

Del Rey Church - Special Family Business Meeting
June 7, 2016

Pastor Matt Jones started the meeting at 7:11pm by reading selected Scripture and opening in prayer.

- Review of prior gathering's discussion: we're strategically located in Los Angeles for the mission of spreading the gospel. What if we grew our footprint?
- Eric, our neighbor, wants to sell his property.
- We want to invest our finances strategically, in terms of ministry.
- The church in past times had opted not to purchase offered properties in 1960's and in 1998
- Arrangement with the seller: We are splitting the property tax 50/50. Payments every year for \$400k for 4 years.
- We are reserving the option to sell both parsonages if necessary to complete the purchase of this property.
- We involved lawyers on both sides to ensure the legal details are handled in an appropriate manner.
- As a congregational, elder-led church, this is the congregation's decision, so we are presenting to the congregation a motion to empower the elder board to create a formal contract to purchase this property.
- We want to trust that God will provide, and He has provided the 1st payment in available funds.
- Pastor Tony Shen has presented us a list of common questions and answers for the congregation to review.

Pastor Tony Shen, Board Treasurer:

Pastor Tony prepared a document that reviews questions over the weeks that the elders and others have asked. He encouraged the congregation to read it over, and ask questions. The elders think it's a wise, strategic deal, but we want to open the floor to questions.

[Questions from the Congregation]

- Q: How was this lot valued at \$2M? Mike Dolan (MD): Comps have \$1.8M, a recent estimate of this property has it at \$1.96M. [Other discussion confirmed this conclusion.]
- Q: Initial payment of \$400k – \$200k from building fund, where is the other \$200k coming from?
 - Matt Jones (MJ): we've got \$200k in the bank for operational reserves, and \$200k for the building fund.
- Q: What would be the primary purpose of the property?
 - MJ: Initially no major renovations or demolition are planned - perhaps office space, utilizing the house for guests, visitors, youth ministry. If we need to sell another parsonage, we would use it as another parsonage. Longer term, we could incorporate it as a space buffer or part of the larger project.
- Q: Any remodeling necessary? What is the condition of the house? MJ: No - maybe some carpeting, but it's in good shape. Built in 2000, it's relatively new.
- Q: Are other two parsonages paid off? MJ: No, we owe \$460k on loan. We could get \$1.5M for both parsonages.
- Observation from congregant: Doing nothing stagnates the ministry and church growth. Challenge is good for the congregation.
 - MJ: Looking at prior letters, there was a lot of energy in the church, and it's exciting to do something like this.
- Observation from congregant: This seems like the least amount of risk that we could take on to purchase a house. When we first were presented an opportunity with this property, the financial terms were structured differently. Here, the risk has been minimized as much as possible.
- Q: What is the vision for DRC over the next few years?
 - MJ: We were only one service, eventually moved to two services. We would like to move back to one service. Our building is falling apart. This house gives us more land for growth.
- Q: What could we do with \$2M for more directly minister to the community?
 - MJ: We could give \$2M for immediate needs, but this purchase is more strategically minded.
 - TS: Return on investment is in people's souls and preaching the gospel. This building won't last another two generations. Our present facility's aesthetics are lacking, and we don't want it to be a stumbling block or distraction to people who make their church choice on aesthetic rather than spiritual reasons.
- Q: We are not presently at capacity during services, why are we considering a larger project?
 - MJ: I believe we need the adjacent property for the sake of the bigger project.
 - Linda: We as a church don't grow beyond what we're capable of. This is DRC's culture. Our focus is the gospel, and we don't grow beyond what is necessary.
 - MJ: We need to limit our maximum size to around 500. Beyond this, church plants should be considered.
- Q: What is the present zoning of property? MD: "R1" property
- More general discussion and observations from the congregation were focused about the benefit of the property to the church, about how other churches have effectively used property, and the relatively low risk of the acquisition in relation to our present asset profile.
- Q: Can you discuss some of the risks in detail? How are we protecting ourselves in this agreement?

- MJ: We've hired an attorney to legally represent us. Tonight we are presenting for consideration a motion to empower elders to decide on behalf of the congregation. We may or may not decide ultimately to purchase if the elders find the terms of the agreement unfavorable.
- Q: Have we performed a fundraising feasibility study for raising \$2M?
 - TS: In process. Most of the funding needs to come internally. Giving units are ordinarily handled anonymously, but in this capital campaign anonymity is difficult to maintain for logistical reasons. Willingness and ability for potential givers will be rated. We will look first to within membership, then to the general congregation, and finally further outward. Right now there is no completed feasibility study.
- Q: What kind of risk does the \$2M project add to the \$8M project? Will it delay that project?
 - MJ: The \$8M project has been put on a side burner for now. This house purchase is a way for us to see whether the \$8M project is feasible; if we have trouble affording the house, we would not be able to afford the more expensive project. The house potentially helps with the longer-term project. For example, we could ultimately sell the house to build the \$8M property if needed. In general, it is strategically helpful for an organization's physical plant to "grow out" first, then grow upward.
- Q: It is apparent that the elders have thought this through. However, it would be preferable to give the congregation more time to consider the decision. Can we defer the decision and reconvene at a later time?
 - MJ: Seller is interested in moving on the property sale immediately, so it is imperative that we make this decision tonight. We're protecting our decision by the structure of the deed of trust, the details of which are being determined with our legal counsel.
- Q: If the congregation votes to affirm the resolution, would this trigger a reduction in ministry budget items?
 - MJ: This resolution simply empowers the elders to act on behalf of the congregation. In the near term, money in the bank would be invested. If giving declined, we don't have cash reserves, but we could make expenditure adjustments to accommodate.

Pastor Dave Schlothauer noted that quorum was achieved. (15% of membership is required, and there were 87 active members at the time of the meeting, with 46 in attendance, or 53%.)

Roger Stephens motioned to approve the resolution proposed as follows:

At a duly called meeting of the members of Del Rey Hills Evangelical Free Church (Del Rey Church), at which the necessary quorum was present and which was held on June 7, 2016, a majority of those persons entitled to vote approved the following resolution:

[Begin resolution text]

RESOLVED, that the pastors of Del Rey Church are authorized to act on the church's behalf to finalize a contract and purchase the property at 7828 W. 83rd St., Playa Del Rey, CA, 90293 with the following basic terms:

1. Purchase price of \$2,000,000.00
2. Del Rey Church shall:
 - a. Make five annual payments of \$400,000 each, in approximately June of each year from 2016 to 2020;
 - b. Have an irrevocable option to purchase, secured with a deed of trust subordinated to the property's current mortgage;
 - c. Pay half of the property tax each year.
3. Title and possession will transfer after the fourth payment (in 2019).
4. The current owner, Eric Mydland, and his family shall:
 - a. Continue to live in the home until summer 2019;
 - b. Maintain the property in good condition and not modify it until the sale is completed;
 - c. Use the first payment to purchase the farm;
 - d. Use subsequent payments to retire the current mortgage;
 - e. Not use the property to secure any other debt.

[End resolution text]

Maggie Sabido seconded the motion.

The congregation voted on the resolution with the following results:

- Members in favor: 37
- Members opposed: 2
- Motion was carried.

Pastor Matt Jones closed in prayer and adjourned at 9:20pm