

To: The Vestry
From: The Rector

A Memo Concerning the Purchase of an Additional Rectory

Our Kingdom Campaign listed the purchase of one or two rectories among its goals. We recognize that a rectory is not on the immediate list of initiatives being prioritized by the Vestry within the limits of the campaign cash on hand or soon expected. However, the imminent appearance of our next priest (probably in late spring/early summer) places the rectory need before us rather suddenly. Any such purchase can only be considered if it is structured to make no impact whatsoever to the Vestry's current prioritizations and cash flow. That is exactly what is proposed below in two parts. The first section is the NEED and wisdom of a rectory purchase. The second section is a painless PLAN for the immediate purchase of a rectory.

THE NEED FOR THE PURCHASE OF A RECTORY

For more than a decade we have enjoyed the benefit of friendly, wholesale, or discount clergy housing costs. Even with the benefit of these favorable rental rates, we incurred significant expenses.

1. Father Tom Malione owned his own home during his All Saints employment. Still, we properly provided a housing allowance of approximately \$2,000 per month, or \$24,000 a year, for 5 years toward his mortgage payments. Total cash outlay: **\$120,000**
2. Father Alex Large rented a home below market rates from a parishioner's family. He/we paid a nicely discounted \$2,700 per month, or \$32,400 per year, also for 5 years. Cash outlay: **\$162,000**
3. Nate Lee rented the Christ Church Kensington Rectory for a discounted rate of \$2,000 per month, or \$24,000 per year, for approximately 46 months. Cash outlay: **\$92,000**
4. BJ Buracker is seeking a 5-year lease to take over the Christ Church Rectory. Likely the rent will be increased at this point. But assuming the lower amount the Lees have paid, the 5-year cost will be \$120,000. Anticipated cash outlay: **\$120,000**

The total of realized and anticipated rental cash outlays, even with these favorable rental rates is: **\$494,000**

A. If we had purchased a rectory when Alex arrived, and if Nate had moved in after Alex, and if BJ had moved in after Nate, All Saints would have a fully paid off and owned rectory by the end of BJ's tenure, assuming a 15-year mortgage term. However, the total of the mortgage payments (after a \$200,000 down payment on a \$800,000 house) would have been approximately \$804,000, well in excess of the discounted rentals paid during the 15-year period, during which giving was lagging in the parish. In contrast today, without a discounted rental arrangement for our next priest, the rental payments and the mortgage payments would be in the same general range and it makes sense for us to purchase a rectory.

B. The Kelahers live in the Oliver Street Rectory which has no mortgage. The monthly rental on the Oliver Street rectory would be approximately \$5,500 to \$6,000 per month, based on two written rental appraisals obtained within the last few months from local real estate firms. The Wieder family lives in our Culver Street rectory, purchased about six years ago. All Saints owes about \$550,000 on that home. The home is worth about \$900,000 presently and even after a down payment, maintenance, and several improvements, we would realize a six-figure gain if we sold the home today, getting all of our money back and more. Today, the monthly rental value of the Culver Street property is estimated to be less than the Oliver Street rectory, but still around \$4,500 to \$5,000 per month.

C. All Saints historically owned four (4) rectories until it became necessary to sell them over time, especially in 1998 when rectory sales proceeds were used to build our Great Hall/Choir Room/Library/Youth Room complex. We should one day have four rectories again. Why? Because once each rectory is paid off, the parish would realize savings of more than \$40,000 per year, per priest, in 2019 dollars alone. For our Oliver Street rectory, the annual amount will be about \$70,000! And those savings would be FOREVER.

D. If any given rectory should prove to be unnecessary or unaffordable, it could be readily sold at any point along the way with the proceeds going into our endowment.

E. Think of the legacy we will be leaving future generations and the millions of dollars – actually and truly – that will be applied to ministry, or to our endowment, instead of the pockets of third-party landlords. Additionally, our operating funds unnecessarily suffer great stress every year when we pay rent as we do. The long-range relief to our annual operating budget will be huge.

F. The time to buy a rectory is right now, not only because of our immediate need for an incoming priest, but also because we are unlikely to have the necessary down payment outside of a capital campaign season of life.

G. Again, a critical factor to consider is that we have run out of discount or special circumstance options. For about a decade, we have had rental benefits that no longer exist. That is, Father Tom owned his own home, Alex rented at a discount from a parish family, Nate rented at a discount from Christ Church, and now BJ is about to do the same. Our good fortune has run out. The priest coming in after Nate has no such discounted situation. We are about to pay full retail rental prices for the housing of our next priest.

A PLAN FOR THE PURCHASE OF A RECTORY

1. In order to stop our practice of paying large housing allowances to clergy, which surely will continue to increase over the years, the Vestry could begin by authorizing the purchase of a rectory at its **March 2019** meeting – but without using funds in hand or soon expected.
2. Any new rectory should be conveniently close to the church. It should be purchased at such price and terms that would approximate a reasonable housing allowance for a priest. For example, a rectory at a price of \$800,000, or less, with a \$200,000 down payment, would result in mortgage financing of \$600,000, which would be serviceable by a monthly payment of about \$4,200 over a 15-year term, or \$3,600 over a 20-year term. That works more cheaply than we could rent a home locally.
3. Again, the down payment cannot come from current or soon anticipated funds of the Kingdom Campaign. The Vestry has other plans at hand. In this regard it is noted that the Vestry has issued a directive for the formulation and adoption of a prioritized plan of Kingdom Campaign spending of current and soon anticipated funds, which plan does not include a rectory purchase. Any purchase of a new rectory should not use any current funds held by the parish or funds that are immediately anticipated for Vestry use.
4. There is good news in this regard. Faithful parishioners have offered confidentially to accelerate their four-year pledges, if the sums will be used for a down payment for a rectory. Thus, the down payment would be derived from accelerated future Kingdom Campaign contributions, without effecting at all any currently held or anticipated funds of the Vestry. The parishioners would be accelerating their year-end 2019 pledge and their 2020, and 2021 pledges.
5. The debt service on such mortgage financing is proposed to be provided at least in large part, if not completely, by a reduction of the clergy housing allowance we would otherwise pay our new priest in cash each month.
6. The next step would be to identify a home to purchase. The parish has been assisted by a real estate agent parishioner who would continue to assist us. She has worked hard over a long time and we need to honor her help to us. A formal real estate brokerage representation agreement would need to be authorized at our March meeting, to be signed by the Vestry's duly authorized officers.
7. The Vestry resolution would need to appoint our Wardens to work with the Rector and the real estate agent, to enable a purchase to be carried out executively. The identification and location of a new property could be determined by the Wardens of the Parish upon the advice and counsel of the Rector. The formal contract to purchase a rectory would be executed by Vestry officers as provided in our Parish Bylaws.
8. Authorized Vestry officers and the Rector, together with the assistance of such church leaders as they may wish to recruit, shall endeavor to obtain the most favorable mortgage financing available for any such purchase.
9. All of the above details would be made a part of a Vestry Resolution to be adopted at our **March 2019** meeting. The hope would be to have a rectory in place by late spring or early summer for our incoming priest. By all of this, another important goal of the Kingdom Campaign will be in place as a major long-term asset of our parish. I will be glad to email a fully prepared proposed Resolution containing all these provisions, if the Vestry feels favorable about this plan. Thank you for applying your prayers and wisdom to this important decision.