Town Hall Meeting

Sunday, March 11 at 12:45pm

(immediately after 11:30 Mass)

Parish finance council will hold a meeting in the parish hall to discuss our rectory issues, our current loan and our capital campaign program, to share information, to provide recommendations and to invite your feedback. Refreshments will be served.

Please plan to attend and be a part of the solution!

The status of the old rectory:

After numerous efforts at finding a solution to the health issues in our rectory, we are left with no definitive answers. At the advice of experts, after testing revealed radon and mold issues, we installed a radon system and performed mold remediation. We also corrected drainage issues that were contributing to the mold issues. Although the radon and mold were real problems, which we did resolve, that remediation did not resolve the health problems suffered by our parish priests. The last environmental firm that we brought in stated that we could continue to test hundreds of different things and might never find the answers.

We are left with a beautiful house that is not livable and that we cannot use for meetings or other human activities due to the potential liability of someone getting ill.

While we have gathered data on the cost of demolition ($17,000) and/or continued testing, no course of action has been undertaken except to winterize the building and reduce the costs associated with it. We are waiting until we have a plan for use of the grounds before deciding what to do with the house, and we are using it for needed storage in the mean time.

Current living arrangements for the parish priest:

It is a diocesan regulation that parishes provide suitable housing for the parish priests. Currently, we are renting a townhouse near the mall in Christiansburg for Fr. Remi, and his health has improved dramatically since leaving the old rectory. The current rent for the townhouse is $1,100 per month plus utilities. After July 1, the rate will rise to $1,125 per month.

options for providing a rectory:

There are several options for providing housing for our priest, but right now, we are looking at two:

1. We continue to rent. The advantage of renting is that we do not have any maintenance costs. The disadvantage is that we are not investing any money toward a permanent solution. If we were to rent for an additional 5 years, we would pay in excess of $67,000 in rent with no equity.
2. We buy an already existing house within the parish boundaries to serve as a rectory. If we were to purchase a house sufficient for our needs, then, after the same 5 years, we could build up as much or more in equity on a 15 year loan. The advantage to buying now is that interest rates are low and it is a buyer's market. When the housing market improves, we can sell the house should we decide we need a larger rectory or should we decide to build. The interest on a home loan would cost the operational budget less than the current rent, and the principal would be added to the capital campaign program.

We have discussed the possibility of building a new rectory either on or off of our property. It has been the practice in the Richmond Diocese to locate the rectory away from the church, though the Bishop does allow the Pastor and parish at the local level to decide where to build. However, there are many things to consider if we choose to build. Careful planning and foresight are needed, especially if we decide to build on our property, as we would not be able to sell it down the road if we needed something different. That kind of planning takes time. Therefore, for now, we need to decide which of the two options above makes more fiscal sense for our parish.

The current state of our existing loan:

We have already come a long way! In August of 2008, we owed a total of $2,776,640 on two loans. We have already paid $791,621.79 in principal, paying off the smaller loan and bringing our current loan down from $2.2 million to the current principal due of $1,985,018.21 as of the end of January, 2012.

We continue to make payments of approximately $16,524 per month: $5,788 for principal that comes out of capital campaign debt reduction income and $10,736 for interest that comes out of operational (regular collections and fundraising) income.

Our principal payments will gradually increase over the life of the loan, climbing to $7,000 by March of 2015, to $8,000 by June of 2017 and to over $8500 by the time the loan comes due in September of 2018. At that time (September 1, 2018), we will still owe the balance of $1,430,805.92.

Our interest payments currently represent around 22% of our operational budget. Interest payments will gradually decline over the life of the loan, dropping to around $9,000 per month in March of 2015, to about $7,800 by June of 2017 and to $7,500 by the time the loan comes due in September of 2018. Our current loan is a SWAP loan, and we are not able to pay the principal down early in order to reduce total interest.

By the time our loan is paid off…IF we can pay the entire balloon payment on September 1, 2018, we will have paid $1,314,563.91 in interest (including interest paid during the construction period) and $2,776,640.00 in principal payment. (The value of the church is approximately $8,000,000.)

Renegotiation to get out of the SWAP agreement:

It is possible to get out of the SWAP agreement, but it would cost us more in the long run. As of January, renegotiating would require an upfront interest payment of almost $490,000. This figure could be absorbed into the principal, but then we would be paying interest on interest. Additionally, the total interest paid would increase by around $133,000 if we did not make large payments to principal each month. The rate could only be locked for a maximum of 10 years, and then we would have to refinance any amount still owed at the prevailing interest rate.

The only advantage would be that lower interest payments would benefit our operational budget, since interest must be paid from our regular offertory collections and not from debt reduction income. Principal payments, however, would be larger.

At this time, it would seem to be a more prudent idea to remain in the loan we currently have, but build up a fund to pay off the remaining debt of $1,430,805.92 with a balloon payment on September 1, 2018.

Paying our mortgage and building up a fund for the balloon payment:

Up to this point, we have managed to collect enough through pledge payments and debt reduction donations to make the principal payment each month and administrative costs, with a little left over for the balloon payment reserve. However, most pledges are already paid off or will be paid off this year. With the climbing principal payments and the need for building the fund to make the balloon payment, we will need to have another capital campaign pledge drive this year.

It is important to note that if we choose to purchase rectory, the payments for that debt can be combined with the current debt and be part of the same capital campaign drive.

Please attend the Town Hall Meeting scheduled at 12:45 pm on Sunday, March 11 to be part of the conversation.

Your feedback is essential in helping us make a sound decision for our parish.