

Earle O'Donnell-Chair, Scott Cotter, Bill Fry, Roxy Wolfe, Rene Griffith, Brad Kennedy, W Krahnke; (Absent: Mike Belt)

A. Reports

- Wilson Krahnke reported on his conversation with Gary Correll, member of Christ Church, Rockville and Current Chair, Diocesan Finance Committee. Once a decision is made to put a property on the market the process is:
  - ✓ When notified, the Finance Committee would review our financial statements, including the use of the proceeds from the sale (approximated at \$1,000,000);
  - ✓ After review of our financial situation, the Finance Committee would make a recommendation to the Standing Committee to approve the sale.
  - ✓ Mr. Correll said that there is no reason to believe that we wouldn't be able to use some of the proceeds to reduce the outstanding debt generated by the organ purchase and renovation because it would improve the financial position of the Parish (Wilson expressed this amount as about one-third of the proceeds of sale)
- Scott Cotter reported on his calculations regarding the rector's allowance. From a financial perspective, the rector living in the rectory can represent a net loss to both the parish and the rector. Scott will look at comparisons of average rental income and rector housing allowance.
- Bill Fry reported on his phone calls to two parishes. In summary, we have now called 7 rectories; 5 no longer have rectories. Most of the churches, although they may have a building, have no active rectory and they are satisfied with their decisions.
- Bill Fry reported on two bids to perform an inspection of the property. The fee will be \$500.00. Brad will ask Property to fund the inspection.

Discussion followed - How do we use the money in a smart way? Discussion of: managing the income from sale, consideration of loan, interest, and maintaining the principal, and potential changes in the rental market. *Scott:* consider interest of 5% on 675K (sale price less the interest on the current loan). The note is \$350K. Invest \$650K. Lets stop borrowing from others if we can borrow from ourselves. Have the parish pay every year to the account and the \$650 continues to grow at 5%, and use that interest to offset the rector's housing allowance. There is no change to operating budget.

B. Discussion of the questions before the Committee:

1. To what extent - if any - does ownership of the Beechwood residence serve the mission of St. John's?

Discussion: Not everything in the mission of the church can be reduced to dollars and cents. Because of zoning and neighborhood standards there are limitations on the uses for the property and we, therefore, cannot make this property useful to the mission of the church. Owning a house in Bethesda is not within the mission of the church. The committee responds “no,” it is not within the mission of the church to maintain this property.

2. To what extent if any does ownership of the Beechwood residence improve our chances of attracting the best possible Rector in the future?

If the answer is that it will or might, can this inducement be provided equally well or better by other means such as a Church assisted loan to a Rector (as we have done for Sari) or a higher housing allowance? Is there an alternative?

Discussion: In part, the answer depends on the candidate. However, we may best respond to the need to attract good candidates if we have the ability to offer a rector the choice of ownership. Additionally, it is important that we offer an attractive housing allowance. Indeed, we need to be able offer a legitimate and realistic housing picture in order to attract good people. We need a meaningful housing allowance that would provide decent housing and we need to report that in the parish profile; that will cost \$35 to \$40K. A set-aside to cover housing and continuation of our clergy purchase option could be accomplished with the principal from the sale of the Beechwood property. *Rene* responded that given these possibilities, it does not make sense to hold the Beechwood property, even though this property is considered to be a part of the church. *Bill*: flexibility is important, and new rectors’ housing is going to cost money. *Earle*: People see the property as a constant and a sure thing. Going forward, we have responsibilities to meet; we need to upgrade our housing program and by selling we can do so without adverse impact on the budget. A problem assumption is that ‘one size fits all;’ does owning the property demand ‘one size fits all?’ Why sell it if you have \$40K yearly income from the property, a “cash cow?” The down time between leases negatively impacts the “cash cow.” *Scott*: The main risk would be the Vestry plundering the principal/account and in that case we really would regret the decision.

3. Which option - continued ownership and leasing of the Beechwood residence when not occupied by a Rector, or sale - is economically more advantageous to St. John’s under reasonable assumptions for both?

Discussion: *Scott*: fiscally, the best option is to sell the property. *Bill*: As people will be likely to note, it is likely to increase in value and we can’t know what the property could be sold for in 5 or 10 years. In the business community, buying to rent is a currently a good business deal. *Committee*: The other factors make this other than a business decision. Clearly, the economics are not the only significant consideration in this situation. In order for a sale to go through, we would need to commit to a minimum sale price.

4. The Diocese must approve a sale and the current lender must accept alternative collateral (now provided by the Beechwood residence) for the loan. Can we gain the necessary approvals?

What will the conditions be on use of the proceeds of a sale if any and how do such conditions impact the analysis of which option is better?

*Discussion:* Given our discussions with representatives of the diocese, we can say that the diocese will be willing to work with us.

5. What impact should the historic relationship between the Beechwood property and the Church have on the decision? Would a decision to sell or a decision to maintain the status quo be so divisive within the parish that the church should not take the action that the balance of the other factors supports.

*Discussion: Earle:* It is the Vestry's job to respond to this point. It is important that this committee not make our view based upon the sentiment of the parish.

*Bill:* We will be making a set of recommendations with options, NOT simply a recommendation to hold or to sell.

6. Are there any impacts of a sale or continued ownership (such as time required to oversee the property, capital investments and the like) that have not been identified above? (Any other factors).

*Discussion:* None were identified.

#### Action Items:

- Formalize a recommendation to the Vestry
- Get into the process of documenting the decision. Circulate the consensus views
- Finance report with assumptions by Scott. Snapshot analysis - Scott
- (Roxy ask Sue) What would it cost to lease a 3-bedroom house or condo in the area? And – what has the maximum downtime been? And – when do we get the house on the market for the best value?
- Report to the Vestry in February, and attend the February Vestry meeting.
- Diocese process: before put it on the market, gather documents and report to diocese – would that take about 6 weeks?
- Parish Communication Process: we could communicate with the parish while waiting for the diocese process
- Roxy write a statement for Crossroads saying that the committee will present to the Vestry at the February meeting.

Submitted by Roxy Wolfe

