

## **Building Campaign and Adjacent Church Property FAQs**

### **What is the background of the church building project and house purchase?**

Del Rey Church began considering a major capital project to revitalize or rebuild the current church buildings in 2015. The original buildings were built in the 1960s after the church's founding in 1959. The vision is to build a campus that will last for the next few generations. We have enlisted the aid of architects and contractors who have drawn plans and made cost estimates for a building project, and they have done this work pro bono because they are local Christians from our nearby sister church. The cost of the building project was estimated at \$8 million. Alternatively, there may be ways to upgrade the current buildings, which will cost less but will also not be as long-lasting.

Shortly after we started fundraising, our next-door neighbor offered to sell his house to us. The purchase price was to be \$2 million, with payments structured as five \$400,000 loans from DRC to the neighbor secured by deeds of trust in the house, over four years. The purchase was cancelled by the seller shortly after we began the agreement and had lent him the first \$400,000. The neighbor planned to sell his house on the open market and pay the loan back to DRC. The modified sales agreement called for the loan to be repaid by Dec. 31, 2017, after which an interest payment of \$20,000 would be due in addition to the principal. As it happened, the neighbor was not able to sell the house quickly.

### **What is the current situation?**

With the house purchase cancelled, we restarted fundraising for the capital campaign. To date, donors have given offerings of almost \$500,000, including over \$40,000 as part of the matching campaign at the end of 2017. We have also launched a website and filmed a short video to promote the campaign.

Then, as we shared at the December 4, 2017, Family Business Meeting, an out-of-state friend of DRC had seen the house for sale, and wanted to buy it for us (to buy it and then DRC would buy it from him at his cost.) The out-of-state friend made an offer of \$1.7 million that was accepted by the neighbor.

The escrow on the sale of the house closed on Feb. 9, 2018. DRC has been paid back its \$400,000 loan plus the \$20,000 interest. The out-of-state friend now owns the house. At the neighbor's request, he has leased the house back to the neighbor for a few months. He has also hired a property management company to handle renting the house and making some needed repairs.

### **What does the out-of-state friend want to do with the house?**

The out-of-state friend wants DRC to own the house. He has proposed that DRC pay him only his cost (\$1.7 million), meaning it would cost DRC \$300,000 less to purchase the house than originally planned. The terms have only been discussed generally. The out-of-state friend wants to hold title to the house for at least 12 months, and then begin a sale to DRC in 2019.

### **What would we do with the house?**

Any number of possibilities are open to us – see below. Our most likely short-term plan is to rent the house on the open market to generate income that can be used to pay for its purchase.

### **Why is our neighbor's house attractive to DRC?**

The property is adjacent to ours and offers a rare opportunity to increase the contiguous property area of the church. This is only 1 of 3 properties that are adjacent to the church; if it were across the street or down the street, we would not consider it. Being adjacent makes this property strategically important to the church. The opportunity is rare in that it was last purchased (by the most recent owner) in 2000, and may not be for sale for another generation.

In the past decades, the church has declined to purchase the adjacent properties, and today we regret those decisions. We don't want future generations of the church to regret the decisions we make now.

Buying this house gives the church many future options. If we were to start a building project on our current property, owning the neighbor house gives us a "buffer zone" because whoever lives on that property would be most affected by any construction. It also gives the church the option to do a building project on a larger overall piece of property. It is potentially a valuable investment, since Playa Del Rey real estate has consistently grown in value over the years. Lastly, the house can be used for ministry purposes – for ministry housing, for hosting meetings, for social events, for storage, etc.

### **How will we raise this money?**

We prayerfully seek the Lord to provide generously through His church. If we do this together as a church, we all jointly make a commitment to participate financially. We start with the core – the formal members. We want to raise as much as possible in terms of dollars, but also importantly, we want to achieve 100% participation among the formal members. We then expand to the rest of the congregation, and from then to families, friends, and connections. Lastly, we may be able to secure funding from outside foundations and local government, given that the church is used by many neighbors and community organizations for meetings, piano recitals, parties, and the like.

### **What if we can't raise all the money?**

We have some options. First, we would attempt to borrow from our current lender, Christian Investors Financial, which is the lending branch of our denomination, the EFCA. CIF holds DRC's current debt of less than \$485,000, the mortgage on the Hawthorne house from November 2015. Second, if need be, DRC could sell either or both of the Hawthorne or Westchester (which we sometimes call "Bodger" and "Dunbarton," respectively, based on the streets they're located on). The pastors and staff agree that the church adjacent property is more strategically important than either of those properties.

### **Is there anything to vote on?**

Not at this time. The congregation originally gave its approval to purchase the property at the June 2016 business meeting. Although the purchase was only "on" for a short time, the original decision stands.