

SALE, LEASE, MORTGAGE OR PURCHASE OF PARISH PROPERTY

WHAT DOES A PARISH NEED TO DO TO COMPLY WITH THE CANONS?

Every Parish in the Diocese of Bethlehem must obtain the written consent of the Bishop and the Standing Committee before the Parish can sell or enter into a long-term (more than twelve months' duration) lease for real property owned by the Parish.¹ Diocesan Canons also require a Parish to obtain the written consent of the Bishop and the Standing Committee before entering into a loan (such as a mortgage) secured by the Parish's real property.² Diocesan Canons further require a Parish to obtain the written consent of the Bishop and Standing Committee to purchase real property.³

The Diocese is distributing these guidelines to help Parishes collect the information and documents they need to provide the Bishop and Standing Committee to obtain their approvals for sales, leases, and purchases of real property, and for any loans secured by real property. Written consent must also be obtained for any license agreement or easement granted for use of real property owned by a Parish, and guidance on the documents needed for those transactions will be provided upon request.

Any letters notifying the Diocese of a Parish's intent to pursue a real estate transaction or requesting the written authorization necessary to complete the transaction must be written on Parish letterhead and signed by both the Rector or Priest-in-Charge of the Parish and the Senior Warden. If the Parish does not have permanent clergy, the letter must be signed by both the Senior Warden and the Clerk of the Vestry. The Bishop and/or the Standing Committee may at any time during the process ask for additional documents or information.

¹ Article I, Constitution of the Diocese of Bethlehem, Canons I.7, Sections 3 and 4, Canons of the Episcopal Church; Title II, Canon 4, Section 4 of the Canons of the Diocese of Bethlehem.

² Title II, Canon 4, Section 3 of the Canons of the Diocese of Bethlehem.

³ Title II, Canon 4, Section 6 of the Canons of the Diocese of Bethlehem.

I. SALE

These guidelines apply when a Parish wants to sell real property (including church property, school property, rectory, or any other real property owned by a Parish).

- A. **Before listing** the property for sale or **negotiating** for sale of a property, the Parish must send to the Bishop and the Standing Committee:
1. A letter describing the property to be sold and the minimum profit expected from any sale. This letter should also tell the Bishop and Standing Committee:
 - a. How the Parish intends to use the income from the sale;
 - b. The date that the Parish acquired the property to be sold and what the property's value was on that date (if it was a gift, what was the value of the gift; if purchased, what was the purchase price);
 - c. How the property is used now; and
 - d. How the Parish will accommodate the use the property now serves after the Parish sells the property. In particular, if the property is a rectory or otherwise used for clergy housing, state how the Parish will arrange for clergy housing.
 2. Documents that show that the Parish is:
 - a. Paying its clergy in accordance with Diocesan guidelines;
 - b. Paying its full Assessment and Acceptance to the Diocese; and
 - c. Performing all audits required by the Diocese.
 - d. If the Parish does not provide the documents showing it is paying clergy in accordance with Diocesan guidelines, that it is paying its full Assessment and Acceptance and/or that it is performing required audits, the Parish must provide in its letter a written commitment that money received from the sale of the property will be applied to these purposes.
 3. A copy of the deed for the property that will be offered for sale. If a corporation owns the property, attach a copy of its incorporation documents.
 4. A copy of the minutes of the Vestry meeting showing that the Vestry:
 - a. Approved listing the property for sale and that, prior to approving the listing, the Vestry considered the items listed in Sections 1 and 2 above; and

- b. Required that any listing of the property for sale include the clause that “The sale of this property is subject to the written approval of both the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem”.

B. Before signing an agreement or committing to any sale, the Parish must obtain written approval from the Bishop and Standing Committee. In order to obtain this approval, the Parish must send a letter requesting approval to the Bishop and Standing Committee, and include the following documents with the request:

1. The proposed sales agreement, including all attachments. If not included in the attachments, a current title report must be provided. This agreement shall include the phrase “This sale is executed with the written approval of the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem.”
2. An independent appraisal of the fair market value of the property.
3. A written statement from the Clerk of the Vestry attesting that the Diocese was given the opportunity to move any items belonging to the Diocese from the property to be sold, and stating the dates that notice of these opportunities were provided.
4. A copy of the minutes of the Vestry meeting authorizing the Parish to enter into the sales agreement forwarded to the Bishop and Standing Committee, with proof that the Vestry reviewed the specific terms in the sales agreement. This authorization must set forth the net profit to be gained from the sale of the property and show how the profit was calculated.
5. A copy of the Parish’s most recent
 - a. Parochial report;
 - b. Annual budget;
 - c. Treasurer’s report; and
 - d. Audit.

II. LEASE

These guidelines apply when a Parish wants to lease real property (including church property, school property, rectory, or any other real property owned by a Parish) for a term of more than 12 months.

A. **Before listing** any property for rental **or negotiation** for a lease, the Parish must send to the Bishop and the Standing Committee:

1. A letter describing the property to be leased, the proposed duration of the lease, and the minimum income expected from the lease. This letter should also contain following information:
 - a. How the Parish intends to use the income from the lease or rental;
 - b. The date that the Parish acquired the property and what the property's value was at the time it was acquired (if it was a gift, what was the value of the gift, if purchased, what was the purchase price);
 - c. How the property is used now, and;
 - d. How the Parish will find space for the use the property now serves after the Parish leases the property. If the property is currently used for Parish activities, state specifically how and where the Parish will conduct those activities for the term of the lease. If the property is a rectory or otherwise used for clergy housing, state how the Parish will arrange for clergy housing.
2. Documents that show that the Parish is:
 - a. Paying its clergy in accordance with Diocesan guidelines;
 - b. Paying its full Assessment and Acceptance to the Diocese; and
 - c. Performing all audits required by the Diocese.
 - d. If the Parish cannot provide the documents that show it is paying clergy in accordance with Diocesan guidelines, that it is paying its full Assessment and Acceptance to Diocese, and/or that it is performing required audits, the Parish must provide in its letter a written commitment that money received from the lease of the property will be applied to these purposes.
3. A copy of the deed for the property that will be offered for lease. If a corporation owns the property, attach a copy of its incorporation documents.

4. A copy of the minutes of the Vestry meeting showing that the Vestry:
 - a. Approved negotiating a lease of the property or a listing of the property for rental, and that, prior to approving the listing or negotiations, the Vestry considered the items listed in Sections 1 and 2 above.
 - b. Required that any listing of the property for rent or lease include the clause that “The lease of this property is subject to the written approval of both the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem”.

B. Before signing or committing to any lease, the Parish must obtain written approval from the Bishop and Standing Committee. In order to obtain this approval, the Parish must send a letter requesting approval and include the following documents:

1. The proposed lease agreement, including all attachments. If not included in the lease agreement, the Parish shall provide the legal description of the property to be leased. This agreement shall include the phrase “This lease is executed with the written approval of the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem.”
2. An independent appraisal of the fair market rate for rental of the property.
3. A written analysis showing the net profit expected from the lease of the property and how that profit was calculated. If the property is to be leased to a “for-profit” entity, the analysis must include the effect that the lease will have on the tax-exempt status of the Parish or the Parish’s property, and how that will impact net profit.
4. A description of the entity leasing the property and how the entity intends to use the property that it is leasing from the Parish.
5. A written statement from the Clerk of the Vestry attesting that the Diocese was given the opportunity to move any items belonging to the Diocese from the property to be leased, and stating the dates that notice of these opportunities were provided.
6. A copy of the minutes from the Vestry meeting authorizing the Parish to enter into the specific lease agreement forwarded to the Bishop and Standing Committee, with proof that the Vestry reviewed the specific terms of the lease agreement. If the property is to be leased to a “for-profit” entity, the minutes must show that the Vestry considered the effect that the lease would have on the tax-exempt status of the Parish or the Parish’s property.
7. A copy of the Parish’s most recent:
 - a. Parochial Report;
 - b. Annual budget;
 - c. Treasurer’s report; and
 - d. Audit.

III. LOANS (INCLUDING MORTGAGES)

These guidelines apply when a Parish wants to obtain a loan secured by real property (including church property, school property, rectory, or any other real property owned by a Parish). “Loan” includes any type of indebtedness secured by real property, including mortgages, loans, or promissory notes.

- A. **Before engaging in any negotiations** for a loan secured by real property, the Parish must send to the Bishop and Standing Committee:
1. A letter describing the property that will secure the loan, the type of loan sought (for example, mortgage or promissory note), and the expected duration and terms of the loan. This letter should also contain following information:
 - a. How the Parish intends to use the income from the loan;
 - b. The date that the Parish acquired the property, and what the property’s value was at the time it was acquired (if it was a gift, what was the value of the gift; if purchased, what was the purchase price).
 2. Documents that show the Parish is:
 - a. Paying its clergy in accordance with Diocesan guidelines;
 - b. Paying its full Assessment and Acceptance to the Diocese; and
 - c. Performing all audits required by the Diocese.
 - d. If the Parish cannot provide the documents that show it is paying clergy in accordance with Diocesan guidelines, that it is paying its full Assessment and Acceptance to the Diocese and/or that it is performing required audits, the Parish must provide in its letter a written commitment that money received from the loan will be applied to these purposes.
 3. A copy of the deed for the property that will secure the loan or mortgage. If a corporation owns the property, attach a copy of its incorporation documents.
 4. A copy of the minutes from the Vestry meeting showing that the Vestry:
 - a. Approved negotiating and/or applying for a loan secured by the property, and that, prior to approving any negotiations or applications, the Vestry considered items listed in Sections 1 and 2 above.
 - b. Required that any documentation for a loan secured by the property include the clause that the loan “is subject to the written approval of both the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem”.

B. **Before signing or committing** to any loan secured by real property, the Parish must obtain written approval from the Bishop and Standing Committee. In order to obtain this written approval, the Parish must send a letter requesting approval and include the following documents:

1. A copy of the proposed loan document. This document shall include the proposed interest rate, the amortization period, any balloon date, and the total amount to be paid to the lender. The document must include the phrase “This document is executed with the written consent of the Bishop and the Standing Committee.”
2. An independent appraisal of the fair market value of the property securing the loan.
3. An income and expense statement for the projected term of the loan that shows the Parish’s ability to both repay the loan **and** to:
 - a. Pay its clergy in accordance with Diocesan guidelines during the term of the loan;
 - b. Pay its full Assessment and Acceptance to the Diocese during the term of the loan;
 - c. Perform all audits required by the Diocese during the term of its loan;
 - d. Pay for Parish programs during the term of the loan; and
 - e. Pay for ongoing maintenance of current structures during the term of the loan.
4. A written list of any other outstanding loans secured by any property under the control of the Parish, including the amount, source, interest rate, and repayment schedule of each loan.
5. A written list of programs planned to raise funds to repay the loan.
6. A copy of the Parish’s most recent
 - a. Parochial Report;
 - b. Annual budget;
 - c. Treasurer’s report; and
 - d. Audit.

IV. PURCHASE

These guidelines apply when a Parish wants to purchase real property, including any property for use by a school or any other subsidiary organization of the Parish.

A. Before engaging in any negotiations for purchase of property, the Parish must send the following to the Bishop and to the Standing Committee:

1. A letter describing the property to be purchased and the proposed purchase price. This letter should also contain following information:
 - a. How the Parish intends to use the property;
 - b. How the Parish will obtain the funds to purchase the property; and
 - c. The full legal description of the property and how title to the property will be held. If a corporation will hold title to the property, attach a copy of its incorporation documents.
 - d. If the Parish intends to take out a loan or mortgage secured by this property or by other Parish property to help pay for this purchase, provide all documents and information requested in the guidelines for approval of a loan secured by real property.
2. Documents that show that the Parish is:
 - a. Paying its clergy in accordance with Diocesan guidelines;
 - b. Paying its full Assessment and Acceptance to the Diocese; and
 - c. Performing all audits required by the Diocese
3. A copy of the minutes from the Vestry meeting showing that the Vestry:
 - a. Approved negotiating for purchase of the property, and that, prior to approving any negotiations, the Vestry considered the items listed in Sections 1 and 2 above.
 - b. Required that any purchase agreement include the clause that the “Purchase is subject to the written approval of both the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem”.

- B. Before signing or committing to any purchase** agreement, the Parish must obtain written approval from the Bishop and Standing Committee. In order to obtain this written approval, the Parish must send a letter requesting approval and include the following documents:
1. A copy of the proposed purchase agreement, and all attachments. If not included in the attachments, a current title report must be provided. This agreement shall include the phrase “This purchase is executed with the written approval of the Bishop and the Standing Committee of the Episcopal Diocese of Bethlehem.”
 2. An independent appraisal of the fair market value of the property.
 3. An income and expense statement for a term of four years after the proposed date of purchase that shows the Parish’s ability to:
 - a. Pay its clergy in accordance with Diocesan guidelines for each of these four years;
 - b. Pay its full Assessment and Acceptance to the Diocese for each of these four years;
 - c. Perform all audits required by the Diocese during these four years;
 - d. Pay for Parish programs for each of these four years; and
 - e. Pay for ongoing maintenance of current structures as well as maintenance of the proposed purchase for each of these four years.
 4. A written list of programs, either already conducted or planned in the next four years, to raise funds for purchase of the property and for the maintenance of the property.
 5. A written list of any outstanding loans, including amount, source, interest rate, repayment schedule, and purpose, secured by any other property currently under the control of the Parish.
 6. A copy of the Parish’s most recent
 - a. Parochial Report;
 - b. Annual budget;
 - c. Treasurer’s report; and
 - d. Audit.