

## **Frequently Asked Questions**

### **Congregational Vote to Loan General Endowment Funds to the Ministerial Housing Fund**

In September, the members of UUCB will be asked to approve a loan of up to \$190,000 from our General Endowment to the Ministerial Housing Fund (MHF, aka Cope Fund) to enable a home purchase for our called minister. Approving this loan enables us to follow through on the original intent of the Fund, which is to “acquire an equity interest in housing that will reflect changes in values so as to establish a revolving fund that will help meet the housing needs of its future ministers<sup>1</sup>.” The Fund has been used twice in the past for called-minister housing, and enables us to attract a called minister despite the high cost of housing in the Bay Area.

**1. What was the value of the MHF when we advertised the position to Rev. Marcus?**

The available amount of the Ministerial Housing Fund was listed as approximately \$375,000 in the job posting for our settled minister.

**2. Why is the MHF less now than it was when we listed it in the package for the minister?**

In early 2023, Jane Lundin donated a single-family house to UUCB, now called the Lexington Lodge, to be used as a parsonage option. Since a parsonage is in keeping with the purpose of the MHF, the Board of Trustees voted to borrow money from the MHF in order to pay off the mortgage of the Lexington Lodge, as well as pay for repairs and renovations to bring the Lexington Lodge up to rental standards<sup>2</sup>.

**3. How did we intend to make the MHF whole again?**

The Lexington Lodge is being used as a rental property rather than a parsonage, with the net proceeds of about \$25,000/year returned to the MHF.

**4. Why do we need to make the MHF whole now?**

Rev. Marcus declined the use of the parsonage, and initially requested the option of a rent subsidy for his current home in Oakland, with an option to switch to the offered down payment of \$375,000. He now wishes to exercise that option.

**5. How will we support Rev. Marcus' option for a downpayment?**

The \$375,000 will be offered as a loan at 5%/year interest, payable to UUCB upon sale of the property or whenever Rev. Marcus leaves UUCB, whichever comes first.

**6. Where will the money come from to make the MHF whole?**

More than \$800,000 is available in the Board-Designated Endowment. This is called a “board-designated” endowment” as it is comprised of bequests and other donations without restrictions or designations by their donors (unlike the permanent endowment). The by-laws allows these funds to be used for “emergencies, funding loans, or capital improvements” with  $\frac{2}{3}$  congregational approval<sup>3</sup> required for loans that will be paid back.

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<sup>1</sup> Preamble of housing agreement with Bill and Barbara Hamilton-Holway

<sup>2</sup> Even with the work paid for by UUCB, the net value of the donated property was well over a half million

<sup>3</sup> Article 9.1.1.1

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**7. Why don't we take a loan out on the Lexington Lodge property instead?**

An IRS regulation for churches says that if a church carries debt, rental revenues have to be counted as Unrelated Business Income, upon which we pay income taxes. Since UUCB has no other debt, taking out a loan on the Lexington property would incur additional taxes on the rental income.

**8. How will we pay back the loan from the General Endowment?**

The loan will be paid back from the net proceeds of the Lexington Lodge, which previously went to the MHF. This is approximately \$25,000/year, and we will also no longer draw the ministerial rent subsidy of \$1300/mo from the MHF. We expect the General Endowment to be paid back no later than 2032.

**9. What is the impact of this on the Church's operating budget?**

There is no direct impact on the operating budget, as the annual payout from the General Endowment is paid into the Ladd Griffith Building Maintenance Fund, and not the operating budget.

**10. Why do we need a congregational vote?**

Per Article 9.1.1.1 of our by-laws we require a congregational vote any time our board-designated endowments are used for emergencies, loans, or capital improvements.

**11. Who has endorsed this proposed loan?**

The resolution to enable the use of \$375,000 as a downpayment for Rev. Marcus' housing by making the MHF whole from the General Endowment is supported by the Board, the Finance committee, and the Negotiating Team charged with negotiating the ministerial agreement with Rev. Marcus.

**12. Will I be able to ask questions or give feedback about this proposed motion?**

There will be an in-person Q&A on Sunday, August 25 at 9:30AM. There will be Zoom Q&As the week of August 26.

**13. When will the Congregational Vote be held?**

The Board has called a Special Congregational Meeting to be held on September 15, 2024, immediately following the Sunday Service. .