

# LEASE, SALE OR MORTGAGE OF CHURCH PROPERTY

Episcopal Diocese of Newark (rev. 09/07)

For all congregations -- all sales and mortgages of church property, all leases of rectories and other leases of church property in excess of one year MUST have the consent of the Diocesan Standing Committee.

In order to obtain approval from the Standing Committee at its first Wednesday of the month meeting (except July and August) to sell, mortgage, lease parish property in excess of one year, or lease rectories/vicarages for any period, or to encumber church property for any period of time, papers must be submitted to the Bishop's office no later than the Monday prior to the last Wednesday in the preceding month.

**Selling or Leasing:** No application to sell or to lease real estate to a tenant will be entertained until the petitioner has filed the following documents in proper form with the Bishop's Office:

A. A Resolution, or other proof, that the Vestry of the parish, or the Executive Committee AND the Diocesan Council, has authorized (subject to the consent of the Bishop and the Standing Committee) the proposed sale or proposed lease.

B. A brief statement of how the sale or lease of this property will aid in the congregation's strategy for growing its mission.

C. A Petition which shall contain or be accompanied by supporting schedules, containing the following:

1. A description of the property,
2. Information as to whether the property has been consecrated,
3. The reason or reasons for selling or leasing the property,
4. The full name, address, and the relationship, if any, of the lessee or purchaser to the parish or mission.
5. In the case of a lease:
  - a. Written appraisal of rental value by a qualified real estate professional,
  - b. Proof of liability insurance coverage carried by the leasing body or organization. Such coverage should be in the amount of not less than one and one-half million dollars, and should specifically stipulate the parish, the leasing body or organization, and/or the Diocese of Newark as additional insured,
  - c. A copy of the proposed lease
7. In the case of a sale:
  - a. The terms and conditions of the sale together with a statement of the intended disposition of the proceeds of the sale, and
  - b. The Petition must be accompanied by a current (i.e., performed within the last 6 months) written appraisal of a qualified real estate appraiser.

**Mortgaging:** No application to mortgage real estate will be entertained until the petitioner has filed the following documents in proper form with the Bishop's Office:

A. A Resolution, or other proof, that the vestry of the parish, or governing body of any other owner of real estate, has authorized (subject to the consent of the Bishop and the Standing Committee) the proposed mortgage.

B. A Petition which shall contain or be accompanied by supporting schedules containing the following:

1. A description of the property by metes and bounds,
2. A statement of the size and terms of the mortgage, including the interest rate, amortization period, and name of the mortgagee,
3. The terms of the Letter of Credit (if any).
4. A statement of the reasons why it is necessary to borrow the money secured by the mortgage, and a description of the plan for the ultimate repayment of the amount borrowed,
5. A statement of all outstanding indebtedness (current and year end for the last two years),
6. A brief income and operating statement of the parish for the last two fiscal years showing sources of income, including pledges, plate offerings, rental income, income from investments, and the like; and expenses, including salaries and other expenses.
7. A detailed listing of all financial assets (trust funds, endowment income, etc.), including their present value and year-end value for the last two years;
8. A statement of parish pledge/contribution to the Diocese for the previous three years;
9. A statement of the current parish membership showing the number of baptized persons and communicants for the five years prior.

The Bishop's Office will distribute the papers to all members of the Standing Committee, although in certain cases the complete package of documents may be distributed only to the members of the Property Committee and the President.

Timely submissions allow for review of the petitions for missing information. Normally, correct petitions, fully prepared and timely submitted to the Bishop's Office, will be sufficient for the Standing Committee to take action. A member of the Standing Committee shall notify the petitioner if it is necessary for a representative of the congregation to appear to present the petition in person. Upon personal appearance before the Standing Committee (which meets at lunchtime on Wednesdays), a petitioner may request a waiver of any of the foregoing documents.

Vestries and all others required to petition for consent of the Standing Committee, are cautioned to establish a date for closing the transaction which will allow ample time for preparation of the petition and its accompanying schedules and the presentation thereof to the Bishop and Standing Committee. It is suggested that counsel for the petitioning body review the petition and its accompanying schedules before filing the petition with the Standing Committee.

Parishes and others that are contemplating sales of real estate, leasing to a tenant, or borrowing on mortgage, are also cautioned that any sales contract or other form of commitment executed before the Bishop and Standing Committee have given their consent must contain a provision that performance of the contract or commitment is conditioned upon and subject to written consent to the transaction in question being obtained from the Bishop and Standing Committee. Failure to do so is a violation of New Jersey law. (N.J.S.A. 16:12-4)