

The Challenge

- Church is real estate rich and cash poor.
- Operating budgets have been tight the last few years.
- What properties will the church need in the future?



Our Balance Sheet

- Assets
 - 10 Stony Hill Court Market value \$925k
 - 57 New England Avenue Market value \$500k
 - Cash and liquid assets \$310k

- Liabilities
 - Mortgage debt of \$1,140k



2013 Operating Budget

(2013)

- Income

– Pledges/ Contributions/ Plate	\$718k
– Investment income	\$ 11k
– Building use	\$102k
– Total income	\$831k

- Expenses

– Staff	\$505k
– Buildings	\$147k
– Board of World Fellowship	\$ 86k
– Interest	\$ 34k
– Other items	\$ 58k
– Total expenses	\$ 830



Doing Nothing Is Not An Option



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- Need about \$200k to get N. England to reasonable state
- Interest rates are at historic lows
- \$570k of debt is 30 year fixed rate of 5.25%
- \$570k of debt is floating rate note linked to market rates
- Interest currently consumes \$34k per annum
- Every 1% rise in rates will add \$6k p.a. to operating expenses
- If note refinanced at current rates will add \$25k p.a. to expenses



The Process

- E-Board appointed ad-hoc committee in January
- Committee considered 7 options
- Presented to E-Board and narrowed to 4 viable alternatives
- Four information meetings this fall
- Information package to be e-mailed to congregation
- Congregational survey to elicit feedback
- Aim to narrow to 2 choices after congregation feedback
- Final congregation vote by December



The Alternatives

- Keep both properties – capital campaign to raise \$200,000
- Sell New England and keep Stony Hill Court
- Sell Stony Hill Court and build new parsonage on New England
- Sell both parsonages

- Demolish New England and convert to parking lot
- Keep Stony Hill Court and build affordable housing on N. England
- Develop residential and/ or commercial property on N. England



Three That Are Not Favored

- Demolish New England and convert to parking lot
 - Does not retire debt
 - Increases operating expenses (minister's housing allowance)
- Keep Stony Hill Court and build affordable housing on New England
 - Complicated, lengthy approval process
 - Land use commitment 30 years
- Develop residential and / or commercial property on New England
 - Requires bridge financing
 - Time consuming approval and construction process
 - Church becomes landlord – possible reward but also significant risk



The Viable Options

- Keep both parsonages
- Keep Stony Hill Court, Sell New England
- Sell Stony Hill Court, Rebuild New England
- Sell both parsonages



Key Assumptions

- Sales value
 - Stony Hill Court \$925k
 - New England Avenue \$500k
- Maintenance costs
 - Stony Hill Court \$24k p.a.
 - New England Avenue \$15k p.a.
- Housing allowance
 - Senior minister (Summit) \$50k p.a.
 - Junior minister \$20k p.a.
- Cost to rebuild New England
 - \$600k



Keep Both Parsonages

- Retains contiguous land
- Real estate may be good investment in years ahead
- Avoids exposure to real estate market if we sell now and later need to buy
- Requires capital campaign to raise minimum \$200,000
- Does not materially impact operating budget for short-term
- Risk that interest rates will rise impacting operating budget
- Will church always require 2 parsonages?



Keep Stony Hill Court, Sell New England

- Sale price - \$500k. Net proceeds after sales costs - \$470k.
- Net proceeds after repayment of loan – negative \$100k.
- Requires increasing mortgage on Stony Hill Court
- Simple, low-risk option
- Gives associate pastor freedom and flexibility
- Impact on operating budget
 - Reduces interest expense by \$4k p.a.
 - Eliminates maintenance/utility costs of \$15k p.a.
 - Incremental expense of rental allowance \$20k p.a.
 - No immediate impact on operating budget
 - Interest rate risk of \$25k p.a. eliminated



Sell Stony Hill Court, Rebuild New England

- Retain contiguous land
- Creates harmonious church/ parsonage complex
- Sale price - \$925k. Net proceeds after sales costs - \$875k.
- Net proceeds after repayment of loan - \$300k.
- Demolition and construction costs - \$600k.
- Requires bridging loan or interim senior minister housing
- Impact on operating budget
 - Interest payment unchanged (Reduces debt by \$275k but higher rates)
 - Reduces maintenance/utility costs of \$19k p.a.
 - Incremental expense of rental allowance \$20k p.a.
 - No net impact on operating budget



Sell Both Parsonages

- Provide housing allowances to ministers instead
- Tie senior minister allowance to requirement to live in Summit
- Eliminates all loans from balance sheet
- Impact on operating budget
 - Eliminates interest of \$34k p.a.
 - Reduces maintenance/utility costs of \$35k p.a.
 - Incremental expense of housing allowance \$70k p.a.
 - Increased income from investment allocation \$11k p.a.
 - Net annual benefit = \$11k



Summary

Option	Impact on		Risk	Capital campaign needed
	Operating budget	Balance Sheet		
Keep both parsonages	None	None	Interest rates rise	Yes
Sell New England Keep Stony Hill Court	None	Reduces debt by \$470k	Lose contiguous land	No
Sell Stony Hill Court Rebuild on New England	None	Reduces debt by \$275k	Build costs over-run	Yes
Sell both parsonages	Better by 11k per annum	Eliminates debt of \$1,140k and adds \$200k to liquid assets	Rental prices rise	No



Further Information

- Handouts available
 - Copy of this presentation
 - Balance sheet and 2013 Operating Budget scenarios
 - FAQs
- Questions?

