committee on church location and building</li> <li>Conduct Church Conference to approve project (preliminary data)</li> </ul>
13 to 12	<ul style="list-style-type: none"> <li>Interview and select capital campaign consultants</li> </ul>
12 to 10	<ul style="list-style-type: none"> <li>Begin capital campaign drive</li> <li>Reconfirm safe debt limit</li> </ul>
10 to 6	<ul style="list-style-type: none"> <li>Architect to work within the guidelines of the church concerning needs and financial ability. Obtain final plans</li> <li>Interview contractors (before getting bids)</li> <li>Obtain preliminary bids</li> </ul>
6 to 5	<ul style="list-style-type: none"> <li>Conduct charge conference to approve project (detailed data)</li> <li>Submit detailed financial and architectural plans to District Committee on Church Location and Building and receive approvals</li> </ul>
5 to 4	<ul style="list-style-type: none"> <li>Submit formal loan applications</li> </ul>
4 to 3	<ul style="list-style-type: none"> <li>Obtain firm bids and select contractor</li> <li>Construction phase begins</li> </ul>

(Some of these may overlap)





## *BUILDING*

Which facilities should we build first?

We have observed that new and relocating churches have less financial difficulty when they build in the following order:

### 1. Multi-purpose space

- large open area
- kitchen
- classrooms/office area
- is often converted to fellowship/youth space at a later date

### 2. Education space

### 3. Additional education/office space

### 4. Sanctuary





# MAKING CHOICES

## *ARCHITECT INTERVIEW QUESTIONS:*

**Who is the contact person responsible for this job?**

**What is your level of experience?**

**List the last three building projects you designed that were actually constructed.** Were they completed at or under the estimated project cost? If not, why?

**How much time do you spend on a project during construction?** What do you do when you are there?

**What is your experience with local building codes, zoning requirements, city, county and other restrictions or ordinances in this community?**

**What is your fee?** What is the schedule for payment?

**If your design is over budget, what are your remedies?**

**Will you provide detailed plans and specifications?**

**List at least three references.**



# MAKING CHOICES

## *CONTRACTOR INTERVIEW QUESTIONS:*

**Who is the contact person responsible for this job?** What is their level of experience? Will they have other jobs going on at the same time? If so, how much time will they spend on this project?

**List the last three building projects you constructed.** Were they completed at or under the estimated project cost? If not, why? Were they completed on time? If not, why?

**Have you built any United Methodist Churches?** Please list them.

**What is your experience with local building codes, zoning requirements, city, county and other restrictions or ordinances in this community?**

**Can you provide payment and performance bonds?**

**What is your construction fee?**

**Can you construct this project with 10% retainage?**

**Who will be the on-site superintendent?** Discuss the superintendents' experience.

**List at least three references.**





# OUR LOANS

## LOANS

**Overview.** Any church, hospital, college or other entity affiliated with The United Methodist Church in Texas and New Mexico is eligible to borrow money from us or can seek our financial guidance. Whether we work with you in an advisory role, or as your primary lender, our goal remains the same: to provide the services you need to see your project through.

By discussing your project with our helpful, knowledgeable staff, you will see it in a clearer light, uncover a wider range of options and enjoy a more streamlined progression of your loan and its resulting projects.

### **Types of loans offered by TMF:**

*Construction Loans*

*Permanent Mortgage Loans (for buildings, parsonages, or land)*

*Fund Secured Loans*





# HOW OUR LOANS ARE POSSIBLE

## *LOANS*

TMF Loans are processed through The Loan Fund, a competitively priced fund designed specifically to support United Methodist Churches and congregations through the investments of churches, agencies and institutions that share TMF's mission of making a positive impact on the lives of people in a congregation, in our community, and throughout the world.

Our investment options:

- Offer returns consistently higher than bank CD and money market rates
- Provide loans to United Methodist Churches to spread the hope of Christ to more and more people
- Connect resources from faithful investors to the needs of United Methodist Churches
- Are protected by strict underwriting and lending policies

For more information about TMF investments contact Sara Beltran at (800) 933-5502 / [sbeltran@texasmethodisfoundation.org](mailto:sbeltran@texasmethodisfoundation.org).



MATTHEW 3:16

so now; for thus it is fitting for us to fulfil all righteousness." Then he consented. <sup>16</sup> And when Jesus was baptized, he went up immediately from the water, and behold, the heavens were opened, and he saw the Spirit of God descending like a dove, and lighting on him; and a voice came from heaven, saying, "This is my beloved Son, with whom I am well pleased." show wor said if's

# FINALIZING:

## THE CLOSING PROCESS

### LOANS

There is no specific down payment requirement for TMF loans. This will be determined based on your safe debt limit, available cash and the total cost of the project.

Our loan policy requires that we place a first lien on the property of the church.

We will prepare standard, approved real estate documents with additional provisions that reflect requirements from The Book of Discipline. These include a note, deed of trust/mortgage, title policy, survey, construction loan agreement, Certificate of Resolution and other documents depending on the type of loan.

A TMF staff member will be assigned to your closing as the Loan Closer. This person will prepare the loan documents and coordinate the closing process.



# CLOSING COSTS

## LOANS

### Estimating Closing Costs

The borrower will pay all costs of closing a loan. Examples of these costs may include title policies, lien searches, legal fees, surveys, environmental surveys, recording fees, tax certificates, escrow fees, etc.

Title Policy/Lien Search:	\$ _____
Survey:	\$ _____
Environmental:	\$ _____
Legal/Doc Prep Fees:	\$ _____
Filing Fees:	\$ _____
Flood Determination Fee:	\$ _____
Wire Fee:	\$ _____
Total:	\$ _____



# SURVEY REQUIREMENTS

## RESOURCES

- [1] The survey must be prepared by a registered/licensed professional land surveyor acceptable to the Title Company.
- [2] Be a “Land Title Survey” prepared in accordance with the standards and specifications set forth by the state. Survey must include the following:
  - The date that the survey was performed on the ground
  - Surveyor’s seal
  - Surveyor’s signature
  - North arrow indicator
  - Certification language (see below)
  - Calls (bearings and distances) around the perimeter of both “record” and “on the ground”
  - Street address
  - All improvements must be shown
  - Legal description of the property
- [3] All items required as provided above will be sufficient to permit the title company to delete the “survey exception” from the title policy to the extent permitted by the rules of the State Board of Insurance.
- [4] Also, a statement on the survey should reflect the area within the property (if any) that has been designated by the Federal Insurance Administration, the Army Corps of Engineers or the Federal Emergency Management Agency Flood Insurance Rate Map or any other governmental agency or body as being subject to special or increased flood hazards that lies in Zone X (that determines if the property lies within the 100-year flood plain).
- [5] The survey must have original signature and seal of surveyor and be acceptable to Title Company sufficient to delete the survey exception in the Title Policy.

### **Certification Clause:**

“The undersigned does hereby certify that this survey was this day made on the ground of the property legally described hereon and is correct and that there are no visible: discrepancies, deed line conflicts, encroachments, overlapping of improvement, visible utility easements or roadways, except as shown hereon and that said property has frontage on a public roadway, except as shown hereon.”

# SAMPLE APPROVAL

## OF PASTOR & DISTRICT SUPERINTENDENT

### *RESOURCES*

#### **APPROVAL AS REQUIRED BY THE 2016 BOOK OF DISCIPLINE OF THE UNITED METHODIST CHURCH (Paragraph 2544)**

We, the Pastor and the District Superintendent, do hereby endorse the report of the Study Committee of the \_\_\_\_\_ United Methodist Church. The Study Committee is authorized to present its findings to the Charge Conference for further action in accordance with the 2016 Book of Discipline of The United Methodist Church.

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Date

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Pastor

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Date

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District Superintendent

# SAMPLE APPROVAL

## OF SITE BY DISTRICT BOARD OF CHURCH LOCATION & BUILDING

### *RESOURCES*

#### **APPROVAL AS REQUIRED BY THE 2016 BOOK OF DISCIPLINE OF THE UNITED METHODIST CHURCH (Paragraph 2544)**

This is to certify that the District Board of Church Location and Building of the  
\_\_\_\_\_ District has studied the proposed site  
for the building project for the  
\_\_\_\_\_ United Methodist Church and hereby gives its  
approval.

\_\_\_\_\_

Date

\_\_\_\_\_

Date

\_\_\_\_\_

Secretary

\_\_\_\_\_

District Superintendent



# SAMPLE CHARGE CONFERENCE RESOLUTION

## *RESOURCES*

### **APPROVAL AS REQUIRED BY THE 2016 BOOK OF DISCIPLINE OF THE UNITED METHODIST CHURCH (Paragraph 2544)**

BE IT RESOLVED by the Charge Conference of \_\_\_\_\_  
UNITED METHODIST CHURCH (the "Church") that the Church has reviewed the analysis of the needs of the church and community, the projections of membership and attendance, and the program of ministry as prepared and presented by the Study Committee; and based upon these reports does authorize the proposed

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and shall elect the following members to serve on the building committee (no less than three):

_____	_____
_____	_____
_____	_____

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

# SAMPLE APPROVAL

## OF NEEDS, ARCHITECTURAL PLANS, FINANCIAL ESTIMATES & PLANS BY DISTRICT BOARD OF CHURCH LOCATION & BUILDING

### *RESOURCES*

#### **APPROVAL AS REQUIRED BY THE 2016 BOOK OF DISCIPLINE OF THE UNITED METHODIST CHURCH (Paragraph 2544)**

This is to certify that the District Board of Church Location and Building of the \_\_\_\_\_  
\_\_\_\_\_ District has studied the need for the proposed project for the  
\_\_\_\_\_ United Methodist Church and has approved the architectural  
plans and financial estimates and plans, and hereby gives its approval.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
District Superintendent

# SAMPLE CHARGE CONFERENCE RESOLUTION

## *RESOURCES*

BE IT RESOLVED by the Charge Conference of \_\_\_\_\_ UNITED METHODIST CHURCH (the "Church") that the Church borrow from TMF, a TEXAS non-profit corporation, or from such other lender as the Board of Trustees of the Church may determine, up to the sum of \$ \_\_\_\_\_, secured by a lien against the real property described on Exhibit "A" attached hereto, for the purpose of \_\_\_\_\_

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BE IT FURTHER RESOLVED that the officers of the Board of Trustees are authorized to negotiate the terms and conditions of such loan and mortgage on behalf of the Church; that any two officers of the Board of Trustees are authorized and directed to take such actions and execute and deliver such instruments or documents related to such loan and mortgage as they in their discretion deem necessary or appropriate, including, but not limited to, the execution and delivery of one or more promissory notes, deeds of trust, security agreements, financing statements, commitment letters, loan agreements, closing statements, affidavits, certificates and other agreements; and that the actions so taken and the instruments and documents so executed and delivered are hereby ratified and approved as the binding act and deed of the Church;

BE IT FURTHER RESOLVED that any two officers of the Board of Trustees of the Church are authorized to take such actions and execute and deliver such instruments and documents as they in their discretion deem necessary or appropriate to renew, extend, rearrange, modify, amend or otherwise change the terms of the loan or mortgage without further action of the Charge Conference, Administrative Board or Board of Trustees of the Church, including, but not limited to, the execution and delivery of one or more renewals, extensions, modification agreements, and new notes, deeds of trust and security agreements; and that the actions so taken and the instruments and documents so executed and delivered are hereby ratified and approved as the binding act and deed of the Church; and

BE IT FURTHER RESOLVED that the loan and mortgage and all actions taken or to be taken in connection with the loan and mortgage by or on behalf of the Church have been, and hereby are, approved and confirmed as required by The Book of Discipline of The United Methodist Church now in effect.

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Chairperson

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Secretary



# SAMPLE APPROVAL

OF DETAILED PLANS AND SPECIFICATIONS, RELIABLE AND DETAILED ESTIMATE OF COSTS, AND A PLAN FOR FINANCING BY DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

## *RESOURCES*

### **APPROVAL AS REQUIRED BY THE 2016 BOOK OF DISCIPLINE OF THE UNITED METHODIST CHURCH (Paragraph 2544)**

This is to certify that the District Board of Church Location and Building of the \_\_\_\_\_ District has studied the detailed architectural plans and specifications, the detailed estimates of cost, and the financial plan for the proposed \_\_\_\_\_ United Methodist Church and has approved the architectural plans and financial estimates and plans, and hereby gives its approval.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

\_\_\_\_\_  
District Superintendent

# CHURCH CHECKLIST

## RESOURCES

**1. The church must provide TMF with the following prior to signing loan documents and loan closing:**

Required	Received	
_____	_____	Return signed commitment letter
_____	_____	Legal description of collateral
_____	_____	Signed copy of Charge/Church Conference minutes approving this loan and lien on the property
_____	_____	Signed copy of District Board on Church Location & Building minutes
_____	_____	Copy of Articles of Incorporation
_____	_____	Proof of worker's compensation insurance for the church
_____	_____	Acceptable survey
_____	_____	Plans and specifications
_____	_____	Contractor's qualification statement for approval by TMF (AIA)
_____	_____	Name of company issuing payment and performance bond (surety co.) to be approved by TMF
_____	_____	Unsigned copy of completed construction contract to be approved by TMF (AIA)
_____	_____	Environmental site assessment
_____	_____	Appraisal
_____	_____	Itemized budget of total project cost vs. qualifying Cash Flow Model
_____	_____	Church construction funds at TMF (based on Cash Flow Model)
_____	_____	Signed Participation Agreement and Investment Management Agreement (TMF will provide the forms to the church)
_____	_____	Signed Building Account Withdrawal Agreement (TMF will provide)
_____	_____	Inspector (approved by TMF)
_____	_____	Church construction representative liaison
_____	_____	Detailed report of funds spent to date
_____	_____	Name of title/abstract company (if no preference, TMF will choose)
_____	_____	Title commitment or title run
_____	_____	Seismic Report

# CHURCH CHECKLIST

## RESOURCES

### 2. Persons to be available to sign loan documents (TMF needs these names to prepare loan documents)

Required	Received	
_____	_____	Pastor _____
_____	_____	District Superintendent _____
_____	_____	Chair of Board of Trustees _____
_____	_____	Secretary of Board of Trustees _____
_____	_____	Secretary of Charge/Church Conf. _____

### 3. Loan Closing

_____	_____	(1) Signing of loan documents by the above mentioned persons
_____	_____	(2) A Notary must be available to notarize signatures of persons signing documents
_____	_____	(3) Church will pay closing costs at the time of closing which may include: <ul style="list-style-type: none"><li>A. Mortgagee title policy or title run fee</li><li>B. Recording fees</li><li>C. Survey</li><li>D. Tax certificate</li><li>E. Legal fees, if any</li><li>F. Miscellaneous (i.e. overnight delivery/courier charges, any outstanding interest, wire fee, etc.)</li></ul>

### 4. To Issue Notice to Proceed and Begin Construction:

_____	_____	Original signed construction contract after TMF approval (AIA) (not a copy)
_____	_____	Original signed Addendum "A" to contract (not a copy)
_____	_____	Proof of contractor's builder's risk Insurance (showing TMF as mortgagee)
_____	_____	Proof of contractor's general liability insurance (showing the church as additional insured)
_____	_____	Proof of contractor's worker's compensation insurance
_____	_____	Building permit
_____	_____	Original payment bond/performance bond (not a copy)
_____	_____	Deed of trust/mortgage must be filed



# CHURCH CHECKLIST

## RESOURCES

### 5. Prior to Funding Interim Draws

Required    Received

_____	_____	Original signed commencement affidavit-provided at closing by TMF
_____	_____	AIA draw request signed by: A. Contractor B. Architect C. Church
_____	_____	Inspector's approval of draw
_____	_____	Contractor's anticipated schedule of draws
_____	_____	Contractor must provide interim lien waivers with each draw beginning with the 2nd AIA draw request
_____	_____	List of sub-contractors

### 6. Additional Requirements for Interim Draws

_____	_____	All change orders must be submitted for TMF's approval prior to including it on the AIA draw request
-------	-------	--

### 7. Prior to Move In

_____	_____	Certificate of Substantial Completion (AIA document G704) architect normally provides
_____	_____	Certificate of Occupancy (if applicable)
_____	_____	Binder showing the new construction has been added to existing property insurance policy

### 8. Prior to Distribution of Final Payment

_____	_____	Provide the original signed completion affidavit (form provided at closing)
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### 9. After Distribution of Final Payment

_____	_____	Final lien waiver or other releases as required
_____	_____	Detailed updated as-built survey

\*TMF will file the original documents with the county clerk's office at the church's expense. \*\*This checklist is all-inclusive and there are requirements listed that may be waived by TMF. Determination of documentation requirements will be reviewed on a case by case basis.

# ADDENDUM “A”

## RESOURCES

STANDARD FORM OF AGREEMENT BETWEEN

\_\_\_\_\_(“OWNER”) AND  
\_\_\_\_\_(“CONTRACTOR”)

DATE: \_\_\_\_\_ CONTRACT SUM: \_\_\_\_\_

1. No construction work of any kind may commence prior to receiving a NOTICE TO PROCEED from the TMF (“Lender”).

The Contractor and the Owner will supply the Lender with a copy of the executed affidavit of commencement within 20 days of the construction start date. No disbursements will be made until the Lender receives this document.

2. The Contractor and all Sub Contractors shall submit interim lien waivers with all Applications for Payment except the first request.
3. Contractor shall supply the Lender with a complete list of sub contractors (including address, contact name and amount of contract) and a projected draw schedule for the building project. This information is required before funding of the first draw.
4. Retainage to be withheld for the entire construction process will be 10%.
5. TMF will file an Affidavit of Completion with the county clerk to legally establish the date of completion for work under this contract. The Contractor continues to be responsible for the completion of all punch list items under this contract regardless of the completion date.
6. The Contractor and Sub Contractors shall submit a final lien waiver upon receipt of final payment.
7. The retainage will be due the Contractor: **(a)** 30 days after the completion date established by the Affidavit of Completion; or **(b)** the date upon which the Lender is satisfied that the construction is completed, all claims and liens have been paid, satisfied and removed and no amounts should be withheld for corrective, remedial or warranty work.

The above stated conditions are satisfactory and accepted:

Church: \_\_\_\_\_ Contractor: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

By: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_



attention!

# DO NOT START

***DO NOT START any construction work on your project, UNTIL you receive "A WRITTEN NOTICE TO PROCEED" FROM TMF.***

TMF will send the "Notice to Proceed" AFTER all loan documents have been signed and all other specified requirements for the project have been met. We may require a picture of the construction site on the day the documents are recorded. If any construction work has begun, TMF will need to be notified immediately. Please call us if you have any questions.

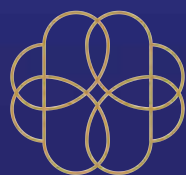




# DISCLOSURE

The terms and conditions in this resource guide are from the TMF loan policy. We share these with you in order to help you better understand our loan process. These terms are subject to change.

The terms and conditions in your loan documents at the time of closing will take precedence over any term or condition contained in this document.



TEXAS  
METHODIST  
FOUNDATION  
STEWARDING POTENTIAL

1-800-933-5502 | [texasmethodistfoundation.org](http://texasmethodistfoundation.org)