



National Capital  
PRESBYTERY  
MISSIONAL · PASTORAL · PROPHETIC

# Manual of Property Policies and Procedures

Administrative Commission on Congregational Property

**NATIONAL CAPITAL PRESBYTERY**  
***(APPROVED SEPTEMBER 19, 2017)***

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*As unanimously approved by Presbytery 9/19/2017*

<b>Table of Contents</b>	<b>Page</b>
1. ACCP Authorities and General Procedures	2
2. Approval Procedures and Criteria	3
A. Procedures Common to all Projects	3
B. New Borrowing by Churches	4
C. Refinancing Existing Loans	6
D. Acquiring Real Property	7
E. Selling Church Property including Worship Space	9
F. Selling Non-Worship Property	11
G. Selling Property Easements	12
H. Leasing Church Property to Others	13
1. Leasing Worship Space	
2. Leasing Church Property for More than Five Years	
3. Leasing Space for a Cell Tower	
4. Leasing Space for Weddings	
I. Relocation - Churches Leasing Property for Their Own Use	16
J. Redeveloping Church Property	17
K. Selling Church Bonds for Capital Projects	18
3. Other Property-Related Policies	19
4. Appendix (application and licensing forms)	20

## 1. ACCP Authorities and General Policies

In the Presbyterian Church (USA), individual congregations are required to obtain approval from their Presbytery before purchasing, selling, mortgaging, refinancing, leasing, or otherwise encumbering their real property (see the *Book of Order* G-4.0206, G-3.0303, sections b and f)<sup>1</sup>. In this context, 'mortgaging' property means using church land or facilities as collateral in order to borrow money for any purpose.

In the National Capital Presbytery (NCP), the Administrative Commission on Congregational Property (ACCP or Commission) was authorized by NCP on January 22, 2008 to act on behalf of the Presbytery to consider and decide on all requests related to the above transactions, and does so without need for Leadership Council or Presbytery approval, with two exceptions: (1) the sale of real property used for worship, which requires Presbytery approval in addition to ACCP approval; and (2) borrowing in excess of \$5,000,000, which requires the approval of the Leadership Council in addition to ACCP approval.

**Other ACCP Roles.** ACCP also approves loan guarantees on behalf of the Presbytery, and authorizes the corporate officers of NCP to sign documents related to loan guarantees as well as the purchase, sale, or encumbrance of real property.

ACCP manages real property that is under the direct jurisdiction of the Presbytery (i.e., real property that is owned by the Presbytery with all the rights of ownership e.g. property of a dissolved congregation) and is responsible for the repairs, maintenance and renovations of such real property.

At the direction of the Leadership Council, ACCP also manages the sale, purchase or leasing of church property that is under the direct jurisdiction of the Presbytery. Such transactions require the approval of Presbytery before closing.

**ACCP Meetings and Reporting.** ACCP meetings are generally held monthly in person at the call of the Chair. Phone meetings or e-votes may be used when a matter requires action before the next monthly meeting.

ACCP actions and decisions are reported within one week to the General Presbyter and the Leadership Council chair, and to the Leadership Council and the Presbytery in advance of each of their meetings.

**Right of Appeal.** Decisions of ACCP may be appealed to the Leadership Council or to the Presbytery.

**General Policies for the Use of Outside Consultants.** A congregation planning a property transaction (purchase or sale), facility expansion or re-development project is urged to hire an experienced outside consultant to help the church understand the full costs and risks of its project, as well as to develop the best strategy for minimizing the risks and managing the project successfully. The cost of these services is borne by the congregation. In the case of major construction projects, a church is also urged to consider hiring a professional project manager to help the church select, contract and oversee the work of the project architect, the general contractor, and any specialty vendors not included in the general contractor's contract, as well as to manage the project budget.

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<sup>1</sup> Excepting Greenwich Presbyterian, which elected the exception in G-4.0208, PC(USA) *Book of Order*.

If an action or project requires ACCP approval, ACCP may decide to engage a consultant(s) as part of the due diligence work required to thoroughly evaluate a property transaction or project. The costs of these services will be borne equally by ACCP and the congregation as the services are incurred and billed. If a property sale is involved, ACCP may elect to have its share of the expenses reimbursed from the sale proceeds. If a redevelopment project is involved, expenditures by ACCP or the Presbytery for real estate consulting, legal services, and other due diligence expenses will be fully reimbursed to the Presbytery from the first proceeds from the sale or lease of property, or any other revenues realized through redevelopment of the property.

## 2. Project Approval Procedures and Requirements

### A. Procedures Common to All Projects

**Getting started.** Congregations wishing to undertake any of the property-related transactions that require ACCP approval should start by contacting the Director of Business Affairs and describing the proposed project. Based on the type of project being proposed, the Director of Business Affairs will (1) provide copies of the appropriate application form(s) and instructions, (2) explain the process and timeline for ACCP consideration of the proposal, and (3) answer any questions the applicant may have.

**Contact ACCP early.** To minimize the chance that an application to ACCP may delay financing or other important objectives, please contact the Director of Business Affairs as early as possible in the congregation's planning process. In addition to preventing unwelcome delays, early feedback from ACCP on a church's project can result in cost savings, more advantageous contract terms, and/or a more successful project.

Any forms or other information that a church is requested to submit to ACCP are due to the Director of Business Affairs two weeks in advance of the ACCP meeting at which the application will be considered. This enables ACCP members to review the church's submission thoughtfully prior to the meeting. ACCP meets monthly. Churches are encouraged to have a representative at the ACCP meeting during which the church's proposal is considered.

**Which comes first: ACCP approval or Session/congregation approval?** ACCP prefers that a church's Session or congregation <sup>2</sup> has approved the proposed action before ACCP approval is requested. This is not an ironclad rule. If a church cannot obtain congregational/Session approval before the date it needs ACCP approval, it should contact the Director of Business Affairs as early as possible in the planning process. In many situations, ACCP approval can be granted first, although such approvals are always conditional on receiving evidence of congregational/Session approval within a certain period of time. Regardless of the approval sequence, it is prudent to contact ACCP as early as possible in the church's planning process.

**How ACCP decides.** ACCP approves or disapproves a proposed transaction based on criteria listed under each type of transaction below, as well as its assessment of risks the transaction poses to the congregation and to NCP.

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<sup>2</sup> As specified in the *Book of Order*, purchasing, selling, or encumbering a church with debt financing requires congregational approval. Leasing church property can be approved by the church's Session.

## B. New Borrowing by Churches

**Approval Authority.** Church borrowing requires ACCP approval when a church loan (1) will be secured with a mortgage or deed of trust on the real property of the church and/or (2) needs to be guaranteed by NCP. Additionally, loans in excess of \$5,000,000 require the approval of the Leadership Council and of the Presbytery.

**Application Procedure.** The following forms (included in the Appendix) must be completed and returned to the Director of Business Affairs with the attachments specified in the forms:

1. Presbyterian Investment and Loan Program (PILP) Loan Application (pages 1-6 only - obtain from PILP web site) (required whether or not church intends to apply to PILP for financing).
2. NCP Loan Application Addendum.
3. The Certificate of Agreement with NCP Loan Guarantee Policies if NCP is requested to co-sign or guarantee the loan.

Please note that the NCP Loan Application Addendum includes a list of documents and information that may not be available when a church requests loan approval from ACCP. These should be provided as soon as they become available. ACCP may rescind its approval of the loan if any of these documents are not provided in a timely manner.

**Loan Approval Criteria.** Loan requests are evaluated by ACCP based on a review of the risk factors for the congregation, the proposed project or transaction, and other known information. ACCP approves only those loans that have a strong likelihood of being repaid on time or ahead of time.

In evaluating loan requests, ACCP considers many factors that can affect a church's ability to repay all debt service on time, including:

### 1. Congregational health

- Is the church growing, or at least remaining stable, in membership, attendance, giving, and ministry activities?
- How broad and strong is leadership support for the project and the borrowing?

### 2. Budget

- If the loan is to be used for capital repairs, improvements or new construction, are the design documents and specifications sufficiently detailed to permit an accurate construction cost estimate by a professional cost estimator, or preferably, an actual bid by a construction firm?
- Is the project budget complete and competently prepared?
- Have adequate contingencies been included, both for hard and soft costs?

### 3. Affordability

- Will the church have sufficient funds in time to cover all soft and hard costs of the project, including contingencies?

- Will the church be able to pay the following new expenses without cutting existing staff, programs, or missions?
  - Construction loan interest.
  - Permanent loan principal and interest.
  - Future potential increases in debt service due to increases in the interest rate.
  - Increased operating expenses related to new space, if applicable.
- Will the church be able to pay debt service even if membership and/or giving decline over the lifetime of the repayment schedule?
- Specific measures of affordability include:
  - Loan should not exceed 80% of total project cost.
  - Loan should not exceed 70% of property value.
  - For each of the first five years after closing on the loan, the debt service coverage ratio <sup>3</sup> should be at least 1.25.

#### 4. Borrowing History

- What is the repayment history for any loans the church currently has or has taken in the recent past?

#### 5. Project Results

- Is the project funded by the loan likely to increase, or at least stabilize, church membership?
- Is the project likely to improve the church's financial sustainability?
- Will the project help the church grow its ministries?

**Loan Guarantee Approval Criteria.** Church loans from the PILP, as well as from many commercial lenders, require the Presbytery to guarantee the loan. If the church needs NCP to co-sign or guarantee its loan, an additional, and more restrictive, set of approval criteria are applied for two reasons:

1. Guaranteeing a church loan puts the Presbytery's assets at risk (e.g. if the church is ever unable to pay its debt service on time). Consequently, NCP limits the total dollar value of church loans it will guarantee at any one time.
2. NCP's loan guarantee may result in a congregation borrowing more than it may be capable of supporting over time, as well as tempting banks to approve larger loans than the church's credit-worthiness justifies without NCP's participation as a co-signer or guarantor.

The following restrictions and requirements apply to all requests for NCP loan guarantees:

**Guarantee Cap.** The total of all church loan balances guaranteed by NCP may not exceed 200% of NCP's unrestricted cash and investments, excluding funds held for the benefit of individual churches. As of December 31, 2015, the guarantee cap was \$16.0 million. Additionally, no single loan guarantee may exceed 20% of NCP's unrestricted cash and investments.

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<sup>3</sup> Net income (before deducting interest expense and any non-cash expenses), divided by total debt service (interest + principal)

**Other Criteria.** In addition to the criteria for loan approval, churches seeking an NCP loan guarantee are required to:

- a. Borrow from PILP. As a part of the PC(USA), PILP has a history of working with churches that have trouble meeting debt service. NCP churches are free to borrow from commercial banks; however, if a guarantee is needed, the loan must be financed by PILP.
- b. Relinquish the property in the event of default. In the event the church is unable to pay the debt service in full and NCP is required to make any payment of the mortgage, NCP shall then have the authority, through action of the Leadership Council, to assume the first lien position on the real property with the authority to sell if it chooses, and pay off the debt with the sales proceeds. Any remainder will be held by the Presbytery according to the terms listed in the NCP Financial Policies (Section 8.C Selling Church Property). This requirement is satisfied by signing and returning the Certificate of Agreement with NCP Loan Guarantee Policies, found in the Appendix.

### **Required Documents after ACCP Approval of any Loan**

1. A copy of the final loan agreement, with NCP listed as a party to be notified in case of any delinquency, and to be notified in advance of any pending default
2. A copy of the mortgage and deed of trust encumbering the church property.

## **C. Refinancing Existing Loans**

**Approval Authority.** Same as for new borrowing (see Section 2.B New Borrowing by Churches)

**Application Procedure.** Complete the following forms (included in the Appendix) and return them to the Director of Business Affairs with the attachments specified in the forms:

1. NCP Application for Approval to Refinance a Church Loan.
2. Presbyterian Investment and Loan Program (PILP) Loan Application (only if the church is applying to PILP for refinancing - get from PILP web site).
3. A Certificate of Agreement with NCP Loan Guarantee Policies if NCP is requested to co-sign or guarantee the loan.

**Approval Criteria.** Refinancing requests are evaluated by ACCP based on an overall review of the risk factors for the congregation and the proposed refinancing amount and terms. This evaluation will include, but is not be limited to, the following:

#### 1. Congregational health

- Is the church growing, or at least remaining stable, in membership, attendance, giving, and ministry activities?
- How broad and strong is leadership support for the refinancing?

#### 2. Borrowing History

- What is the repayment history for the current and any other loans the church has taken in the recent past?

If the loan amount is being increased to pay for new projects, AND/OR if the amortization period or term is being extended, the following criteria also apply:

### 3. Affordability

- Is the congregation likely to be able to pay off this refinanced loan, given the extended term and/or increased principal of the loan?
- Specific measures of affordability will include:
  - Refinanced loan amount should not exceed 80% of total project cost
  - For each of the first five years after closing on the loan, the debt service coverage ratio should be at least 1.25.

### 4. Project Results

- Is the project likely to increase, or at least stabilize, church membership?
- Is the project likely to improve the church's financial sustainability?
- Will the project help the church grow its ministries?

## **Documents Required after ACCP Approval**

1. A copy of the final loan agreement, with NCP listed as a party to be notified in case of any delinquency, and to be notified in advance of any pending default
2. A copy of the mortgage and deed of trust encumbering the church property

## **D. Acquiring Real Property**

**Approval authority.** Congregational acquisition of real property (land and/or improvements) requires ACCP approval if the property is being encumbered with mortgage financing. Though not required for a non-mortgaged property purchase, ACCP review and approval is strongly encouraged as a means of helping congregations avoid the various risks associated with acquiring property.

**Application Procedure.** Complete the NCP Application to Purchase Real Property (see Appendix) and return it to the Director of Business Affairs along with the listed attachments. If the property is being financed in whole or part with mortgage financing, please also include:

- Presbyterian Investment and Loan Program (PILP) Loan Application – required whether or not the church intends to apply to PILP (pages 1-6 only - obtain from PILP web site).
- NCP Loan Application Addendum (see Appendix).
- A Certificate of Agreement with NCP Loan Guarantee Policies (see Appendix) if NCP is being requested to co-sign or guarantee the loan.
- Congregational resolution approving the property acquisition, certified by the Clerk of Session.



**Approval Criteria.** Property purchases are evaluated by ACCP based on an overall review of the risk factors present in acquiring, owning, and using the property. The evaluation will include, but is not be limited to, the following:

1. Affordability

- Does the church have the resources to cover the purchase price?
- If new borrowing is involved, how will the church cover this new cost?
- Does the church have the resources to cover the cost of operating and maintaining the property?

2. Site Risks

- Will the church be able to acquire clear title, without liens, encumbrances, or easements that may impact the property's value?
- Is the property (land and improvements) free of environmental hazards that may be expensive or impossible to remediate?
- Are property values in the surrounding neighborhood stable or growing?
- Is there any chance the property will be acquired in part or whole by eminent domain for public infrastructure improvements?

3. Purchase contracts

- Is the contract fair and advantageous to the church?
- Will the church have a sufficient study period to assess the property prior to making a purchase commitment?

**Required after ACCP Approval.**

1. A copy of the final purchase and sales agreement.

**Please note:** If a congregation is also proposing to relocate in connection with the purchase of real property, Presbytery approval is required for the relocation. In this case, Presbytery delegates:

1. To the Church Development Committee (CDC), the responsibility to assist the congregation in developing a relocation and mission plan before selling its property, to help ensure a sustainable future for the congregation.
2. To ACCP, (1) the responsibility to analyze any proposed sale from a financial and risk perspective, and (2) to recommend approval or disapproval to Leadership Council.
3. To the Leadership Council, the responsibility to consider any proposed sale based on CDC's work and ACCP's recommendations, and, if it so chooses, to recommend approval of the sale to Presbytery.

## **E. Selling Church Property including Worship Space**

**Approval Authority.** Presbytery approval is required for the sale of church property including worship space. Presbytery delegates:

1. To CDC, the responsibility to assist the congregation before selling its property to develop a relocation and mission plan to ensure a sustainable future for the congregation.
2. To ACCP, (1) the responsibility to analyze the proposed sale from a financial and risk perspective, and (2) to recommend approval or disapproval to Leadership Council.
3. To the Leadership Council, the responsibility to consider the proposed sale based on CDC's work and ACCP's recommendations, and, if it so chooses, to recommend approval of the sale to Presbytery.

**Background.** A church may wish to sell its primary property for a variety of reasons. For instance, the church's membership and resources may have declined to the point that property upkeep is unaffordable. Selling its property may allow the congregation to continue in another, more affordable location. Sometimes the church may wish to use or develop the church site for a mission that will serve the community.

Due to varying circumstances and objectives, the approval process for proposed sales will vary for each church. In all cases, ACCP and CDC, working together with the congregation, will fashion a joint proposal for the Leadership Council to review and refer to Presbytery for approval.

The approval process described above assumes that the selling congregation will continue at a new site. If the congregation dissolves while planning a property sale, full ownership of the property reverts to NCP, which, guided by the joint efforts of CDC and ACCP, will determine the best use for the property.

Please note: if the congregation will be moving to a new location and leasing space there, approval under Section 2.I Churches Leasing Property for its Own Use will also be required

Please note: If the congregation is contemplating the redevelopment of its property, please refer to Section 2.I Redeveloping Church Property.

**Application Procedure.** Prior to any detailed consideration of a proposed sale, ACCP will require the congregation to partner with CDC to conduct an assessment of the viability and direction of the church's future ministry. This assessment will include (but not be limited to) demographic studies of the church's current and potential membership, the Congregational Assessment Tool (CAT), and/or the Starting New Initiatives Discernment Process.

The church is responsible, with CDC's oversight, to use the results of the assessment /discernment process to develop a detailed congregational mission plan that CDC reviews and approves with the participation of ACCP.

The application process then moves to ACCP, which will need the following additional information from the church:

1. The congregational resolution approving the property sale, certified by the Clerk of Session.
2. Year-end financial statements for the last three years, including balance sheets and income statements, all signed by the Treasurer.
3. The most recent financial statements for the current year, including current year budget.

4. Projected annual budgets for the next five years, showing how the church plans to achieve balanced budgets
5. Plans for retiring any current congregational indebtedness.
6. Legal description of property to be sold.
7. Record plat, ALTA survey, or other detailed plan of the property.
8. Tax value and tax map.
9. Professionally prepared title search of the property, including any and all liens or encumbrances on the property.
10. Details of any outstanding debt secured by the property, or other congregational indebtedness
11. Professional appraisal of the property's market value based on the highest and best use, using a sales comparison approach that identifies similar properties with recent settlement dates.
12. If the proposed sales price is less than 80% of the appraised value, determined as specified above, a written explanation is required.
13. Draft letter of intent from the intended purchaser, along with description of the intended purchaser's financing plan.
14. If the sale is to a church member, a relative of a church member, or to a person with any other relationship to the church, describe how the church plans to ensure an arms-length transaction based on the property's fair market value.

The Director of Congregational Development and Mission and the Director of Business Affairs will schedule meetings as needed between the congregation's leadership, CDC and ACCP to ensure transparency, good partnering practice, and that all parties have all the information needed to assess the proposed sale.

**Approval Criteria.** ACCP's evaluation will include, but is not be limited to, the following criteria:

1. Congregational viability

- Based on a review of the CDC-approved mission plan for the church.

2. Intended objective for the property to be sold

- Is there an achievable plan for the property that does not expose the church or NCP to substantial risk of financial losses?

3. Proposed sales process

Will a professional broker experienced in selling church properties be employed? If not, is the proposed sales plan likely to result in the targeted sales price?

4. Intended purchaser

- If a purchaser has been identified, is there evidence that it has the required cash or financing to accomplish the purchase?

**Required after ACCP Approval**

1. Copies of all closing documents, including the purchase and sales agreement and the settlement statement, submitted to the Director of Business Affairs 10 business days prior to closing so that ACCP may review and request any modifications needed to protect the church's and NCP's interests.

2. If NCP holds title to the property, NCP will be included as a signatory on all closing documents, and an officer of NCP will be present at closing to sign for NCP as the title holder.

**Important NCP Policy about Sales Proceeds.** When a congregation sells its real property, including where the congregation primarily worships and/or conducts its ministry, and the congregation is not dissolved, the financial assets from the sale, net of any church indebtedness, church-incurred project expenses, and due diligence expenses incurred by the Presbytery to evaluate, advise and approve the property sale, will be held by the Presbytery in a custodial fund for the benefit of the congregation. Any withdrawals from this fund shall be initiated and approved by that congregation's Session and will require the concurrence of the Presbytery Leadership Council. Such funds will not be accessed or re-designated by any future decision of the Presbytery unless the congregation is dissolved.

## **F. Selling Non-Worship Property**

**Approval Authority.** ACCP approval is required before a church sells any real property not used for worship purposes, unless the value of the property is less than \$10,000 (excluding easements - see next section), in which case ACCP hereby grants authority for the church to sell without ACCP approval.

**Application Procedure.** Please submit the following information and documents to the Director of Business Affairs at least two months in advance of the intended sale:

1. Congregational resolution approving the property sale (certified by the Clerk of Session).
2. Rationale for the sale, including how the sale will improve the church's ministries.
3. Legal description of property.
4. Record plat, ALTA survey, or other detailed plan of the property, showing the portion to be sold
5. Area (square feet or acres) to be sold.
6. Tax value and tax map.
7. Professionally prepared title search of the property, including any and all liens or encumbrances on the property.
8. Details about any outstanding debt secured by the property.
9. Professional appraisal of the property's market value based on the highest and best use, using a sales comparison approach that identifies similar properties with recent settlement dates.
10. Proposed sales price, along with any draft letter of intent with the intended purchaser. If the proposed price is less than 80% of the appraised value, determined as specified above, please include an explanation.
11. Description of the intended purchaser's financing plan.
12. If the sale is to a church member, a relative of a church member or to a person with any other relationship to the church, describe in writing how the church plans to ensure an arms-length transaction based on the property's fair market value.

**Approval Criteria.** ACCP's evaluation will include, but is not be limited to, the following criteria:

1. Proposed sales price

- Is the proposed price in line with the property's assessed value? If not, is the rationale for selling at less than fair market value compelling?

2. Proposed sales process

- Will a professional broker be employed? If not, is the proposed sales plan likely to result in the targeted sales price?

3. Intended purchaser

- If a purchaser is identified, is there evidence that it has the required cash or financing to accomplish the purchase?

4. Use of proceeds

- How will the proceeds be used? Will the proceeds enhance the congregation's long-term viability?

**Required after ACCP Approval.**

1. Copies of all closing documents, including the purchase and sale agreement, must be submitted to the Director of Business Affairs 10 business days prior to closing so that ACCP may review and request any modifications that may be needed to protect the church's or NCP's interests.
2. If NCP holds title to the property, NCP must be included as a signatory on all closing documents, and an officer of NCP must be present at closing to sign for NCP.

## **G. Selling Property Easements**

**Approval Authorities.** Since the sale of a right-of-way or utility easement, whether temporary or permanent, does convey a real property interest, all such proposed transactions require the approval of ACCP.

**Application Procedure.** Please submit the following information to the Director of Business Affairs 10 business days prior to closing so that ACCP may review and request any modifications that may be needed to protect the church's or NCP's interests:

1. Congregational resolution approving the easement sale (certified by the Clerk of Session).
2. A copy of the proposed easement agreement (temporary, permanent or both), including information on the proposed purchaser, along with the full legal description of the easement(s) and the price being offered.
3. A detailed, plan of the church's property, prepared by a professional engineer and showing the proposed easement(s) and the areas in square feet.
4. A brief description about the impact the easement will have on the congregation's operations or ministries, if any.

## Approval Criteria

1. Proposed price
2. Impact on church operations and missions
  - Are there likely to be any significant impacts, now or in the future?
  - Could the easement restrict the church from expanding its facility on the property?
3. Nature of the proposal
  - Is the church obliged to accept the easement, i.e. can the proposed purchaser use eminent domain to acquire the easement?

## Documents Required after ACCP Approval

- Copies of all closing documents must be submitted to the Director of Business Affairs, along with evidence that the easement was recorded in the land record.
- If NCP holds title to the property, NCP must be included as a signatory on all closing documents, and an officer of NCP must be present at closing to sign for NCP.

## H. Licensing (Leasing) Church Property to Individuals or Organizations

**Approval Authority.** ACCP approval is required for the following types of church licenses (leases):

1. Licenses (leases) that include the church's worship space(s) and have a term longer than one month,
2. Licenses (leases) of any church space or land that have a term longer than 5 years.

**Background Concern.** Tax assessors in Maryland, DC, and Virginia have become more active in recent years in partially revoking the property tax exempt status of churches that rent space to outside individuals or organizations (including organizations that are registered with the IRS as 501(C)(3) non-profit). Churches need to be cautious in choosing renters (rent only to 501(c)(3) organizations) and setting rents (avoid the appearance of making a 'profit' off of rental activity). This is an evolving area of church regulation, and it is wise for churches to consult an attorney knowledgeable in church tax matters and about tax assessors in your jurisdiction before the church commits to a significant new rental.

### 1. Licensing (Leasing) Worship Space

**Application Procedure.** Submit the following information to the Director of Business Affairs as far in advance of each new or renewing lease as possible:

1. Session resolution approving the license, certified by the Clerk of Session.
2. The name, address and corporate status (individual, unincorporated group, for-profit corporation or not-for-profit corporation) of the entity wishing to license worship space (licensee)
3. A completed but unsigned copy of the proposed license agreement, preferably using one of NCP's model license agreements (found in the Appendix). The agreement must contain the following important language:

Notwithstanding anything contained in this License to the contrary, in the event that the Landlord as a religious organization is dissolved, Licensor or the National Capital Presbytery

may terminate this License, provided that notice of such dissolution is provided to Licensee at least ninety (90) days prior to the anticipated date of dissolution, and (ii) the License shall not terminate for ninety (90) days after the date of such dissolution unless otherwise agreed by the Parties.

4. The contact person's name, address, phone number, and email.
5. A certificate of insurance that shows all of the renting organization's insurance policies, and lists the church as an "additional insured" for the full coverage limit of each of the policies.

## **Approval Criteria**

1. NCP has prepared a model license agreement for each congregation to use when it rents space. This model can be adapted by a congregation to reflect the particular information of the anticipated transaction.

2. License vs. lease form of agreement. The model provided by the ACCP is a license agreement rather than a lease agreement. Licenses grant fewer rights to the renting organization, making it easier for the church to terminate the agreement without undue time or complications. A model license agreement written specifically for NCP churches is included in the Appendix.

3. Religious compatibility. ACCP reserves the right to disapprove a lease to any organization (including a church) if it or its parent body (1) actively disparages the Presbyterian Church (USA), (2) denies that the PC(USA) is a branch of the true church of Jesus Christ, and/or (3) engages in activities or promotes values that are antithetical to those of the PC(USA).

4. Adequacy of insurance. Churches take on significant liability risks when they allow other churches, schools, or other organizations to use their space, with or without paying rent, particularly when children are involved. Insurance claims and lawsuits against licensees (lessees) for child abuse, injuries, and neglect often involve the licensor (lessor). ACCP will look for evidence that the church as licensor has taken at least the following steps to protect itself:

- Does the intended licensee have general liability, umbrella and workers' compensation insurance to cover all risks associated with its operations?
- If the licensee is a church, a school, or child-care provider, does its liability and umbrella policies provide coverage against claims of child abuse or molestation?
- Is the licensee's insurer a strong, reputable company?
- Does the certificate of coverage satisfy the criteria listed under application step 5 (above)?

### 5. Tax risk

- Is the renting organization a 501(C)(3) non-profit? Does the church have a copy of the organization's 501(C)(3) determination letter from the IRS to verify the organization's tax status?
- Can the church show that the rent being charged does not exceed the church's cost of providing space, maintenance, utilities, and other services to the renter?

## 6. Compatibility of Renter

- Has someone from the church visited the intended licensee at its current location to assess how compatible it is likely to be in terms of care for facilities, track record with prior landlords, etc.?

## **2. Licensing Church Property or Land for More Than Five Years**

**Application Procedure.** Same as described above for licensing worship space.

**Approval Criteria.** Same as above for licensing worship space, except no need for criterion 3 regarding religious compatibility.

## **3. Leasing Space for a Cell Tower**

Most cell phone companies require long-term leases (in excess of five years), renewable at the cell tower company's discretion, and thus require ACCP approval.

**Application Procedure.** Same as described above for licensing worship space, except that most cell tower companies will require their own lease agreement, which is acceptable to ACCP as long as both ACCP and the church review the agreement well before it is signed.

Regardless of its origin, the lease agreement must contain the following provision:

Notwithstanding anything contained in this Lease to the contrary, in the event that the Landlord, as a religious organization, is dissolved, Landlord or the National Capital Presbytery may terminate this Lease, provided that (i) notice of such dissolution is provided to Tenant at least ninety (90) days prior to the anticipated date of dissolution, and (ii) the Lease shall not terminate for ninety (90) days after the date of such dissolution unless otherwise agreed by the Parties.

### **Approval Criteria**

1. Term of agreement. If the cell tower lease has an initial term in excess of five (5) years, and/or an option to extend for multiple renewal terms, the lease will provide an option for the church to terminate the agreement after ten (10) years without cost or penalty.
2. Rental payment and escalation terms. Is the rent reasonable, based on similar cell tower agreements in the DC area? Does the agreement provide an annual rent escalation provision?
3. Design documents. Does the lease include detailed plans and specifications that ensures the appearance of the cell tower (or the replacement steeple) and associated ground equipment will be acceptable? If a replacement steeple is being proposed, what guarantees concerning the lifetime of the steeple are provided?



4. Easements and Access. Is the church being required to provide a maintenance easement in connection with the lease agreement? Will the proposed easement inhibit the church's use or expansion of its facilities? The agreement should specify that no inspections or maintenance work will be performed on the tower during worship services.

## 4. Leasing Space for Weddings

Since the Book of Order defines a wedding as a service of worship, each NCP church is hereby given permission to lease space for the celebration of a wedding or a service celebrating the renewal of marriage vows, as approved by the session of the church.

### I. Relocation - Churches Leasing Property for Their Own Use

**Approval Authority.** Congregations wishing to relocate must have approval to do so first from CDC, and then from Presbytery. If a congregation plans to move to leased space, ACCP assists CDC by reviewing the proposed lease agreement. In those cases, CDC generally will not approve the relocation until ACCP has approved the lease agreement.

**Application Procedure.** Please submit the following information to the Director of Business Affairs as soon as possible:

1. Session resolution approving the relocation plan and proposed lease (certified by the Clerk of Session).
2. Copies of any materials, including the relocation plan, that have been submitted to CDC.
3. Contact information for the property owner (often another church).
4. Three years of the congregation's financial reports.

#### Approval Criteria

- If the church will be moving to a new location, will the rented space, parking and location support church growth?
- Do the terms of the proposed lease agreement adequately protect the church's interests?
- Does the proposed lease agreement include the following termination provision?

Notwithstanding anything contained in this Lease to the contrary, in the event that the Tenant, as a religious organization, is dissolved, Tenant or the National Capital Presbytery may terminate this Lease, provided that (i) notice of such dissolution is provided to Landlord at least ninety (90) days prior to the anticipated date of

dissolution, and (ii) the Lease shall not terminate for ninety (90) days after the date of such dissolution unless otherwise agreed by the Parties.

- Is the proposed rent fair, based on local comparable rents, and affordable for the congregation?

### **Required after ACCP Approval**

The church's Session must approve the approved lease document prior to the lease being signed. After both parties have signed the lease, ACCP must receive a copy of the signed lease and a copy of the session meeting minutes, certified by the Clerk of Session, approving the primary details of the lease.

## **J. Redeveloping Church Property**

**Approval Authority.** Presbytery approval is required for the redevelopment of church property, as determined by the ACCP, which may include any of the following actions:

1. Sale of Church Property
2. Leasing Worship Space
3. Leasing Church Property for More than Five Years.
4. Borrowing against Church Property
5. Relocation of the Congregation

Presbytery delegates:

1. To CDC, the responsibility to assist the congregation in developing a relocation and mission plan if a move is planned, to help ensure a sustainable future for the congregation.
2. To ACCP, the responsibility (1) to analyze the benefits and risks of the proposed project from a financial and development perspective, (2) to work with the church to obtain the best agreement possible with the proposed development partner, and (3) to recommend approval or disapproval of the project to Leadership Council.
3. To the Leadership Council, the responsibility to consider the proposed sale based on CDC's work and ACCP's recommendations, and, if it so chooses, to recommend approval of the sale to Presbytery.

**Application Procedure.** Church redevelopment projects vary considerably in their objectives, scope, strategy and risks. Since each one may involve a different combination of the five actions listed above, it is not possible to outline a single application procedure here that will be appropriate for all projects.

To get started, please call the Director of Business Affairs to schedule a planning meeting with ACCP and with CDC. After the planning meeting, ACCP will generally request that the church submit the information and documents required for approval of each of the actions involved in the project (from the list of five actions above). For example, if the project involves selling church property including worship space, the church would submit the items listed under Section 2E. Selling Church Property including Worship Space.

Since redevelopment projects such as affordable housing can create substantial and long-lasting financial risks to the Presbytery as well as to the congregation, depending on how the project is structured, ACCP will need to meet early and frequently with the congregation's project leadership to assess the various risks, and to review project documents as they are developed.

As described in Section 1. ACCP Authorities and General Policies, ACCP may decide to engage a consultant(s) as part of the due diligence work required to thoroughly evaluate a redevelopment project. Expenditures for such expenses will be fully reimbursed to the Presbytery from the first proceeds from the sale or lease of property, or any other revenues realized through redevelopment of the property.

Based on ACCP's judgment regarding the project's risks, as well as which entity holds title to the property, ACCP may recommend that NCP be a signatory, along with the congregation, on all legal documents related to the project.

In the case of a redevelopment project, for which the church is planning to relinquish control of all or part of its property to a developer, ACCP will generally expect the congregation to sell, rather than lease, its property to the developer. Leases for redevelopment projects usually present more risks to the church's interests than an outright sale.

## **K. Selling Church Bonds for Capital Projects**

**Approval Authority.** NCP's policy is to discourage churches from conducting their own bond program to finance a building campaign. It recommends the use of the Presbyterian Investment and Loan Program (PILP) for such purposes.

**Background.** Poorly designed and executed church bond programs can easily undermine a concurrent capital campaign. Unless carefully designed with the help of competent legal counsel, bond programs can create misunderstandings between church members and administrators that lead to significant resentment and discord within a congregation potentially damaging future fundraising efforts.

**Application Procedure.** Please submit the following to the Director of Business Affairs at least two months prior to offering church bonds:

1. A brief written description of the objectives and structure of the proposed bond program, including details concerning any other concurrent fundraising activities.
2. Plans, projected cost, and construction schedule for any capital project being financed by the proposed bonds.
3. Detailed, multi-year financial projections showing how the church plans to pay off the bonds.
4. Contact information for the attorney who will assist the congregation in developing the program.
5. Results of any prior bond program(s) the church may have conducted, including redemption details.

## Approval Criteria

### 1. PILP alternative

- Has the church investigated using PILP instead of conducting its own bond program? Does the church have an informed rationale for not working with PILP?

### 2. Legal Counsel

- How much experience does the proposed attorney have with church bond programs?
- Will the attorney be involved in drafting all communications materials connected with the bond program, as well as all legal documents?

### 3. Program documents

- Do the program documents – legal as well as promotional – adequately protect the church and the bond holders?

### 4. Financial feasibility

- Is the church likely to be able to make all bond payments on time?

### 5. Risk management

- Is the proposed program designed in such a way as to (1) minimize the chances of undermining any concurrent fundraising activities, (2) minimize the chance of default by the church, and (3) ensure congregational satisfaction with the program?

## Other Approval Requirements

1. ACCP must receive a copy of the final legal documents, and a copy of the session meeting minutes, certified by the Clerk of Session, approving the primary details of the lease.

## 3. Other Property Related Policies

When the NCP assumes ownership of a church property due to the dissolution of the congregation or for other reasons, ACCP will manage and/or sell the property, as directed by the Leadership Council. Sales agreements negotiated by ACCP must always be approved by Leadership Council and the Presbytery before the sales agreement can be signed.

## 4. Appendix

Most of the attached forms are available as fillable Adobe forms on the NCP web site. You may either print out the form and fill it in by hand, or, if you have the current version of Adobe Acrobat or Reader, fill out the form on your computer, saving it as an Adobe file, and printing it out or sending it as an email attachment.

### A. Loan Application Forms

1. Presbyterian Investment and Loan Program (PILP) Loan Application (obtain from the PILP web site)
2. NCP Loan Application Addendum
3. Certificate of Agreement with NCP Loan Guarantee Policies
4. NCP Application for Approval to Refinance a Church Loan

### B. NCP Application to Purchase Real Property

### C. Model License Form for NCP churches wishing to lease property to other organizations

**NCP Loan Application Addendum**

Complete & return to NCP Director of Business Affairs with PILP loan application



**NATIONAL CAPITAL**  
**PRESBYTERY**  
Missional · Pastoral · Prophetic

Church: \_\_\_\_\_

Date of application: \_\_\_\_\_

Name of person completing this application: \_\_\_\_\_

Contact information: Phone \_\_\_\_\_ Email \_\_\_\_\_

Brief description of project scope and objectives

\_\_\_\_\_  
\_\_\_\_\_

How will this project help your church accomplish its mission?

\_\_\_\_\_  
\_\_\_\_\_

**Loan Information**

Lending institution:  PILP<sup>4</sup> or  Commercial bank – Name: \_\_\_\_\_

Construction Loan: Amount: \$\_\_\_\_\_ Interest rate: \_\_\_\_% Term: \_\_\_\_\_ years

Permanent Loan: Amount: \$\_\_\_\_\_ Interest rate: \_\_\_\_% Amortization: \_\_\_\_\_ years

How long is interest rate fixed? \_\_\_\_\_ years

Are there penalties for prepayment? \_\_\_\_\_

How many loan offers did you obtain? \_\_\_\_\_

**Capital Campaign (if being conducted to help finance this project)**

Number of pledges received to date: \_\_\_\_\_

Total amount pledged to date: \_\_\_\_\_

Average pledge amount: \$\_\_\_\_\_

Total campaign payments received to date: \$\_\_\_\_\_

Total payments anticipated in each of the next five years

This Year	Next Year	Next Year	Next year	Next Year
\$_____	\$_____	\$_____	\$_____	\$_____

Are you planning any additional capital campaigns? If so, when and for what purpose?

\_\_\_\_\_

<sup>4</sup> Presbyterian Investment and Loan Program

**Financing Sources**

	Spent already	On hand	Anticipated	Total
Existing (non campaign) cash/investments	\$ _____	\$ _____	\$ _____	\$ _____
Capital campaign	_____	_____	_____	_____
New borrowing	_____	_____	_____	_____
Other gifts	_____	_____	_____	_____
Other:	_____	_____	_____	_____
Total sources	_____	_____	_____	_____

Total estimated project cost: \$ \_\_\_\_\_

**Annual Giving**

	2 Years Ago	1 Year Ago	Current Year
Average annual pledge amount (per pledger):	\$ _____	\$ _____	\$ _____
Annual fulfillment rate of all pledges: (total \$ received/total \$ pledged)	_____ %	_____ %	

**Borrowing History**

Please briefly describe each loan the church has taken in the last ten years

	Loan 1	Loan 2	Loan 3
Borrowed amount:	\$ _____	\$ _____	\$ _____
Purpose:	_____	_____	_____

Have there been any payment delinquencies or defaults?

Current balance (principal):	_____	_____	_____
	\$ _____	\$ _____	\$ _____

For all loans combined, specify current month's interest and principal payments:  
 \$ \_\_\_\_\_ principal + \$ \_\_\_\_\_ interest = \$ \_\_\_\_\_ total debt service

**Please include the following documents/information with this application:**

- Congregational resolution approving the project and the loan (including amount, interest rate, term, and payoff date), certified by Clerk of Session.
- Detailed project budget (redundant w/PILP form?)
- Year-end financial statements (audited or reviewed if available) for last 3 years, including balance sheets and income statements, all signed by treasurer
- List of church cash or liquid assets not included in financial statements, if any
- Most recent financial statements for the current year, including current year budget
- Projected annual budgets for the next five years, including new debt payments

If this is a construction loan:

- Architect's drawings showing floor plan and elevations (file size please)
- Construction contract when available

If this is a site loan:

- Soil test results for compaction and percolation
- Contract of sale (if available)
- Real estate closing documents (if available)
- Proof of zoning compliance or approval
- Appraisal

**Other documents and information that are required as soon as available after loan approval:**

- Signed construction contract
- Payment and performance bonds on general contractor
- Builder's risk insurance certificate
- Copy of the mortgage or deed of trust encumbering the church property
- Final loan agreement



**NCP Certificate of Agreement with NCP Loan Guarantee Policies**

Complete & return to NCP Director of Business Affairs with PILP loan application and NCP Loan Application Addendum



1. The trustees or the corporate board of \_\_\_\_\_ Presbyterian Church are the primary stewards of the real property of the church as long as the congregation is able to pay the debt service in full.
2. In the event that \_\_\_\_\_ Presbyterian Church fails to make scheduled debt service payments for three consecutive months, or receives a notice of pending foreclosure by the lending institution, the Presbytery shall have the authority, through action of its Leadership Council, to assume first lien position on the real property with the authority to sell the property if it chooses, and satisfy any outstanding liabilities, with any remaining proceeds to be held by the Presbytery according to the terms listed in ACCP Manual under Section E. Selling Church Property.

At a duly called meeting of the corporate Board or, if not incorporated, the Session of \_\_\_\_\_ Church on \_\_\_\_\_ (date), the NCP Loan Guarantee Policies described above were approved.

Attested by:

\_\_\_\_\_  
*Moderator signature*

\_\_\_\_\_  
*Printed name*

\_\_\_\_\_  
*Clerk of Session signature*

\_\_\_\_\_  
*Printed name*

**NCP Application for Approval to Refinance a Church Loan**

Complete and return to NCP Director of Business Affairs



National Capital  
PRESBYTERY  
MISSIONAL · PASTORAL · PROPHETIC

Church: \_\_\_\_\_

Date of application: \_\_\_\_\_

Name of person completing this application: \_\_\_\_\_

Contact information: Phone \_\_\_\_\_ Email \_\_\_\_\_

**Reason(s) for refinancing (check more than one if applicable)**

Experiencing difficulty making current debt service payments. Need to lower payments by extending amortization and/or lowering interest rate.

Not experiencing payment difficulties. Wish to take advantage of lower interest rate.

Increasing the loan amount to finance new capital replacements or improvements. Please specify:

\_\_\_\_\_  
 Other (please specify):  
\_\_\_\_\_

**Loan Information**

Current lending institution:  PILP<sup>5</sup> or  Commercial bank – Name: \_\_\_\_\_

Refinancing institution:  PILP or  Commercial bank – Name: \_\_\_\_\_

How many refinancing offers did you obtain?

Current loan: Balance due: \$\_\_\_\_\_ Interest rate: \_\_\_\_% Last scheduled payment date: \_\_\_\_\_

New borrowing: Amount: \$\_\_\_\_\_

Refinanced loan: Amount: \$\_\_\_\_\_ Interest rate: \_\_\_\_% Amortization: \_\_\_\_ years

How long is interest rate fixed? \_\_\_\_ years

Are there penalties for prepayment? \_\_\_\_\_

**Loan History**

Has the church missed any payments on its current debt, or had any difficulty making payments?

Yes  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_

Has the church renegotiated any aspect of its current loan since ACCP last reviewed the loan or loan application?

Yes  No. If yes, please provide detail: \_\_\_\_\_  
\_\_\_\_\_

<sup>5</sup> Presbyterian Investment and Loan Program

**Please include the following documents/information with this application:**

- Congregational resolution approving the project and the new loan (including amount, interest rate, term, and payoff date), certified by Clerk of Session.
- Current loan agreement
- Year-end financial statements (audited or reviewed if available) for last 3 years, including balance sheets and income statements, all signed by treasurer
- Most recent financial statements for the current year, including current year budget
- Projected annual budgets for the next five years, including new debt payments
- Pre-qualification or commitment letter from lending institution

## NCP Application to Purchase Real Property

Complete and return to NCP Director of Business Affairs

Last revised: May 2016



National Capital  
PRESBYTERY  
MISSIONAL · PASTORAL · PROPHETIC

Church: \_\_\_\_\_

Date of application: \_\_\_\_\_

Name of person completing this application: \_\_\_\_\_

Contact information: Phone \_\_\_\_\_ Email \_\_\_\_\_

Brief description of property and improvements, if any:

\_\_\_\_\_

How will this purchase help your church accomplish its mission?

\_\_\_\_\_

How does your church intend to use this property?

\_\_\_\_\_

### Property Information

Property address: \_\_\_\_\_

\_\_\_\_\_

Size of property: \_\_\_\_\_ square feet or acres (circle one)

Current owner: \_\_\_\_\_

Is the owner a church member, related to a church member, or someone with any relationship with the church?

Yes  No – If yes, please explain: \_\_\_\_\_

Tax value of property: \$ \_\_\_\_\_

Appraised value of property (if available): \$ \_\_\_\_\_

Asking price for property: \$ \_\_\_\_\_

Final price offered/negotiated by church: \$ \_\_\_\_\_

Has clear title been ascertained through a title search?  Yes  No

Are there any liens on the property?  Yes  No – If yes, please describe:

\_\_\_\_\_

Are there any current encumbrances on the property?  Yes  No – If yes, please describe:

\_\_\_\_\_

Are there any deed restrictions on the property?  Yes  No – If yes, please describe:

\_\_\_\_\_

Has an environmental hazards survey been conducted for the property?  Yes  No

Will your church's intended use of the property require re-zoning?  Yes  No

Have you determined whether or not the property will be subject to local and/or state property taxes?  
 Yes  No

Have you calculated the total annual cost of owning and maintaining the property?  Yes  No

**Financing Sources**

Cash/investments on hand	\$
New borrowing	
Gifts	
Sale of other property	
Total sources	\$

**Important – please ensure:** All property purchase agreements must include the provision:  
“This agreement is subject to approval by National Capital Presbytery, Inc.”

**Please include the following documents/information with this application:**

- Proposed purchase and sale agreement
- Property appraisal, if available
- Title search (required)
- Projected annual cost of owning, operating and maintaining the property, listed by major cost categories
- Year-end financial statements (income statement and balance sheet) for last 3 years, including balance sheets and income statements, signed by treasurer
- Congregational resolution approving property acquisition (certified by Clerk of Session)