

Pastoral Housing Solution FAQs

What are the issues with the current parsonage?

Size limitations, significant recurrent flooding, roof, chimney and stoop issues, failing kitchen cabinetry, out-of-date wiring, 100-year old foundation.

Are we in a financial position to address this project now?

We are in a strong financial position with over \$6 million in assets and \$865,000 in current debt from the sanctuary refresh and Western Springs parsonage purchase.

Options considered:

1. Pastor-owned housing (church-provided down payment, interest and property tax payments)
2. Rebuild the current Fourth Street parsonage
3. Buy a home nearby

What is the decision-making process?

1. Define the issue and gather information
2. Determine our core values as guide points
3. Evaluate options and trade offs
4. Present comparisons and hear feedback
5. Communicate recommendation
6. Vote and take action

Why does our pastoral housing need to be nearby?

One of our core values is Authentic Community — one that is interconnected inside and outside of church, goes beyond surface fellowship and challenges and speaks truth to each other — which is strengthened through ministry in close proximity. Proximity allows easy hospitality, shared family life, school life, neighborhood life, and opportunities for connecting causally over coffee, conversation, impromptu prayers and kids playing together after church. A nearby pastor also helps keep an eye on our building.

What factors were considered?

- Input of the congregation, Parsonage Committee, Council and Long-Term Strategic Planning Team
- Core values
- Timing
- Immediate costs
- Long-term costs
- ECCH strategic flexibility
- Financial risk
- Other challenges

If we don't rebuild on Fourth Street, what is the plan for that land?

We will keep the property because it's important to our congregation, and the Covenant also recommends holding onto adjacent property. The Fourth Street parsonage could be rebuilt in the future or repurposed for the youth group, preschool, a green space, a community garden, youth pastor housing, etc. This would be a brainstorming opportunity for our church to envision a new use for that land.

Trade Offs

Church-owned versus Pastor-owned Housing

Considerations	Church-owned Pastor Housing	Pastor-owned Housing
Core values	Aligned	Only if pastors can afford to buy a home very nearby
Fundraising needs	Higher up front costs (full cost of house)	Lower up front costs (downpayment)
Ongoing costs	Lower, primarily due to avoiding local property taxes costs in short-term along with inflation in the long-term	Higher, pastors will need to pay local property taxes
Long-term cost of ownership	Lower	Higher
ECCH strategic flexibility	Little to high	None to little
Impact on future pastors	Housing available	Need to find another house nearby and provide new support for each new pastor
Financial risk	Risk/reward borne by church	Risk/reward borne by pastors

Church-owned: Rebuild versus Buy

Considerations	Rebuild 4th Street Parsonage	Purchase a Nearby Pastor Home
Assumptions	Build a new "pier and beam" above-ground 4-bedroom house. 2500-3000 sqft. Cost \$600-650+k.	Purchase a 4 bedroom house nearby. 2700-3300 sqft. Cost \$750-800k.
Core values	Aligned	Aligned
Timing	~2 year build process	Immediate
Immediate costs	Fundraise for half of budgeted cost of build, plus 1-3 years of interim rental housing costs.	Fundraise for downpayment, plus interest payments on amount borrowed.
LT fundraising needs	Fundraise to repay the other half of building cost, plus repay current debt outstanding.	Fundraise for Fourth Street rebuild or repurpose, and repay current debt outstanding.
Long-term cost of ownership	Lower if fundraising goes well and quickly, but if not, interim housing costs could make this higher.	Higher if we have significant maintenance costs, but lower otherwise since property is tax-exempt.
ECCH strategic flexibility	Fourth Street space is a new parsonage.	Fourth Street space could be rebuilt as a parsonage or repurposed as preschool space, green space, community garden, etc.
Financial risk	A parsonage on church property that we want to keep would not be a "saleable" asset if facing debt repayment challenges, or if we don't need a parsonage in the future.	A parsonage on nearby property could be sold if in the future we face debt repayment challenges, we decide to rebuild the Fourth Street parsonage, we don't need a parsonage or parsonages go out of favor.
Other challenges	Water issues, unforeseen construction costs, interim rental housing uncertainty, zoning, Boy Scout garage, future pastor housing preferences.	Real estate market variability, limited nearby options, time sensitive decision making, unforeseen maintenance costs.

Recommendation:

- Raise and borrow funds to purchase a pastor home in close proximity
- Find a home that meets our rigorous inspection criteria to avoid any water issues and major renovations
- Secure tax-exempt status promptly on purchased home
- Envision how to use the Fourth Street property

This recommendation addresses our pastoral housing issue quickly, is aligned with our core values, and shows commitment to the future of our church:

Motion that Council will present at the Annual Meeting on January 28th:

To purchase a main parsonage in close proximity to the church at a total cost not to exceed \$800,000, with 35% of the total in cash and commitments received by closing and an additional 15% (for a total of 50%) received by the end of 2021.

How much money will we need to raise?

We'll need to raise \$400k in 2021 and another \$1.25m over the next 5-15 years to repay all outstanding church debt.

Have we ever borrowed this much money before?

Yes, we have raised significantly more money in the past. In 2004, we undertook a \$3.3 million gym and Garden Court build and successfully paid off the debt in nine years. We also raised \$300k in weeks for the Chopda Project and \$150k in weeks to renovate the Sunday School space at church.

Does the recommended purchase impact the 2021 budget?

The purchase price limit of \$800k is an "all in" number that would include closing costs and any initial home improvements needed. Our existing debt service is approximately \$65k per year of which approximately \$20k is reduction of principal.

The *proposed 2021 budget* **does not** include any impacts from the proposed purchase but would be revised in several ways if the motion passes:

1. Long-term Budget Impacts:

- **Debt service:** Increase from \$65k to **\$100k per year**.
 - If we increase our total debt load by \$400k (about 50% of our existing \$865k debt), then it's reasonable to assume our debt service would increase by the same proportion.
 - We would likely refinance our debt into one master loan at a lower rate than we have now (5.25%). Our existing seven-year loan matures in 2025, and we would need to refinance then anyway.
 - The actual impact to 2021 would be prorated based on the closing date.
- **Carrying costs: \$5k-10k per year.** The church will need to take over the carrying costs (utilities, etc.) of the existing Fourth Street parsonage.

2. Short-term Budget Impacts:

- **Real estate taxes: \$15,000**
 - We would need to carry any real estate taxes until approved for exemption.
 - The DuPage County Assessor gave a verbal commitment of a 90-day approval process.
 - The Western Springs parsonage, which is in Cook County, took 2.5 years for approval due to a variety of technical and COVID-related issues, but we are now receiving back all taxes paid on that property — great news.
 - A conservative assumption would be to plan to carry real estate taxes for up to 12 months post closing, or about \$15,000.

3. One-time Budget Impacts:

- **Interim improvements to the existing Fourth Street parsonage: \$5k-30k**
 - We would need to make some interim improvements ranging from as little as \$5k up to \$30k depending on the final decision on how to use this property.

How did Council determine the 35% by closing / 50% by year-end cash commitment requirement for approving the proposed parsonage purchase?

By committing 35% before closing on the purchase, we are making a significant step forward in covering the new debt and also affirming the congregation's support of the parsonage purchase. Ideally, the church would proceed with a 5-15 year deleveraging capital campaign to get back to a debt-free balance sheet at which point we can re-allocate monies from debt service to new ministry work.

Who can I contact with questions?

All are invited to attend and share their input at our final parsonage Town Hall meeting on Monday, January 25th at 7pm ([link](#)). Council and Long-Term Strategic Planning Team members are also happy to answer questions directly:

Ann Wiesbrock
apwiesbrock@gmail.com

Scott Morrow
Sbmorrow@aol.com

Gian Ricco
gricco@gmail.com

Carol Wittemann
cfwittemann@gmail.com

Lars Stromberg
Lars@hinsdalecovenant.com