

HOUSE

Question	Answer	Notes
<p>We need to find out whether the current lender is willing to let the Church, or its subsidiary, assume the loan.</p>	<p>There is a 99.9% probability that the existing loans cannot be assumed. Hardly anyone allows that any more.</p>	
<p>If the current lender says no, we need to find another loan. Jose had, in all likelihood, a residential mortgage. The church is likely to be only eligible for a commercial mortgage. The interest rates may be different. OPTIONS: a. Refinance through the Sub. This will put the 2420 Kingsbury property up as collateral. Any lender in this scenario may want the church to sign on as a guarantor. b. Refinance through the Church. The church could use its property (currently paid off) as collateral for a loan that MAY qualify for a better interest rate than the 2420 property could get us. The church could then make a capital contribution of the proceeds to the sub which would use the money to pay off the 2420 property. Then the church would pay off its loan; the 2420 sub would bring in rent. 2420 would then be making more income than it needs to pay its expenses (because it would not have a loan) and it could make periodic distributions to the church to help with the loan payments.</p>	<p>Banks are reluctant to lend to churches no matter how much collateral or what kind it is. Bank of America has a flat rule requiring 300 giving units.</p> <p>I just now got back from visiting with First Citizens. The good news is I firmly believe that they will make us a loan. The bad news is that it appears that they want the trustees to sign as guarantors on the loan (or anybody else who will so agree for that matter)...any volunteers?</p> <p>If anybody knows anybody at any bank who might help us get a loan...now is time.</p>	
<p>Maybe we could find 5 people in the church who would each be willing to lend the church \$10k. Or 10 people who would lend 5k. For reasonable interest.</p>	<p>If some people are willing to make loans to church, then maybe these same people would be willing to sign on the bank loan to the church. Either way would accomplish the mission.</p>	

Question	Answer	Notes
<p>It is highly likely that the maximum rent will be less than the minimum amount needed to pay the mortgage and all related expenses. Possible scenario: Max Income: 550-600 (small house, one bathroom, and no central air) annual insurance/450, property tax: 1430 Maintenance: 1000 ??? monthly payments: app. 500 -- this would include property tax though. (how did we come up with this number, is the lien factored in)? Depending on maintenance costs -- we might come close to breaking even. Doesn't include termite. Doesn't include insurance. Does it need a new roof? If we pay 10% to a rental agent that may be out of pocket for the church. If we don't use an agency. has anyone volunteered to manager the property, or is there a couple of people who would share it?</p>	<p>Numbers look pretty good ...a break even is a worthy goal in this venture. TERMITE: Initial payment between 400-600, then about 35.00 month. AGENT FEES: Varies between 5 to 10 percent and marketing fees.</p>	<p>The roof has about 5-7 years remaining per the inspector. The HVAC has been replace within the past 10 years per inspector. Some new plumbing in the bathroom to repair leak and change tub to shower. Has been treated for wood infestation on the past years. Inspection report covers numerous minor repair that would need to be completed. (such as water leaks in the roof and wall...repair rotting wood damage)</p>
<p>How much would we have to pay each month on the lien?</p>	<p>The lien, I would think, is in the form of a loan.</p>	<p>Any estimates on what our monthly mortgage payments would be? Is it on 80,000.00?</p>
<p>Is there an home owners association with dues?</p>		
<p>How much can we rent it for?</p>	<p>I went by the house yesterday and looked at several rental houses in the area. One house was 1050- 1200 sq ft with 3 BR , 1.5 Ba is on the market for 750 per month. Requirements are one month security deposit and 1st month's rent up front. Application fee of \$50. I think we will be looking at \$550 to \$650 monthly rent for the house, with some cosmetic work being done.</p>	<ol style="list-style-type: none"> 1. Total sq ft 691 Heated 667 per tax records 2. 2 bdrs/1 bath, 1 living room, 1 kitchen area, 1 enclosed porch(sunroom) 3. lot size approx .30 acre 4. per inspector there is central air, could not take reading, did not cool off long enough for readings 5. 1951 purchased by Jose in 1978 per tax records 6. Wood laminate, Carpet, Vinyl. The living room floor has new laminate coverings less than 5 years old. 7. No garage or carport....driveway only
<p>What about Homeowners insurance? (how much would that be a month)</p>	<p>Approx 450/year.</p>	

Question	Answer	Notes
Termite insurance	TERMITE: Initial payment between 400-600, then about 35.00 month. There is probably cheaper insurance available	
Home warranty cost	Regarding maintenance costs, an insurance policy can be purchased that will cover almost everything that insurance does not cover. Approx 500 for a warranty that does not have a cap. The cheaper warranties might come with a cap IE only covers 1500k a year	Old Republic Home Protection is such a company that covers all major items w/out a cap.
We would probably want to escrow for repairs, replacements on an aging home-heat, a/c, roof, plumbing, etc Lawn care-or would the renter provide? (Renter) What would the minimum rent that could be charged to meet those expenses on a break-even basis?	It is highly likely that the maximum rent will be less than the minimum amount needed to pay the mortgage and all related expenses.	

TAXES

Question	Answer	Notes
<p>Is it safe to assume that any increased rent from renting to standard market would more than offset nonprofit renting for charitable purpose?</p>	<p>The property would be exempt if used for some charitable purpose such as for low or moderate income housing. If rented on a standard market basis not having some religious or charitable purpose it would be subject to property taxes.</p> <p><input type="checkbox"/></p>	
<p>Do you know much about the Unrelated Business Purpose rules related to the IRC, particularly IRC Section 501(c)(3)? I think there are some exceptions/exemptions that would probably mean that we wouldn't have to worry about renting out the property at all regardless of to whom we rent it - but I'm not sufficiently familiar with the rules.</p>	<p>1. If the house is rented in some sort of "housing ministry" in which the tenant has some sort of charitable need that is being met by the rental then the unrelated business rules will not apply and any profit is not a problem. Of course, under any such scenario a profit is probably highly unlikely.</p> <p>2. If the house is rented at a market price, then you could be entering the realm of unrelated business rules. However, this would be mitigated by both the probability that a profit on this venture is highly unlikely considering the expenses involved including depreciation. If a profit is realized on the rental then it would probably be very small and de minimus rules would apply. Hence, no tax problems.</p> <p>When the property is sold this will not be a taxable event regardless of the usage during the time the church holds it.</p>	<p>I have researched the statutes regarding property taxes and found that the property would be exempt if used for some charitable purpose such as for low or moderate income housing. If rented on a standard market basis not having some religious or charitable purpose it would be subject to property taxes.</p>
<p>How much are the yearly real estate taxes?</p>	<p>Jose paid \$1430 for 2009.</p>	

BUDGET

Question	Answer
<p>We had about \$8,000 designated giving so far this year (not counting funeral, mission, etc. but money for audio, video, etc. If we did an investment property or housing ministry would Wedgewoodians change their giving patterns so as to cover in shortfalls from what we do with the Jose Garcia property?</p>	<p>Nobody knows who gives what except for Marge Fowler. We can't predict future giving of Baptists, but you would think Wedgewoodians would look at the overall giving situation and needs of the church and respond accordingly</p>
<p>I understand Wedgewood has had one of its best years in terms of stewardship and in terms of providing benevolence. Will Wedgewood be able to continue providing benevolence at its current increased rate if it does either an investment rental property (rent the house for as much as we can rent it) or do a housing rental ministry (rent to a low income family)?</p>	<p>That's the answer we don't have. However, getting 10 people willing to contribute \$50 extra each month will go a long way in decreasing our risk.</p> <p><input type="checkbox"/></p>
<p>How many people/units have signed up to give \$50 extra each month if the investment property or housing ministry runs short in terms of rental income for a month?</p>	<p>Five</p>
<p>Are there other people who might give \$50 extra a month if needed?</p>	<p>Possibly, but time is running out to step up to the plate.</p>

GENERAL

Question	Answer
How long would we keep the investment property?	It would be up to the church. It would require a vote of the church to change the status of our usage of the property. But when possible it is best not to sell in this type of a market.
Why don't we sell the property and use the money for our immediate needs?	A) We can use the money from the sale (possibly \$20,000) to offset any major bills the church has in the near future so we don't ask too much of the Wedgewoodians in terms of stewardship ourselves off the hook in terms of stewardship B) However, there is no reason Wedgewood can't meet its financial needs, including \$30,000 worth of repairs in the next 10 years, without factoring in the Jose Garcia property proceeds.
Should we consider renting the Jose Garcia house to church members?	No. 1) choosing one Wedgewoodian over another would be a nightmare, 2) we don't want to be in a landlord situation with a church member. If there is a problem, the church member could end up leaving the church.

EXAMPLE

I went by the house yesterday and looked at several rental houses in the area. One house was 1050- 1200 sq ft with 3 BR , 1.5 Ba is on the market for 750 per month. Requirements are one month security deposit and 1st month's rent up front. Application fee of \$50. I think we will be looking at \$550 to \$650 monthly rent for the house, with some cosmetic work being done. Tenants are responsible for lawn maintenance. I have annual pest control inspections done on my property, but no contract. If the house has been treated in the past, it is unlikely that infestation will occur due to the strong chemicals that were used "back in the day". Kilo does my inspection and I do not think it is over \$75 for annual inspection. Michael Hall is working with me on a proposed rental contract and I have an tenant application form I am working on as well. My rental contract includes the following:

- Non Smokers
- No Pets / Negotiable with added fee
- No cars without plates and insurance. Limit 2 vehicles.
- Late fee of \$5 per day on past due rent.
- Tenant occupies property with all plumbing in working order. They are responsible for clogged drains after 6 months.
- Application and background check fee of \$50 on all applicants. No refunds.
- All adults in house must be on application and contract. Limit occupancy to no more than 2 adults.
- I inspect the house inside and out at least once per quarter to insure the property is not being damaged.
- I require a one month notice of termination by tenant. Security deposit is returned after 60 days providing property is left in same condition as it was when lease began.

I have had some good tenants and one bad one in 20 years plus. Never had to officially evict one yet. We need to be flexible but firm. I have good service people that service Heating and Air, plumbing, electrical as well if needed.