

BUILDING PROJECT

BACKGROUND

With explicit congregation authorization, IUCC invested approximately \$150,000 in developing a new campus vision (the Master Plan) and modifying our city-approved Conditional Use Permit (CUP). This is now in hand. The congregation also authorized a capital campaign, and we have approximately \$1.283 million in pledges and donations, and a strong financial plan to afford a new mortgage. We recently executed a favorable 99-year lease with the Southern California Nevada Conference of the United Church of Christ; rent is \$1 per year.

We have done these things because we want IUCC's shared values to impact and improve our Irvine and Orange County communities. Supported by strengthened facilities, we can grow in community significance through strong programs and service to our region. Indeed, the five-year strategic plan adopted by the congregation in May 2017 takes that desire for service and significance to the level of goals and strategies. And, using that strategic plan, at the July leadership retreat, our lay leaders fleshed out objectives for using the new meeting spaces, and for capitalizing on the new work spaces for staff and volunteers.

We look forward to using the new spaces as resources for **reaching out**, for **servicing**, and for **standing tall** for our **shared progressive Christian values**.

PURPOSE OF SPECIAL CONGREGATIONAL MEETING

The Special Congregational Meeting is the final step needed for breaking ground and beginning the real work of fulfilling our promise to update the IUCC campus. The congregation is being asked to authorize construction by approving the final plans and budget for Phase 1a.

PROPOSED TIMELINE

Upon congregational approval, we will move quickly to undertake the projected 6-month build. Key milestones are highlighted below. We have included a 10-day "rainy day" allowance and will minimize construction activity during key holiday periods. Our goal is to have construction finished by Easter (April 1, 2018). Regular communications will keep our congregants, visitors, preschool families and neighbors apprised, especially with regard to construction impact on parking and driveway access.

Late September	Site mobilization (fencing, construction trailer)
October	Site prep and demolition
November	Construction begins
February	Drywall/flooring
March	Install fixtures/paint
April	Move-in
May	Remodel of current church office to new classroom
September	New classroom ready

PROJECT SCOPE

Phase 1a will add 2,900 new square feet to the IUCC church campus. Of this, 2,482 sq. ft. will be indoor space and 407 sq. ft. will be outdoor space, including:

- 3 meeting rooms with operable partitions. Each meeting room will have a seated capacity of 23-28 people. When combined into 1 large room, this multi-use space will be able to accommodate 80 people (seated) and 160 (standing).

- 2 staff offices. One office will be used by the senior pastor; the other can accommodate 1 or 2 staff members.
- 1 patio immediately adjacent to the staff offices and one of the meeting rooms. With a capacity of 25 people, this new space will serve many needs (pastoral counseling, fellowship, small group meetings and events, etc.)
- 1 future office to be used in the near-term as flexible work space for staff and volunteers
- 1 single-occupancy restroom
- Church office with administrative staff work stations and waiting area
- New IUCC signage, frontage landscape improvements (with low-water use plantings), enhanced pedestrian access, and widened driveway
- Because of high construction costs, the proposed coffee corner was removed from the project scope. Funding for a portable coffee cart has been included.
- Free up existing church office space so it can be remodeled into a fourth classroom for preschool and Sunday School use
- As required by the City of Irvine, new sprinklers will be installed in the sanctuary. Although steps are being taken to minimize the visual aspect, including painting of the ceiling, they will be noticeable.

ADDITIVE ALTERNATES

Due to very busy market conditions, construction bids came in higher than hoped. We have focused on meeting IUCC's highest needs and priorities while being good fiscal stewards. Therefore, the following projects are "additive alternates." The congregation can decide to include any of them, subject to funding and church priorities, during this construction or at a future date.

1. Replace concrete in front of Atwood Building/Plumer Hall (\$28,120)

We are hopeful of being able to include full concrete replacement as part of this project.

2. Replace NW sanctuary HVAC unit (\$22,122)

We believe this expense can be deferred. We will have to remove one unit in the very early phases of construction; if we also remove this second unit, we would then be forced to pay for temporarily cooling of the sanctuary (see below), for a total additional cost of more than \$55,000 (for both #2 and #3).

3. Temporary cooling of the sanctuary during construction (\$33,150)

With a speedy 6-month build, we hope the congregation is willing to do without costly supplemental cooling during construction. This will be a short-term experience in really living out our Green Faith commitment! We will rely on one HVAC unit instead of two (just during construction). As needed, we will bring in portable fans/take other measures to help cool the sanctuary.

4. Welcome Screen (\$128,520-\$180,000)

We originally planned for a welcome screen along Alton Parkway that would evoke our mission and core commitments via Micah 6:8 in multiple languages. However, we learned that the costs would be prohibitive (at least \$180,000) and the bureaucratic approval process challenging. At a more reasonable cost (\$128,520), we can install a beautiful lattice screen at a future date. We should still be able to incorporate Micah 6:8 and our progressive Christian values in creative ways via namings and signage throughout the new building.

For now, we have focused efforts on easily visible signage and street numbers, along with a welcoming frontage (with footpaths and low-water use plantings). The new signage includes: our church name, logo and United Church of Christ affiliation. It also advertises our Early Childhood Center through the inclusion of the word “preschool,” in a similar manner to our current sign.

To save additional costs, we will initially use our current tables and chairs (from Plumer Hall) in the new meeting rooms but look forward to being able to install either high-quality used furniture or new items as soon as funds are available. In the near future, we will create a “wish list” of supplemental items to enhance activities in the new space. We’ll invite congregants to help supply those extra items.

CHURCH OFFICE REMODEL

In September 2016, the congregation approved a remodel of the current church office into a fourth classroom for our busy preschool. On the advice of our architects, we had included a plan to update the existing Atwood Building, which houses: the church office, Early Childhood Center (ECC) and Sunday School space, making it useful for a longer period of time. IUCC’s next construction phase would add a new classroom building but that will be several years in the future; the timing and fundraising for that phase will be up to future congregational votes. In the meantime, the fourth classroom:

- Allows us to expand on what we offer working parents in our community
- Gives the ECC more flexibility in adjusting classes to age groups
- Provides additional funding for both the ECC and IUCC’s general fund
- Provides additional Sunday School space for IUCC

PROJECT FINANCIALS

Please see the “Building Project Financials” document for additional information.

Q: How much have we spent on the building project to date?

A: To date (as of July 31, 2017), we have spent \$382,000 to: (1) develop and get approval of our Master Plan (envisioning a flexible 3-phase buildout of our church campus) and (2) develop final plans and get permit approval for Phase 1a.

Q: What is the total all-in cost of the project?

A: The total all-in cost for Phase 1a is estimated at **\$2.149 million**, composed of the following: \$1,585,900 (hard costs), \$369,400 (soft costs), \$93,500 (interest through June 30, 2019), \$50,000 (church office remodel into new classroom), and \$49,700 (fundraising costs).

Q: How much has the project cost increased since the 2017 budget was approved?

A: The project cost has increased \$215,800 since the 2017 budget was approved from \$1,932,700 to \$2,148,500. The largest increase is in the hard costs, including the remodel costs, totaling \$205,900.

Q: What are the current sources of funding for the project?

A: \$1,198,600 (net pledged contributions), \$75,000 (to be fundraised), \$134,400 (reserves), \$650,000 (new term debt from the lender) and \$93,5000 (interest funded by the general fund). Sources in total have also increased \$215,800, the same as the uses.

Q: How much additional in contributions do we need to raise beyond what we have already raised?

A: We need to raise, at a minimum, **an additional \$75,000**. If we could raise as much as \$150,000, that would help partially offset the additional new term debt.

Q: How much are we borrowing from the lender and what are the terms?

A: We plan to borrow **new funds of \$1.025 million** from the lender: \$650,000 in permanent term debt over 30 years and \$375,000 in temporary debt for two years until approximately June 2019 at a rate not to exceed 5.5%. The interest rate on the permanent term portion resets every five years as a function of the lender's five-year investment note plus 2.5-3.0 points. We will roll over approximately \$152,000 of existing term debt so that the total new facility will be \$1.177 million. The permanent term portion has increased from \$530,000 to \$650,000 or a \$120,000 increase and the temporary portion has increased \$25,000 from \$350,000 to \$375,000. The principal and interest payment **on just the new term portion** is estimated at \$3,725 per month or \$44,700 annually. This is \$7,300 or 20% more than the original 2017 budget.

Q: How much are we taking from the reserves permanently and how much are we temporarily borrowing from reserves of the general fund (GF) and the Early Childhood Center (ECC)?

A: We are taking \$227,900 from reserves permanently to fund remodel and construction costs of \$134,400 and \$93,500 for interest as outlined above. We are borrowing an additional \$220,000 from the GF/ECC investments from 2017 through June 2019 (approximately). It is temporary borrowing needed to cover construction costs that are estimated to occur over 6-8 months, while contributions are collected over 3 years through June 2019. Total temporary and permanent usage of reserves is \$447,900.

Q: How much do we have in contingency in the building budget to offset extra costs?

A: We have \$58,300 in Builder's Contingency that is already part of total hard costs and \$32,000 in Owner's Contingency that is already part of soft costs or a total of \$90,300 in total or 5.9% of hard costs (without the remodel). We are also seeking separately a 2.5% incremental cushion (or \$60,500) as part of the motion that could be approved and spent by the Administration Board at its discretion, if we incur cost overruns beyond the total contingency provided above.

BUILDING TASK FORCE

IUCC has been so blessed to work with domusstudio architecture, a San Diego-based firm with extensive experience in designing religious and educational facilities. During pre-construction planning, we brought Wieland Corp. onboard. They will serve as our contractor.

IUCC is also blessed by a dedicated group who, on behalf of the congregation, has worked very hard on this project. They are: Mark Allen, Keith Boyum, Cindy O'Dell, Jim Raver, Anne Rosse (chair), Pat Sauter, Michael Spindle and Pastor Paul. Please contact any member for more information.

PROPOSED MOTION

At the Special Congregational Meeting, the congregation will be asked to consider the below proposed motion authorizing the construction of Phase 1a as presented and approve the project financing.

Motion to Approve Phase 1a Construction and Construction Funding

WHEREAS: This congregation previously approved seeking a modified Conditional Use Permit from the City of Irvine in order to accommodate a new Master Plan for facilities; and

WHEREAS: A new Master Plan and modified Conditional Use Permit are now in hand; and

WHEREAS: This congregation previously approved a fundraising campaign for capital improvements and that campaign has successfully concluded; and

WHEREAS: With congregational authorization, and in collaboration with elected congregational leaders, a Building Task Force has engaged an architect and created a plan for construction for new facilities (Phase 1a), and has sought approvals for construction from the City of Irvine and from other approving agencies (such as fire and water authorities); and

WHEREAS: Final approvals from all agencies, to include the City of Irvine and other approving agencies, are now either in hand or are awaiting only final bureaucratic processing, with all substantive concerns fully addressed:

Now Therefore Be it:

RESOLVED: That this motion consists of both these resolved clauses and also the appended financial report; and be it further

RESOLVED: That, contingent upon final approval from all approving agencies, the Irvine United Congregational Church:

1. **Authorizes elected congregational leaders together with the Building Task Force to proceed with construction** of Phase 1a of building plans, as previously described to the congregation, most recently in forums held on August 27 and September 3, 2017, generally to include the addition of meeting rooms and administrative space and offices, together with site improvements and remodeling of vacated administrative space in the Atwood (temporary) Building for use by the Early Childhood Center during Monday through Friday work weeks; and
2. **Explicitly amends the congregational budget as presented and approved in January 2017 as follows:**
 - a. The Construction Improvement Fund (CIF) for the 2017 congregational budget through the 2019 forecast of congregational finances, as described in detailed documents appended to this resolution, **be approved**; and
 - b. A 2.5% allowance of total costs (“cushion”) **be approved** for the CIF, explicitly allowing any construction cost overages to be taken from congregational reserves, and / or from additional borrowing as approved by the Administration Board; and
3. **Explicitly approves** the schedules, tables, charts, and verbal explanations contained in the appended financial package of information that shows the current budget and the revised numbers, selected key portions of which include the following:

- a. **One new credit facility of \$1.177 million** consisting of the following parts:
 - i. **Roll-over of the existing mortgage** on congregational facilities, owed to Cornerstone and amounting to approximately **\$151,400** (as of July 31, 2017) into the financing for the new facility; and
 - ii. **A term loan increase from \$530,000 to \$650,000**, but provided that, if additional contributions to the CIF are received, beyond the \$75,000 still to be raised, described in the appended financial package of information, that such contributions will reduce the term loan on a net dollar-for-dollar basis; and
 - iii. **An increase in the temporary loan**, needed for immediate construction costs, from **\$350,000 to \$375,000**; and
- b. **Increased interest expenses from \$77,000 to \$93,500**, to be drawn from the congregational general fund and/or from reserves maintained by the Early Childhood Center, through June 30, 2019; and
- c. **An increase from \$50,000, to a total of \$134,400**, in the use, for general construction-related purposes and remodeling, of financial reserves held in the congregational general fund plus those maintained by the Early Childhood Center; and
- d. **An increase, from the previously-approved \$1.4 million to a total of \$1,585,900**, in approved total funding for hard construction costs including building's contingency reserves; and
- e. **An increase, from the previously-approved \$30,000 to \$50,000**, in approved funding for the remodeling of to-be-vacated administrative space in the Atwood Building for classroom use; and
- f. **A decrease, to \$369,400 from the previously-approved \$378,900**, for soft costs related to equipping the to-be-constructed new space and other items; and
- g. **A decrease, from the previously-approved \$100,000 for contingency** to an amount equal to **5.9%** of hard costs (without the remodel), or approximately **\$90,300** (builder's and owner's); and
- h. **An increase in the principal and interest payment** (just on the new term loan portion of \$650,000) from **\$37,400 to \$44,700** annually or an extra \$7300 annually.
- i. **Borrow on a temporary basis \$220,000** from the general fund and Early Childhood Center reserves during the time period: Fall 2017 to June 2019 (approximately).
- j. **An increase in the total cost of the building project**, from the previously-approved **\$1,932,700 to \$2,148,500**, amounting to an **11%** increase in costs.

August 2017