

A PROPOSAL FOR THE PURCHASE OF FACILITIES
FOR THE MISSION CONGREGATION ON ST. GEORGE ISLAND

I. HISTORY:

In October, 1988, the United Methodist mission congregation on St. George Island (adopted as a mission of the First United Methodist Church of Eastpoint in May, 1988) began meeting in a building located on East Gulf Beach Drive at 2nd Street, owned by Hampton and Claire Dews. The Dews have made this building available rent free for use by the congregation.

Soon after the congregation began meeting there, it became apparent that this was an excellent location for the establishment of a church as attendance and membership began to grow, and the idea of purchasing these facilities for the church began to develop. Hampton and Claire Dews decided that they would donate their equity in the property and turn it over to the congregation if the congregation would assume the mortgage, which at that time amounted to approximately \$55,000. Since the property is valued at about \$95,000, that would mean that the Dews' equity in the property would be about \$40,000. The congregation was willing to do this for at least two reasons: 1) to relieve the Dews of the heavy financial responsibility that they were (and are) bearing in keeping up the mortgage payments on the property while making the facilities available to the congregation without any remuneration; and 2) to make it possible to remove the property from the county property tax rolls since it is being used for religious purposes, a savings of about \$1,000 per year. The main problem was that since the Island congregation is only a mission congregation and not an organized church, it has no legal status to enable it to hold title to the property.

In December, 1988, David Day and Hampton Dews met with the Tallahassee District Board of Church Location and Building to present a proposal for the purchase of these facilities. The proposal then was for the District Board to approve the purchase, hold title to the property, and assume legal responsibility for payment of the mortgage, while the mission congregation would in fact be the ones to make the payments on the mortgage. At that point, we had a lot of faith in the ability and commitment of the congregation to make the payments, but we had no formal pledges toward a Building Fund. We had only Hampton Dews' personal commitment that he would continue to make up any difference that might be necessary to meet each monthly payment. After much deliberation, the District Board decided that they could not approve this proposal, primarily because of the legal financial responsibility it would entail.

The mission congregation decided to pursue all options that might be available for the purchase of the property, and pledges and contributions were solicited by means of a letter sent out early in 1989 to all persons who had attended services on the Island whose names and addresses were on file. With only that one letter being sent, and announcements in the weekly bulletins, pledges and contributions have now been received totaling over \$20,500 (as of August 6, 1989). Many persons are making regular contributions to the Building Fund although they have not made a

pledge as such. All of these funds are being kept on deposit until such time as an appropriate process is established for the purchase of the property.

As of August 6, 1989, the balance due on the mortgage principal has been reduced to approximately \$52,000, and the amount of cash on hand in the Building Fund is approximately \$12,000, so the amount to be borrowed to satisfy the current mortgage would be approximately \$40,000.

In order to meet a deadline to conclude the purchase and get the property off the tax rolls for 1989, it seems that only two options are available at this point: 1) that the First United Methodist Church of Eastpoint purchase the property on behalf of the mission congregation, with the understanding that the mission congregation would assume responsibility for the mortgage payments; or 2) that a non-profit corporation be established which would purchase the property and hold title to it until such time as the property is paid for, then turn it over to the church. These options are spelled out in more detail in Sections III and IV.

II. THE PROPERTY AND FACILITIES INVOLVED:

The property being offered by the Dews includes five adjoining commercial lots, each 25' wide by 135' deep, facing south on East Gulf Beach Drive, beginning on the northeast corner of 2nd Street and proceeding east for a total of 125 front feet (Lots 11-15 of Block 4, Unit 1 East - approximately 0.39 acres).

The buildings include two frame structures, both straddling Lots 14 and 15. One is octagonal in shape, 30' across, approximately 738 sq. ft., which is used as the sanctuary (able to seat approximately 60 persons) and includes a small bathroom. The other is a rectangular building, 12' by 20', approximately 240 sq. ft., which is divided into two rooms, a kitchen and a Sunday School room.

III. OPTION 1:

Under this option the above described property would be purchased by the First United Methodist Church of Eastpoint for use by the mission congregation of the church. This purchase would of course follow all of the directives of the Discipline of The United Methodist Church, which would include approval by the Charge/Church Conference and the District Board of Church Location and Building. The property would be owned by the First United Methodist Church of Eastpoint, and the church would be legally responsible for the mortgage payments. This option would involve a moral commitment on the part of the St. George Island mission congregation to make all payments on the mortgage and take care of any other financial obligations related to the property such as insurance and upkeep, and it would involve a moral commitment on the part of the Eastpoint church to allow the mission congregation continued use of the facilities and to turn the property over to the mission congregation at such time as they may become chartered and organized as a United Methodist Church.

IV. OPTION 2:

This option would involve the establishment of a non-profit corporation known as The Arbor of St. George, Inc., whose purpose would be stated as follows:

"The corporation is organized exclusively for religious, educational, and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (or the corresponding provision of any future United States Internal Revenue Law), and such purposes shall include, but not be limited to, the following:

"1. The general nature, purpose, and object of this corporation shall be to acquire, purchase, lease, sell, assign, transfer or otherwise deal with real property on St. George Island, Florida, for the purpose of supporting a mission church on St. George Island affiliated with The United Methodist Church.

"2. To assist people to find faith in Christ.

"3. To assist those who have faith in Christ to grow in their faith.

"4. To do everything necessary, suitable, or proper for the accomplishment, attainment, or furtherance of (and to do every other act incidental to, pertinent to, growing out of or connected with) the purposes, objects or powers set forth in these Articles of Incorporation, whether alone or in association with others; to possess all the rights, powers, and privileges now or hereafter conferred by law upon a non-profit corporation organized under the laws of the state of Florida, and, in general, to carry on any activities and to do any of the things herein set forth to the same extent as a natural person or partnership might or could do; provided that nothing herein set forth shall be construed as authorizing the corporation to possess any purpose, object, or power to do any act or thing forbidden by law to a non-profit corporation organized under the laws of the state of Florida."

Under this option, the corporation would purchase the above described property and then make it available to the mission congregation on a flexible lease basis. The corporation would be legally responsible for the mortgage payments. Money received from the congregation for the lease would be used to make the mortgage payments and additional payments to reduce the principal. The corporation itself could also solicit donations to help pay for the property. When the property is paid for, it could then be turned over either to the First United Methodist Church of Eastpoint for continued use by the mission congregation, or to the St. George Island United Methodist Church if such has been chartered and organized.

This option may necessitate some participation by the Eastpoint church in at least two ways:

(1) The Board of Trustees of the corporation (which comprise the membership of the corporation) must be elected or chosen by some body other than the Board of Trustees themselves. It would seem most appropriate that these trustees (a minimum of 6) be elected by the Administrative Council, or the Charge Conference, or perhaps simply by the Trustees, of the Eastpoint church. An alternative might be for the corporation trustees to be elected by

the District Board of Church Location and Building, if it is possible for them to do so.

(2) The Eastpoint church as sponsors of the mission congregation may need to be the ones to enter into the lease agreement with the corporation for use of the facilities by the mission congregation.

V. QUESTIONS AND ANSWERS:

- Q. What would be the terms of the mortgage on the property?
- A. Several alternatives are possible. Informal discussions with the Apalachicola State Bank indicate an interest rate of 12%, and the loan could be amortized over a period as long as 10 years. However, we believe that we will be able to pay off the loan within 3 to 5 years.
- Q. What assurance is there that the mission congregation will be able to pay off a \$40,000 mortgage with only about \$8,500 remaining in pledges?
- A. Only about 7 actual pledges have been received; all the rest has come as outright donations. Several persons have been giving regularly to the Building Fund but have not made a pledge as such. No concentrated pledge campaign has been carried out yet, only the one letter that was sent out at the beginning of the year. Nevertheless, since the beginning of the year, we have been averaging receipts of nearly \$1,200 per month in the Building Fund, and about \$600 per month in excess of our monthly expenditures in the General Fund, which is a total of about \$1,800 per month that could be dedicated to the purchase of the property. At that rate, the loan could be paid off in just over two years!
- Q. If the Eastpoint church agrees to buy the property on behalf of the Island congregation, what assurance is there that the Eastpoint church would turn the property over to the Island congregation once they have been chartered and organized as a church?
- A. Only their word as Christian brothers and sisters.
- Q. If a corporation is established to purchase the property, what assurance is there that the corporation will turn the property over to the church when it is paid for?
- A. The Articles of Incorporation and the corporation by-laws contain legal safeguards to insure that all assets, including property, will be used in accord with the purposes of the corporation as stated above. There is also the moral commitment of the members of the corporation, who are all members of The United Methodist Church.
- Q. If the Eastpoint church assumes a mortgage to pay for the property on the Island, will that hinder their borrowing power.
- A. While a definite answer to this question is not possible since it would involve many different factors, in all likelihood it will help rather than hinder their borrowing power, since they will be gaining some \$95,000 in assets while assuming only \$40,000 in liabilities.

- Q. Why can't the Island congregation be chartered and organized as a church and purchase the property on their own?
- A. The Florida Annual Conference has a list of fairly stringent guidelines for the establishment of new congregations which the Island mission does not yet meet. Because of the nature of the Island as a resort community with mostly temporary residents, it is unlikely that the congregation will be able to become a chartered church for several years yet. It nevertheless provides a much needed service as a Christian witness and opportunity for worship on the Island.
- Q. Does the Island congregation pay any apportionments?
- A. Since they are not a chartered church, they are not assessed any apportionments.
- Q. Why doesn't the District Board of Church Location and Building sponsor the purchase of the property on behalf of the mission congregation?
- A. At the time the District Board was approached (December, 1988) there were several reasons that led to their decision to deny the request: 1) They were already over-committed financially with no means of paying all the property loans they had, including one for property that had been purchased on St. George Island in 1986 for a church and retreat center, which has now been put back on the market. 2) The mission congregation at that point could give no assurance that they could pay the mortgage other than Hampton Dews' verbal commitment. 3) There did not seem to be any hope that the congregation would be able to become a church for many years yet. 4) The amount of property to be purchased did not meet Conference guidelines to provide adequately for a new church (5 acres). While the District Board at that time could not approve the specific request that was made, they nevertheless expressed support and encouragement for the mission congregation. Since then, the congregation has been growing stronger spiritually, numerically, and financially. We have met with Edison Russell, who is in charge of Church Development on the Conference level, and have been encouraged by him to continue our efforts to become a chartered church even though we may not fully meet all the Conference guidelines. The District Board has not been approached with any proposal to purchase the property since December, 1988, and many conditions have changed since then.
- Q. What if additional property is needed later on for expansion?
- A. At present, none of the other lots on that particular block have been developed, and there are many vacant lots on adjoining blocks. We are looking into the availability of additional lots to the east and to the north of the five lots under consideration. It is our intent to pursue purchase of these lots as soon as feasible. We believe a total of 14 commercial lots, 7 facing on East Gulf Beach Drive and 7 facing Pine Avenue, with the alley way separating these sets of lots, would be plenty adequate for our needs for many years to come.
- Q. Does the Island congregation receive any financial assistance from the Eastpoint church, the District, or the Conference?

- A. No. Unlike most new churches, the Island mission has been completely self-supporting thus far. They pay 1/4 of the pastor's salary and all of their own operating expenses. They also contribute \$50 per month to the Eastpoint church to help with administrative expenses. And they give to various special offerings such as the Children's Home which are then sent in in the name of the Eastpoint church.
- Q. Is it morally appropriate for the Island congregation to seek a way to remove the property from the property tax rolls?
- A. If it is morally appropriate for any church organization to be exempted from property taxes on property used for religious purposes, then it would be morally inconsistent to deny such tax exemption to the Island congregation. It is simply a matter of meeting the legal requirements for tax exemption. We have been in consultation with the Franklin County Tax Assessor since last December, and he is supportive of our efforts to achieve tax exemption. As stewards of the Lord's money, we believe it is more appropriate for the \$1,000 that would be paid in taxes to be used for the Lord's work instead.