



Manual of Property Policies and Procedures

Administrative Commission on Congregational Property

NATIONAL CAPITAL PRESBYTERY
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As unanimously approved by Presbytery 2/22/2022

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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)¹. 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.

¹ 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 ² 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.

² 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 ³ 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.

³ 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.J 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. Church Property: Leasing to, or Use by, Others

Approval Authority. ACCP approval is required for leases that:

1. Include the church's worship space(s), or
2. Involve non-worship space or land and has a term longer than 5 years.

Intended Uses. All church property is a tool for the accomplishment of the mission of Jesus Christ in the world (Book of Order Section G-4.0201). Accordingly, any proposed use must be consistent with the church's mission and should not interfere with the particular church's programs.

The proposed user should also be a non-profit organization. Tax assessors 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' from 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.

Background Information. The following information distinguishes between a "lease" and a "facility use agreement", and outlines which document is more appropriate for given situations.

Definitions

- **Lease** - grants exclusive use of specific space to the lessee for a defined term.
- **Facility Use Agreement** - grants non-exclusive use of a given space to the user(users) as determined from time to time by the grantor (the church).

Discussion and Examples of Leases and Facility Use Agreements.

Distinctions between a Lease and a Facility Use Agreement:

- Nature of church property grant: A lease grants an interest in real estate which, legally, is a much more serious, involved relationship than the relationship created by a use agreement. A use agreement creates, at most, a limited contract right, that is easily terminated.
- Documentation: A Lease is typically a more formal, extensive agreement, needing legal counsel.
- Termination: In the absence of agreement between the parties, a lease must be terminated by legal proceedings, while a use agreement is usually terminable by the grantor church without the necessity of court proceedings (though an improper termination of a use agreement may give rise to monetary damages).
- Transfer: If the underlying church property is sold or otherwise transferred, a lease is usually binding on the new owner, while a use agreement is not.

Relevant conclusions –A church is usually in a more favorable position granting a use agreement rather than entering into a lease. However, if the relationship involves substantial investment by the other party (e.g. a cell tower installation or a preschool fit out) the other party will likely require a lease.

Examples of typical church relationships that are Facility Use Agreements:

- Use of church parking areas, during “off hours”, by adjacent property owners.
- Use of fellowship halls or other rooms for civic or charitable meetings, such as AA or local civic associations.
- Weddings and wedding receptions.
- Allowing other congregations to conduct worship and fellowship activities at the church for a certain period of time each week without a definite term.

Examples of typical church relationships that are Leases:

- Cell phone “towers,” solar power plans, and any other similar ‘utility-like’ installation in the non-occupiable portions of the church property.
- Day care centers or preschools that are owned and operated by third parties (i.e., not established, controlled and operated by the church as part of its mission).

1. Recommended Considerations for Developing a Church Facility Use Policy and Use Agreements.

- Well-developed policies regarding the use of church facilities create a clear understanding between church leaders and users of the facilities – critical to good relationships with members and non-members alike. They also help to limit the church’s exposure to property damage and injury claims should something go wrong in the use of the facilities.
- Guidance for creating church facility use policies and use agreements is included as Attachments WW and Attachment XX, respectively, to this manual.

2. Required and Recommended Provisions for a Lease Agreement

a. 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:

- Session resolution approving the lease, certified by the Clerk of Session.
- The name, address and corporate status (individual, unincorporated group, for-profit corporation or not-for-profit corporation) of the entity wishing to lease the worship space (“Tenant”)
- A completed but unsigned copy of the proposed lease. The lease must contain the following important language:

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 notice of such dissolution is provided to the 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 to by the parties.

- The contact person’s name, address, phone number, and email.
- 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, and addresses the relevant criteria listed under ‘Insurance Considerations’ in Attachment.

Approval Criteria

- In addition to the approval criteria listed below, please see also Attachment PROVISIONS FOR LEASE AGREEMENT for additional and amplified lease approval criteria.
- 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 not compatible with those of the PC(USA).
- 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 users (lessees) for child abuse, injuries, and neglect often involve the church. ACCP will look for evidence that the church as lessor has taken at least the following steps to protect itself:
 - Does the intended tenant have general liability, umbrella and workers’ compensation insurance to cover all risks associated with its operations?
 - If the prospective tenant 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 prospective tenant's insurer a strong, reputable company?
- Does the certificate of coverage satisfy the criteria listed under 'Insurance Considerations' in Attachment PROVISIONS FOR LEASE AGREEMENT.
- Tax risk
 - Is the tenant 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?

b. Leasing Church Property or Land for More Than Five Years

Application Procedure. Same as described above for leasing worship space.

Approval Criteria. Same as above for leasing worship space.

c. Leasing Space for a Cell Tower, Solar Power Installations, Etc.

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 leasing 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

- 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.
- 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?

- Design documents. Does the lease include detailed plans and specifications that ensure 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?
- 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.

3. 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. Attachement - Church Facility Use Policy

D. Attachment - Church Facility Use Agreements

E. Attachement -Provisions for Lease Agreement

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: ☐ PILP⁴ 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?

⁴ 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: ☐ PILP⁵ 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: _____

⁵ 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)

Attachment WW

Church Facility Use Policies

FACILITY USE POLICIES

Building Your Policy for allowing use of church facilities – The Basics

- **Know the tax implications** – Consider federal and state tax laws when building your policy. The type of organization requesting use and the nature of the event both play into whether you can lend your facilities and whether you can charge fees without jeopardizing your tax-exempt status. Avoid hosting partisan political events or for-profit organizations.
- **Establish a fee schedule** – Determine under what conditions you will charge for building use. Create a fee schedule that clearly defines the fees for different rooms and different activities.
- **Avoid scheduling conflicts** – Limit conflicts over scheduling priorities by defining your reservation policy. Decide whether ministry events and congregant requests have preferential scheduling over outside party requests and community events.
- **Sweat the small stuff** – Include details in your building use policy on what activities and decorations are allowed, whether furniture can be moved, and what to do with dirty dishes. If you don't address an item in your policy, you can't hold people accountable for it.

Creating your Facility Use Policies - The considerations below are by no means all-inclusive but serve as a starting point for each church facility use policy. Be specific and clear; vague or general policies can lead to confusion and frustration.

- Who maintains the facility calendar?
- What is your fee schedule – by room?
 - For church members/groups
 - For outside organizations
- Who pays for the facility use?
- How much space preparation must be done by the church staff before and after the event? When must this preparation be complete?
- Who does the cleaning up and returning the space to the best condition? When must this be complete?
- How will the space be protected from damage?
 - What happens when the space is misused or damaged?
- Who oversees the safety of the building, its contents, and the people on the property at any given time? How do you contact this person?
 - What happens when there is personal injury?
 - What happens with there is physical damage?
 - How are repairs made?
- Which areas of the church are available for public use? Which areas are always off-limits?
- How does the church protect itself against liability claims? In what circumstances must users provide proof of insurance?

Day-to-Day Management

- Who's in charge? – Appoint a staff member to track building scheduling and use. This person should approve building-use requests and maintain a centralized scheduling calendar.
- Require that a building use agreement be executed for events. The responsible parties – the church and the user - should sign the agreement before event preparation can start.
- Do post-event damage control – Complete a thorough post-event inspection of the area(s)/room(s) used to look for damages or missing property.

Footnote: The materials in this attachment have been adapted from the paper “Do We Have Clear Procedures for Facility Use?” published by ChurchLaw&Tax. (<https://www.churchlawandtax.com>)

ATTACHMENT XX CHURCH LICENSE (FACILITY USE) AGREEMENTS

FACILITY USE AGREEMENTS –

Because each church and each user of church facilities have different needs, no single ‘facility use agreement’ will fit all situations and, thus, will not be prescribed here. The following considerations apply to most shared facility use arrangements and we strongly encourage each church to consider these as a minimum. Additional considerations, as they apply to a particular situation, should be added. All facility-use agreements should consider at least the following items:

- Name of user group/organization
- Name, address, phone number(s) and email address of user’s representative.
- Effective date(s) of use.
- Space to be used by the user.
- Church equipment to be used.
- Days and times of use.
- Fee and method of payment.
- Use and care of the premises.
- Liability Insurance. **
 - Church
 - User
- Indemnification.
- Access to church facilities and key control.
- Routine and emergency points of contact.
- Causes for termination of agreement.
- Other provisions, as needed.

** Depending upon the nature of the User group, the more detailed liability insurance guidelines in attachment PROVISIONS FOR LEASE AGREEMENT-Church Lease Agreements-may apply here.

Footnote: The materials in this attachment have been adapted from the paper “Do We Have Clear Procedures for Facility Use?” published by ChurchLaw&Tax. (<https://www.churchlawandtax.com>)

**ATTACHMENT
CHURCH LEASE AGREEMENTS
PROVISIONS FOR LEASE DOCUMENTS –**

The rights and responsibilities of the session and the tenant organization should be spelled out in writing. The following points are to be considered.

The lease document should include the following legal requirements as applicable

1. The term of the lease should be short enough (ex. 1 year) to allow periodic evaluation of the rental amount, conduct of the tenant, and other conditions of the relationship. There should also be provision for cancellation/termination of the lease, a list of grounds for cancellation/termination (ex. failure to comply with church policy, failure to timely pay rent), and notifications of intent to terminate the lease (ex. 30-day notice of termination).
2. That the tenant must also follow and comply with all policies of the congregation, including sexual misconduct and child and youth protection policies.
3. Procedures tenant must follow when vacating the property, including cleaning the premises, removing all of tenant's property, and restoring the premises to their original condition.
4. That the tenant is obligated to pay for any damage or disrepair its uses cause to your property and/or its contents and that the tenant accepts the rented property "as is" (except as otherwise expressed in the lease).
5. The tenant must comply with all applicable government laws and regulations, including zoning, and safety regulations and that the tenant is required to obtain all applicable licenses, permits and inspections.
6. In the event of litigation between the church and the tenant, the prevailing party shall be entitled to attorney fees and costs.
7. An indemnification and "hold harmless" agreement in favor of the church for activities of the tenant.
8. Dissolution or Termination Clause should church and/or tenant cease operations during the term of the lease agreement.

The Lease document should address the following insurance considerations:

1. Prior to occupancy, the tenant should be required to submit a current certificate of insurance from its liability insurer naming the church as an additional insured under that policy. A copy of this certificate should be sent to the church's insurance agent. If there is a multi-year lease, a new certificate should be submitted each year. The certificate of insurance should show General Liability and Property coverage for use of church space. If the tenant works with minors, the tenant's insurance coverage should include coverage for intentional acts and sexual misconduct.

2. If the tenant is conducting a business such as a day care, the certificate should show Worker's Compensation Insurance for the employees. It should also show property insurance for the tenant's contents.
3. If the tenant refuses to provide a certificate of insurance, or if its coverages do not cover risks related to its use of the church's property (ex. no coverage for intentional acts or sexual misconduct), the session has a duty to consider whether this is a tenant who should use church property or buildings and the significant risk the tenant may create for the congregation
4. There should be an inquiry made in writing to the church's liability insurer to make sure the tenant's insurance provides coverage for any liability resulting from the proposed rental and that there will be no premium increase or any insurance, or if its coverages do not cover the risks related to its use of the church's property (ex. No coverage for intentional acts or sexual misconduct), the session has a duty to consider whether exclusion due to the proposed rental. Any premium increase that may be incurred can be offset by adjusting the terms of the lease or requiring the tenant to pay for the increase. The church also may wish to review the adequacy of its own insurance policy limits in light of the new activity. If supplemental or specialized coverages are needed, they should be obtained prior to lease execution and property occupancy. Ask the agent to send the church a binder or endorsement showing coverage is in effect for the new occupancy. The lease should not be signed until the church receives written confirmation. If any insurance claim or lawsuit should arise, give immediate written notice to the church's agent and the insurance company.

The following lease items cover tenant's presence and activities on church property

1. Spaces and Equipment: What rooms? Exclusive use or shared use? Additional storage space? Furniture and equipment to be used, or not used. What hours? What days?
2. Alterations to the building and equipment. At whose expense? Permission of the church required. Specify that attached improvements become the property of the church.
3. Responsibilities for: Set-up and take-down? Opening and closing the building? General cleaning? Regulate heating and cooling? General security during activities? Repair of damage?
4. Policy for requests for additional uses now and then? Who speaks for the session and for the tenants? Dispute resolution?
5. Agreements regarding symbols and displays that may be put up or must be taken down.
6. Rent? Direct cost payment? Services in exchange for use?
7. If the tenant is a service program in which the church is also a sponsor or participant, what is the linkage? Is there to be a session-appointed person on the tenant's board or committee?
8. Parking: What are the arrangements for parking.

Footnote: The materials in this attachment have been taken from the "Legal Resource Manual for Presbyterian Church (U.S.A.) Councils and Churches" 2010 Edition