

CASE STUDY

FINANCING FOR RELIGIOUS ORGANIZATIONS

SANDALS CHURCH

Client Profile

In 1997, Pastor Matt Brown and his family moved to Riverside, California, with a dream to plant a church where people could “be real with themselves, God, and others.” That summer, the Browns met in their apartment living room with eight people to begin the process of planting what is now Sandals Church, a large, fast-growing, multi-site Southern Baptist church headquartered in this Southern California city.

By Easter 2007, nearly 10 years later, weekly worship attendance at the church surpassed 2,000 people, and the facilities rented by the church at California Baptist University were no longer adequate. With only a few months remaining on its lease, the church purchased its first building, an approximately 125,000-square-foot warehouse facility in Riverside. On October 31, 2010, Sandals Church celebrated its first service in this newly acquired and partially renovated building, now known as the Hunter Park Campus. In 2012, it launched its first satellite campus in the Woodcrest area of Riverside.

By 2014, with four weekend worship services straining capacity at the Hunter Park Campus, church leadership started planning for a building project that would include a 2,500-seat worship center, 350 additional parking spaces, and more than 10,000 square feet of new office space for staff. The project was completed in 2016.

Since 2016, the church has added 10 additional campus locations throughout Southern California, for a total of 12 locations, plus a Spanish language service at the Hunter Park campus. Each of the satellite locations is staffed with a Campus Pastor and other ministry staff as required. The satellite congregations view Pastor Brown’s sermon via video feed. Ministry programming at each satellite location is substantially similar. Administrative services are centralized at the Hunter Park Campus. By March 2020, total weekend in-person attendance had reached more than 10,000 people, with approximately 3,500 additional online attendees.

Bill Dodson’s relationship with the church began in late 2014, with discussions about refinancing of existing debt and providing funds for construction

of the new state-of-the-art sanctuary at the Hunter Park Campus. In February 2015, working with Bill and his team of experienced colleagues, the church issued its \$15,675,000 First Mortgage Bonds, 2015 Series, structured to fully protect the church from future interest rate risk and including provisions for future financing to accommodate the continued growth of the ministry.

Over the next three years, the church successfully launched five more satellite campuses throughout the Inland Empire region of Southern California. By late 2017, worship attendance across all campuses had grown to more than 8,000 people. In February 2018, the church issued an additional \$3,630,000 First Mortgage Bonds, Series 2018A, to refinance debts acquired through campus acquisitions and provide funds to renovate the newly acquired San Bernardino Campus.

Working With the Stifel Team

In July 2018, with total weekend attendance now exceeding 8,700, the church was presented with an opportunity to purchase a building for its Woodcrest Campus, which at the time had weekly average attendance of almost 1,000 people. Again, taking advantage of the provisions in the bonds’ trust indenture, the church issued its \$6,225,000 First Mortgage Bonds, Series 2018B, to finance the acquisition and renovation of the new Woodcrest Campus facility.

In late 2020, with interest rates at historical lows and the church generating ample financial operating margins, church leadership began discussions with Bill and his team about the feasibility of accelerated principal payments on the bonds. Bill’s team modeled various prepayment scenarios, including those that involved refinancing the bonds with a bank loan. After considering the cash flow savings, risks, and advantages of each scenario, the church engaged Stifel and Bill’s team as loan advisor to seek out and negotiate a bank loan to refinance the bonds.

Stifel’s role as loan advisor provided church leadership with the benefit of our bankers’ decades of experience and knowledge in the highly specialized church



SANDALS CHURCH | RIVERSIDE, CALIFORNIA
\$24,695,000 REFINANCE | LOAN ADVISOR

lending arena. Bill led the Stifel team as it developed a detailed request for proposals, researched local, regional, and national banks for inclusion on a targeted distribution list, distributed the request and fielded inquiries from banks, and managed the negotiation of term sheets from interested lenders. The best proposals were subjected to analysis and presented to the church. The church selected a lender, and the Stifel team assisted all parties in moving the transaction to the successful closing of a \$24,695,000 loan structured to allow the church to be debt free in as little as eight years, plus a \$2,500,000 working capital line of credit. Proceeds of the credit facility were used to refinance the bonds.

About Stifel and Bill Dodson

Established in 1890, in St. Louis, Missouri, Stifel is a diversified wealth management and investment banking firm that provides a comprehensive portfolio of financial services designed to address the varied needs of a broad range of investors. We serve a broad spectrum of clients – individuals, institutions, municipalities, and corporations – providing a wide array of services, ranging from investments, securities brokerage, lending and trust services, debt and equity capital raising, strategic advice, and restructuring across North America, Europe, and Israel.

Bill Dodson is a Managing Director with 20 years of church and nonprofit financing experience. In that time, he has directly managed the origination, distribution, and funding of more than \$1 billion in church financing instruments for religious institutions nationwide, including taxable church bonds, direct loans, and loan participations. He serves as a banker for most of Stifel’s Religion Finance Practice transactions in the Western United States, underwriting and structuring taxable bonds issued by churches, schools, and nonprofit organizations, and providing loan advisory services.

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The experience referenced above related to the Religion Finance Practice includes the previous experience of the bankers who joined Stifel in March 2018.

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