

First Baptist Church of Rockport  
Board of Stewards

# Proposal to Sell the Parsonage

Special Business Meeting Handout  
06/04/2023



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# Selling Proposal

In September 2022, a Special Business meeting of the church authorized the Board of Stewards to research and explore the possibility of selling the Parsonage. After many meetings and consultations with financial advisors, attorneys, real estate agents, appraisers, and church support networks, the Board of Stewards, in agreement with the Board of Deacons, have determined that now is the right time for First Baptist Church to sell the building.

This document outlines the details of the Steward's proposal for selling the Parsonage (which includes required changes to the Pastor's compensation package and church budget). It also provides answers to questions people may have about the sale, as well as copies of some of the research information that was used to develop this proposal.

The following selling proposal (comprised of A, B, C & D) has been agreed upon and is supported by the Board of Stewards, the Board of Deacons, the Pastor, and his family:

**A. The Parsonage will be sold to the Wigton family at a sale price of \$500,000.**

A comparative market analysis was done on the property by Kim Lorden of Nest Realty and the selling value came in at \$599,000. She compared it against 10 other properties in Rockport and Gloucester of similar size and condition that were recently sold or listed on the market. *(Refer to Addendum D.)*

The church also paid for and received an official appraisal of the property from Appraisals LLC of Gloucester. The appraiser set the value of the property at \$579,000. This is the value that a bank or mortgage company would use to approve a mortgage loan. *(Refer to Addendum E.)*

Using these values, in conjunction with the projected costs (well over \$150,000) of much needed maintenance & upgrades to the building, the Stewards, the Deacons, and the Pastor agreed upon a sale price of \$500,000.

**B. The proceeds from the sale will be placed in a designated housing investment fund that will be used to support the Pastor's housing allowance going forward. *(Refer to Addendum A)***

**C. A Pastor's Housing Allowance of \$36,000 annually will replace the Parsonage and all subsequent costs related to it in the church budget. *(Refer to Addendum B.)***

This amount was based on our research on the Fair Rental Value (FRV) cost (+ utilities) of renting a 3 bedroom 1 ½ bath home (\$3,000 a month x 12 months) on Cape Ann.

**D. The Boards have agreed that a one-time \$50,000 bonus will be given to the Pastor to assist with a down payment on the mortgage.**

*This is the proposal that will be voted on Sunday, June 4th.* Upon a majority yes vote, the process of selling the Parsonage to the Wigtons will begin asap.

Once the sale is completed, the budget will be changed, and the new Pastor's compensation package will be implemented (on a pro-rated basis). *(See Page 3).*

## Changes to the Budget

### Current Pastor's Compensation and 2023 Budget

<b>Pastor's Compensation</b>	<b>2023 Budgeted</b>
Pastors Base Salary	\$74,080
Pastor FICA Payment (Pastor's Salary x 92.35%) x 15.3%)	\$13,858
Health Insurance	\$6,500
Pension (Pastor's Salary + FICA + Health Insurance x 16%)	\$15,693
<b>Pastor's Compensation</b>	<b>\$110,131</b>
<b>Parsonage Expenses</b>	<b>2023 Budgeted</b>
Electric	\$3,000
Oil	\$4,000
Telephone & Internet	\$1,100
Water & Sewer	\$2,000
Repair & Maintenance	\$4,000
House Insurance - estimated	\$1,200
<b>Parsonage Expenses</b>	<b>\$15,300</b>
<b>Total Pastor's Compensation Package</b>	<b>\$125,431</b>

**Note:** Upon a yes vote, the line items highlighted in **yellow** will be completely **deleted** from the budget.

### New Pastor's Compensation and Budget

<b>Pastor's Compensation</b>	<b>New Budget</b>
Pastors Base Salary	\$74,080
<b>Yearly Housing Allowance</b>	\$36,000
<b>Total Pastor's Salary</b>	<b>\$110,080</b>
Pastor FICA Payment (Pastor's Salary x 92.35%) x 7.65%)	\$7,777
Health Insurance	\$6,500
Retirement Benefit (Base Salary x 10%)	\$7,408
Life & Disability Insurance	\$800
<b>Total Pastor's New Compensation</b>	<b>\$132,565</b>

**Note:** Upon a yes vote:

- A yearly housing allowance (line item highlighted in **yellow**) will be **added** to the budget.
- Payment of the Pastor's FICA tax obligations will be reduced to paying just the employer's portion.
- Contributions to the Pastor's retirement benefit will be reduced to 10% of just the base salary.

## Questions & Answers

### 1. Why is the church leadership seeking to sell the Parsonage now?

Every year, the church struggles to manage two aging buildings and properties. The management of the Parsonage building consumes a significant amount of church Board time and resources. Typically, the church spends over \$15,000 yearly on utilities and maintenance on the Parsonage. This year we budgeted \$4,000 for Parsonage maintenance and we are already on course to spend \$6,000+. Parsonage expenses for utilities are also anticipated to be much higher this year.

Decades of deferred maintenance have created a situation where the Parsonage now needs a significant amount of expensive updating and rehab work (kitchen and bathroom remodels, a French drain & sump pump to handle significant ground water seepage in the basement, deck rebuild, garage foundation work etc.). This work is estimated to cost well over \$150,000.

By selling the Parsonage building, the church will be able to:

- Focus on the larger gospel mission
- Manage one property well
- Grow the church investments by ½ a million dollars

Nationally and locally, churches are trending away from owning Parsonages. There are many examples of thriving churches on the North Shore who have successfully moved away from Parsonage ownership.<sup>1</sup>

A 2014 survey conducted by Rev. Tom Bentley, (Pastor at Trinity Congregational Church in Gloucester) on Clergy Housing on the North Shore showed that of the 27 Pastors who participated in the survey, 17 (71%) preferred a Housing Allowance, 4 (18%) preferred a Parsonage, and 2 (9%) reported no preference.

Both Board's believe that the best plan for long term sustainability of the church does not lie in buildings or money, but investing in teaching and training young people who will love and serve the Triune God and his church.

### 2. What are the tax ramifications if we sell the building?

There are no tax ramifications. We are a nonprofit organization and we own the building outright. There will be no taxes due (For example; capital gains, real estate taxes, etc.) upon the sale of the property.

### 3. What are the legal ramifications if we sell the building?

There are no legal ramifications. We own the building outright (there is no higher governing body that the church reports to, other than the Lord!). The church will simply have to hire a lawyer to represent them and work out the selling details when the sale takes place.

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<sup>1</sup> New England churches that have successfully divested themselves of Parsonages:

- Immanuel Baptist Church in Ipswich sold their Parsonage to former Rockport Baptist Interim Minister (2007-2009) Skip Pimentel and his wife Barbara.
- The First Congregational Church of Hamilton sold their Parsonage to Associate Pastor Dr. David Horn and his wife Cece.
- Laurie Tuck's former church, Phillips Memorial Baptist Church in Cranston, RI, sold their Parsonage to their settled Pastor.

#### **4. What will the church do with the proceeds from the sale?**

The Board of Stewards, with support from the Board of Deacons, recommends that any proceeds from the sale of the property be invested in a designated fund that will be used specifically to cover the Pastor's housing allowance going forward.

#### **5. Why is the church funding the Wigton's mortgage down payment?**

When Matt & Megan expressed interest in buying the Parsonage, they met with their bank to see how much of a loan they qualified for. The bank qualified them to be able to buy the Parsonage, but required them to have a down payment.

As a congregation, it is important to bring encouragement and appreciation to our Pastor. We can do this through scripture, prayer, and acts of help. *Thessalonians 5:12-13* says "*And now friends, we ask you to honor those leaders who work so hard for you, who have been given responsibility of urging and guiding you along in your obedience. Overwhelm them with appreciation and love.*"

The Boards want the work of pastoring our congregation to be enjoyable, and we want the Pastor and his family to "*share in the harvest*" (*Corinthians 9:10*). As a way of lifting up the Wigtons (and keeping them in Rockport), both Boards voted to give the Pastor a one-time bonus of \$50,000 that would be used towards a down payment to buy the Parsonage.

#### **6. Can't the church just rent the Parsonage?**

While some churches operate in the "gray area" with regard to renting their Parsonages, IRS guidelines, as well as tax experts, clearly advise against this. Non-profit organizations are not allowed to be involved in for-profit property management. More often than not, when the IRS discovers that a non-profit entity has done this, the moneys earned must be paid back or the organization can lose their non-profit standing. Additionally, renting the Parsonage would only serve to:

- Increase the church's administration and maintenance tasks required by the building
- Add real estate tax to the church's financial liability
- Subject the church to the legal obligations and challenges of being a landlord

#### **7. Can't the church just renovate the Parsonage?**

Very soon, the church will begin rebuilding its steeple. This project has been estimated to cost \$340,000. Thankfully, the town of Rockport, through its Community Preservation Committee, has awarded this amount to the church for this rebuilding project.

Since this estimate was given, the cost of building materials and labor has gone up significantly. If the steeple project goes over \$340,000, the church will need to cover the shortfall. The Stewards will work very hard to hold to the estimated project costs, but this is going to be a "long duration" project and we really don't know what the final costs are going to be to the church.

It is both Boards' position that the church cannot afford to cover a steeple project overage (should that happen), a complete renovation to the Parsonage building, as well as alternative housing for the Wigtons during the renovation without a significant draw down from its general investment funds.

## **8. Will selling the Parsonage make it difficult to attract future pastoral candidates?**

While no one can predict the future, the more desirable situation for a pastoral candidate is a full cash salary that is commensurate with those of other educated professionals and ministers across the country.

- A Parsonage is not desirable to many clergy because of their varied backgrounds and needs. Some clergy may already own a home, have many young children or no children, may be burdened by paying down student debt, or have physical limitations that are not conducive to a predetermined building.
- A Parsonage prevents ministers from building equity and potentially leaves them and their spouses homeless following the conclusion of a call.
- A designated investment fund for pastoral compensation is attractive to future pastoral candidates.

## **9. Will this sale alter the Wigton's involvement at the church?**

The Wigtons have indicated that they remain committed to a call to gospel centered renewal in the churches of New England. They fully support this proposal and they plan to continue their dedication to Rockport Baptist Church for the foreseeable future.

## **10. Can this selling proposal be changed?**

Both church Boards and the Pastor have done countless hours of research and attended many meetings to put forth a proposal that they believe is in the best interest of our church and its Pastor. Over the last 8 months, they have consulted with several legal, financial, and real estate experts in the process.

This proposal (including parts A, B, C & D) constitutes a cohesive whole and amending any part of it renders the whole proposal and meeting pointless. Thus, the proposal will be presented as one motion by the Chair of the Board of Stewards. A **Yes** vote accepts the whole package. A **No** vote rejects the whole package.

## Addendum A – Forecasting Growth of Sale Proceeds

It is important to remember that no one can predict the future when investing money. And it is well known that predicting financial markets is far more uncertain than predicting the weather.

As a frame of reference, below is a snapshot taken from the church annual reports of how FBC's existing investment fund has performed over 15 years, with varying amounts of money withdrawn (deficit) each year to cover building capital projects and budget shortfalls.

Year	Collections	Expenses	Deficit	Inv. Fund Value
2007	\$60,091	\$77,389	\$17,298	\$771,310
2008	\$56,605	\$75,383	\$18,778	\$778,043
2009	\$67,612	\$85,108	\$17,496	\$663,159
2010	\$81,012	\$102,490	\$21,478	\$695,363
2011	\$83,003	\$110,645	\$25,495	\$706,039
2012	\$81,082	\$122,795	\$41,653	\$709,230
2013	\$90,843	\$163,816	\$72,973	\$721,495
2014	\$97,410	\$172,066	\$74,656	\$688,579
2015	\$92,927	\$157,705	\$64,778	\$586,274
2016	\$115,586	\$149,571	\$34,025	\$640,619
2017	\$152,712	\$180,695	\$28,352	\$698,730
2018	\$178,897	\$169,189	+\$9,657	\$671,963
2019	\$167,573	\$191,313	\$18,731	\$794,454
2020	\$141,419	\$185,588	\$44,163	\$737,805
2021	\$141,206	\$230,260	\$89,354	\$821,973
2022	\$213,500	\$239,491	\$25,991	\$698,298
<b>Average</b>	<b>\$121,432</b>	<b>\$160,900</b>	<b>\$39,681</b>	<b>\$758,889</b>

Over 15 years:

- The average yearly Collections = \$121,432
- The average yearly Expenses = \$160,900
- The average yearly Deficit/Withdrawals = \$39,681
- The average yearly Investment Fund Value = \$758,889



To try and project how long periodic distributions will last in an investment of ½ a million dollars (the sale price of the Parsonage) is difficult at best. However, we were able to find an online investment calculator that calculates this type of projection and we used a scenario that presumes the following:

- You have a starting balance of \$500,000.
- Distributions are made at the beginning of each year.
- The fund earns a 4% annual rate of return.

Keep in mind, that this scenario is hypothetical and that future rates of return can't be predicted with certainty and that investments that pay higher rates of return are generally subject to higher risk and volatility. The actual rate of return on investments can vary widely over time, especially for long-term investments.

#### **Results Summary**

Starting balance	\$500,000.00
Distribution amount monthly	\$3,001.27
Distributions to last	20 years
Annual return	4%
Total investment earnings	\$220,304.33
Total distributions	\$720,304.33
Balance after 20 years	\$0.00

## Addendum B – Housing Allowance Information

The Clergy Housing Allowance is a portion of a Pastor's pay that has been designated to pay housing expenses. It is considered one of the best tax benefits currently available to clergy because this portion of income is tax exempt from federal and state income taxes, in some states. However, self-employment taxes (Social Security & Medicare) must still be paid on this income.

Eligible housing allowance expenses can include:

- mortgage payments (principal and interest)
- rent payments
- real estate taxes
- property insurance
- utilities (gas, electricity, water, sewer, garbage pickup, local telephone service)
- appliances and furniture (purchase or rental cost and repairs)
- remodeling expenses
- homeowners' dues
- pest control

A housing allowance has to be pre-designated. A church cannot retroactively designate a housing allowance. It starts in the month it is declared in writing. Housing allowances should be declared at the beginning of each calendar year in writing by the Board responsible for setting the Pastor's salary (in our case the Deacons). This amount can be revisited should the Pastor's housing situation change. This amount can be pro-rated if a Pastor is hired in the middle of the year.

Although the church can choose to declare any amount of the Pastor's salary as a housing allowance, for tax purposes the Pastor is limited to reporting the **lower** of these:

- His actual housing expenses
- The Fair Rental Value (FRV) of the furnished house, including utilities
- 100% of the Ministerial compensation

**Note:** If a church designates more than a Pastor can claim, the Pastor is responsible for reporting and paying taxes on the correct amount of income.

The majority of Pastors in the United States receive a housing allowance. Among those surveyed, the following receive housing allowances:<sup>2</sup>

- 81% of full-time Senior Pastors
- 57% of part-time Senior Pastors
- 67% of full-time solo Senior Pastors
- 59% of part-time solo Senior Pastors

*(Refer to Addendum C – Letters from Rev Dr. Ronald J Bouthillette and Dr. David Horn)*

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<sup>2</sup> (Source: The 2018 Compensation Handbook for Church Staff, published by Christianity Today's Church Law & Tax Team)

## Addendum C - Letters from Dr. Ronald J Bouthillette & Dr. David Horn



**Dr. Ronald J Bouthillette**  
**511 Canterbury Drive**  
**Exeter, New Hampshire 03833**



First Baptist Church  
4 High Street  
Rockport, MA 01966

RE: Parsonage or Housing Allowance

To whom it may concern:

The issue of a parsonage has been in discussion for several years. Less and less churches prefer a parsonage for a variety of reasons. For the pastor, paying off a mortgage is like being forced to put money in the bank. Homeowners increase their financial worth by reducing their mortgages and building up their equity. Looking down the road, housing for the retirement years is no small matter. Among the greatest of clergy concerns, especially clergy over age fifty, are retirement housing needs. Parsonages are not for retired clergy. A housing allowance provides an early solution to this problem.

There's an advantageous tax benefit for home-owning clergy. A housing allowance paid to a minister is excludable from taxable income to the extent used to provide a home. That income is simply not taxable. However, the home-owning pastor has more of a benefit. Not only may that housing allowance be excluded but the interest paid on the mortgage and the real estate taxes paid on the home are also deductible. That's a double tax benefit-something clergy in parsonages don't receive.

From the church's viewpoint, increasing numbers of congregations are considering the housing allowance. Most congregational leaders simply want to get the church out of the real estate business. Selling the parsonage and paying a housing allowance does that. It eliminates the problems of being a landlord. Paying rent provides shelter, but it doesn't boost net worth. Congregations that are in a position to put their pastor's financial interests before their own will provide an allowance. At death or disability, what does the congregation do? Kick the family out of the parsonage? Of course not, but it does create an awkward situation. Many congregations avoid this problem by offering a housing allowance. Finally, housing allowances tend to simplify church budgets. There are no mortgage payments, no repairs, and no estimates for utility costs. It's clean, quick, and simple.

In His Grace,  
Ron

**Dr. Ronald Bouthillette (603) 769-1810**

*Associate Executive Minister in Leadership and Discipleship - Dean of Lifetree, School of Ministry -  
American Baptist Churches of Vermont and New Hampshire (ABCNVNH)*

*Associate Executive Minister in Church Relations - The American Baptist Churches of Massachusetts (TABCOM)*

**Dr David Horn**  
**Gordon-Conwell Theological Seminary**

May 22, 2023

First Baptist Church of Rockport  
4 High Street  
Rockport, MA 01966

Dear Rockport Baptist Church leadership,

I am writing on behalf of your wonderful pastor, Matthew Wigton, as he pursues the possibility of purchasing the parsonage from the church. About 38 years ago, I was one of the pastors at First Congregational church in Hamilton, Massachusetts. At that time, the church determined that they wanted to get out of the real estate business and invited my wife and I to purchase the church parsonage to us. We did so.

This proved a to be a win-win solution for both the church and for my family and me. In general, the time of church-owned parsonages tends to be over. There are some exceptions to this, but, for the church, parsonages tend to be a burden to keep up and often drain church budgets. They certainly are a liquid asset, but an asset that rarely benefits the church and its budget. For pastors now, it becomes a very important personal asset as they live in the present and look to the future.

Based upon my experience, I would strongly recommend that you consider selling your parsonage to Matthew. I would be happy to talk with you further about details relating to the possible sale. Feel free to call me at 978-290-0951.

David Horn  
Director of the Ockenga Fellows program  
Gordon-Conwell Theological Seminary

## Addendum D - Comparative Market Analysis



COMPARATIVE MARKET ANALYSIS

# 11 Summer Street



**Kim Lorden**

Sales Agent

[kim.lorden@compass.com](mailto:kim.lorden@compass.com)

9788796746

## Suggested listing price

Mar 01, 2023

Price estimate for 11 Summer Street

**\$599,000**

### Agent notes

The sooner this property is listed, with the lack of inventory at present, the higher I anticipate the sale price rising. With a list price of \$599,000 I anticipate a sale price-range of \$615,000-\$630,000.

### Sold listing average (9)

**\$601,656**

\$424 Per Sq Ft  
17 Days on Market

## **Addendum E - Appraisal Report**

### **APPRAISAL REPORT**

**OF**



11 Summer St  
Rockport, MA 01966-2138

### **PREPARED FOR**

David Pearson  
First Baptist Church  
4 High Street  
Rockport, MA 01966

**AS OF**

04/03/2023

### **PREPARED BY**

APPRAISALS, LLC  
8 Revere St.  
Gloucester, MA 01930

First Baptist Church  
4 High Street  
Rockport, MA 01966

RE: Church of First Baptist  
11 Summer St  
Rockport, MA 01966-2138  
File No. Rkpt11Summer2023  
Case No.

Dear Mr. Pearson,

In accordance with your request, I have personally inspected and prepared an appraisal report of the real property located at:

11 Summer St, Rockport, MA 01966-2138

The purpose of this appraisal is to estimate the market value of the property described in the body of this appraisal report.

Enclosed, please find the appraisal report which describes certain data gathered during our investigation of the property. The methods of approach and reasoning in the valuation of the various physical and economic factors of the subject property are contained in this report.

An inspection of the property and a study of pertinent factors, including valuation trends and an analysis of neighborhood data, led the appraiser to the conclusion that the market value, as of 04/03/2023 is:

\$ 580,000

The opinion of value expressed in this report is contingent upon the limiting conditions attached to this report.

It has been a pleasure to assist you. If I may be of further service to you in the future, please let me know.

Respectfully submitted,

Signature: 