



## **Grace Presbytery**

# **Administrative Commission on Property**

## **Manual of Operations**

January 2010

## Dates and Deadlines 2010

<b>Materials Due in Presbytery Office</b>	<b>Commission Meeting Dates</b>
January 21	February 4
February 21	March 4
March 25	April 8
April 29	May 13
May 20	June 3
June 17	July 1
July 22	August 5
August 19	September 2
September 23	October 7
November 18	December 2

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**Administrative Commission on Property**  
**Manual of Operations**  
**(Guidelines and Procedures)**  
Revised June 3, 2009

The Administrative Commission on Property (hereinafter "ACP") functions under Grace Presbytery's Standing Rules, Paragraph 5.18.

The ACP acts for Grace Presbytery on routine requests for permission to sell, mortgage, lease, enter into oil and gas leases or otherwise encumber the real property of churches, in accordance with the Book of Order (G-8.0500, G-8.0701, G-11.0103, sections i, j, y).

This Manual of Operations shall constitute the guidelines to specify the kinds of requests that Grace Presbytery empowers ACP to consider and the procedures by which churches may appeal decisions of ACP to Grace Presbytery. The procedures set out herein are a statement of basic requirements and are not intended to be definitive or exhaustive.

The ACP may request further information or documentation with regard to any request submitted by a congregation to determine the impact that any considered transaction might have on the ministry or witness of the particular church. If the ACP feels that a transaction negatively impacts the ministry or witness of the particular church it may refuse to act or deny approval, in which case the church may appeal to Grace Presbytery through the Council.

The ACP shall consist of: three members of the Church Development Committee; one member of the Board of Trustees; two at-large members of Grace Presbytery's Council; and one member of the Budget and Finance Committee. The General Presbyter, the Associate General Presbyter for Church Development, and the Financial Director shall serve as *ex officio* members.

**A. Procedures**

1. The ACP acts on requests to "sell, mortgage or otherwise encumber" or to lease the real property of churches. It is empowered ordinarily to act on the sale of property owned by the church. The sale of real property used for the purpose of worship requires the vote of Grace Presbytery itself.
2. The ACP is empowered to act on requests for refinancing existing indebtedness.
3. The ACP is empowered to act on requests to mortgage church property in order to remodel existing facilities or to build new facilities.
4. The ACP is empowered to act on requests to finance manses.
5. In any request the ACP considers questionable, they may refuse to act or act in the negative, in which case the church may appeal to Grace Presbytery through the Council.
6. The ACP is authorized by the presbytery to approve guarantees of loans by Grace Presbytery and can authorize the Board of Trustees of Grace Presbytery, Inc. to sign documentation to that effect.
7. Requests for ACP action are to be submitted two weeks prior to the ACP meeting at which action is to be taken. Meeting dates will be published on the Grace Presbytery website shortly after the beginning of each new year. Requests that are not timely submitted will be deferred to a later meeting of ACP, except in the case of an emergency or other good cause.

**B. (1) Guaranteeing and Approving Loans**

The ACP requires that the following guidelines be met before approving a loan by a congregation encumbering its property or authorizing a guarantee of such loan by Grace Presbytery. The congregation shall:

- Except in extraordinary circumstances, possess a cash reserve, or have already paid expenses that are a part of the project being considered, equal to 15% of the project cost,
- Either demonstrate that available funds are included in the regular budget to amortize indebtedness, or plans for three, three-year (nine years total) building fund campaigns to amortize the debt. The ACP strongly recommends using the Church Financial Campaign Service of the General Assembly as fundraiser.
- Commit 10% of operating budget for unified giving to Grace Presbytery, Synod of the Sun, and General Assembly or a plan to achieve 10% unified giving in a four-year period. (Operating Budget equals all expenditure less benevolent spending and capital spending.)
- Provide for contingencies:
  - ✓ For new construction, the amount approved will include at least 10% of the contract price for contingencies, and the ACP suggests an additional 10% for furnishings.
  - ✓ For renovation/remodeling, the amount approved will include 15% of the contract price for contingencies.

A performance bond for the cost of the contract is required. Under special circumstances, (i.e., for small projects and for over 50% cash-funded projects), the ACP may drop this requirement.

If services of an architect are utilized, the ACP requires the contract for architectural services to include a statement to the effect that if the bid cost exceeds the architect’s estimate by more than 10%, then the architect, at no additional cost, will revise the plans to bring the bid within 10% of estimated cost.

**The session of \_\_\_\_\_ Church on \_\_\_\_\_**

**agreed to these Guidelines for Loan Approval.**

\_\_\_\_\_

**Moderator**

\_\_\_\_\_

**Clerk of Session**

**The session is required to submit a copy of this signed affirmation of approval.**

## **B. (2) Procedures to Obtain Loans**

Grace Presbytery's concern with churches that are encumbering their property is due to the connective nature of our system. Loans often are guaranteed by the presbytery's assets; thus, Grace Presbytery expects that a church be able to repay any loan assumed in a fashion that will enhance, rather than diminish, the congregation's resources for ministry. Any loan in excess of \$1,000,000 requires the approval of the Grace Presbytery Council in addition to ACP approval. In the case of loans requiring an "enhanced" guaranty by Grace Presbytery, that is a guaranty pursuant to which Grace Presbytery would be obligated to make an installment loan payment upon any delinquency by the borrower, ACP may require reasonably demonstrable assurance of the church's ability to repay the loan when and as it becomes due without material detriment to its existing ministry.

Any loan that encumbers a congregation's real property in excess of \$25,000 will follow this process for approval:

1. Begin with a consultation phone call with the Grace Presbytery Stated Clerk. Material that presents the policies of the ACP, applications for Church Loan Program/Presbyterian Investment and Loan Program (PILP), etc., will be mailed or emailed to the church. The staff person will report this potential loan application to the ACP.
2. A church representative will confer with the ACP to present the information listed below, and so that any questions or concerns expressed by the ACP may be addressed. The following information needs to be submitted two weeks prior to the regular ACP meeting at which approval can be granted, with or without conditions. The ACP may request an additional meeting to consider further information, or it may consider that action in a later telephone conference call.

Materials to be submitted include:

- a. Estimate of loan amount, interest rate and monthly payments for the loan
- b. Statement of church's operational cash flow for the last four years (Offerings minus expenses excluding restricted or designated offerings)
- c. Accounting as to source of funds to pay the monthly loan payments; such as: general operating budget, special accounts or other savings
- d. Statement of current resources to meet these loan payments
- e. Statement of current property value at the time of loan and estimated property value on completion of the building process
- f. Current simple operating budget with up to date balance sheet and income statement
- g. Commitment letter from a commercial lending institution, if applicable
- h. Report of :
  - Pledged amount for operating funds
  - Pledged amount for building
  - Pledged building fund received to date.
- i. Plan for retiring indebtedness
- j. Statement on how this building project will contribute to the mission plan of your congregation
- k. Architect's projection of cost for the whole project
- l. Minutes of the congregational meeting approving the project
- m. Projection for unified giving to Grace Presbytery, Synod of the Sun and General Assembly for the next five years
- n. Certification of session record approval from the Presbytery's Stated Clerk (noted in Presbytery minutes)

**(Continued on next page)**

3. Submit follow-up information needed to complete the record, including:
  - a. Construction bid secured;
  - b. Copy of the Deed of Trust encumbering the church;
  - c. Final financial plan approval from the lender;
  - d. Conditions set at the previous meeting have been satisfied.

If the construction bid exceeds the loan amount approved by the ACP, then the church will need to apply for the approval of that increased loan level at a subsequent in-person meeting or conference call meeting.

4. With regard to any loan guaranteed by Grace Presbytery, the Church shall agree in writing that upon request by the ACP it will provide a statement certifying as to the status of the loan guaranteed, whether current or delinquent, and stating the current principal balance of the loan guaranteed and the date to which interest on the loan has been paid.

### **C. The Refinance of an Existing Loan**

Materials to be submitted include:

1. What are the: loan amount, interest rate and monthly payment for the present loan?
2. What are the estimated: loan amount, interest rate and monthly payment for the new loan?
3. Submit a copy of the refinance agreement with all costs associated with the new loan
4. Submit a copy of the minutes where the session and the congregation approved the refinance agreement.
5. A statement as to the reasons for the refinancing, together with an explanation of any benefit, and/or detriment, to the church as a result of the refinancing.

### **D. The Sale of Real Property**

1. Right-of-way or utility easements do convey real property (as ruled by Stated Clerk of Grace Presbytery) and require the approval of the ACP. This approval can be secured by post card or telephone vote from the ACP members with the inclusion of:
  - a. Diagram of the planned easement
  - b. Statement of financial arrangements of such a contract
  - c. Legal description of the property
  - d. Copy of the congregational meeting minutes approving such a transaction
  - e. Statement concerning how the granting of this easement might impact the congregation's ministry.
2. Other property sales require consideration at an ACP meeting. Information to be supplied includes:
  - a. Sales price
  - b. Tax value
  - c. Legal description of the property
  - d. Any deed restrictions
  - e. Real estate appraisal
  - f. All financial arrangements with the buyer (if available at the time). Please provide to the presbytery after the sale in order to complete the record.
  - g. A statement about how the sale will affect the ministry and mission of the congregation.

**(Continued on next page)**

- h. If a manse, what the long-term housing arrangements will be for the present or future pastoral leadership
- i. How the proceeds from the sale will be used in the congregation's ministry plan
- j. Copy of the congregational meeting minutes approving the property sale.

#### **E. On Leasing Worship Space**

1. The ACP is inclined to approve requests from congregations pertaining to the leasing of their worship space when the lessee is affiliated with a denomination in correspondence with the Presbyterian Church (U.S.A.). (If in doubt, check with the Stated Clerk.)
2. The ACP is not inclined to approve requests for approval of leasing arrangements with churches which are affiliated with denominations that are not in correspondence with the PC (U.S.A.).
3. The ACP will consider approving lease arrangements with Christian congregations which are not affiliated with any denomination, provided that they sign a covenant recognizing the PC (U.S.A.) as one branch of the true church of Jesus Christ.
4. Because it is not appropriate to charge rent to other Grace Presbytery entities (fellowships, new church developments, or congregations), the ACP encourages those congregations and fellowship to develop covenant relationships. Such partnership relationships pertaining to shared expenses for utilities and property upkeep are appropriate as long as they are directly related to the particular expense and are covenantal rather than contractual. If expense is a critical factor in a shared relationship, then we encourage the session to contact the Church Development Committee.
5. Prior to approving any lease of worship space, ACP must be reasonably satisfied that the lease will not adversely affect the ministry or witness of the church seeking approval of the lease.

#### **F. Leasing Church Property for More Than Five Years**

"A particular church shall not lease its real property used for purposes of worship, or lease for more than five years any of its other real property, without the written permission of the presbytery transmitted through the session of the particular church." (Book of Order, G-8.0502) Prior to approving any lease of church property for more than five (5) years, ACP must be reasonably satisfied that the lease will not adversely affect the ministry or witness of the church seeking approval of the lease.

#### **G. Oil and Gas Leases**

Oil and Gas leases may become long-term lease obligations therefore they shall be approved by the ACP. The church will submit a copy of the lease agreement and the minutes of the congregational meeting that authorized entering into the lease to the ACP for lease approval. Churches that have existing signed lease agreements dated before May 7, 2008 are grandfathered for lease approval, but shall send a copy of the existing lease to the ACP. Prior to approving any oil and gas lease, ACP must be reasonably satisfied that the lease will not adversely affect the ministry or witness of the church seeking approval of the lease.

## **H. Church Bonds Policy**

The ACP discourages churches from conducting their own bond program to finance a building campaign. It recommends the use of the General Assembly Presbyterian Investment and Loan Program (PILP) for such purposes.

If a congregation proposes that bonds be sold, Grace Presbytery requires that such a program be constructed with the aid of an attorney who specializes in this work. This attorney's credentials must satisfy Grace Presbytery's legal counsel. The design of the bond program and of all legal documents drafted for its execution also requires the approval of Grace Presbytery's legal counsel. The local church will pay all the expenses of the bond program, including the attorney's fees. The local church will reimburse Grace Presbytery for all legal expenses incurred by the presbytery.

## **I. Leasing Space for Weddings**

Since the Book of Order defines a wedding as a service of worship, the churches of Grace Presbytery are given permission to lease space for the celebration of a wedding or a service celebrating the renewal of marriage vows as approved by the respective session of a church. This paragraph constitutes the required written permission. (Action taken March 30, 2001)

## **J. Other Policies**

1. In the future the procedure will be to ask persons answering questions from the recommending congregation to hang up the telephone or leave the meeting room previous to votes on the motion. (May 2, 2003)
2. In the future the ACP will be specific about the lender and the loan terms with each approval and not give general approval without specific terms.
3. The ACP approved all General Assembly loan revisions and extensions for congregations in Grace Presbytery whenever they come up for review if the loan payments are up to date; and the ACP authorizes the staff person responsible for the ACP to sign such documents required by the General Assembly Church Loan programs reflecting this approval. (April 11, 2003)
4. ACP may request such other and further information on any request submitted to it as it may determine is necessary to enable it to fulfill its function under the Stated Rules of Grace Presbytery.

**SELLING REAL PROPERTY NEVER USED AS A MANSE  
OR FOR CHURCH PROGRAM ACTIVITIES**

(This situation sometimes occurs when the church is given a gift of property, e.g., as a pledge payment or for an endowment.)

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date of Application \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

Date of Congregational Meeting to Approve Sale \_\_\_\_\_

**See ACP Manual of Operations:**

**A. Procedures**

1. The ACP acts on requests to “sell, mortgage or otherwise encumber” or to lease the real property of churches. It is empowered ordinarily to act on the sale of property owned by the church. The sale of real property used for the purpose of worship requires the vote of Grace Presbytery itself.

**See also: “D. The Sale of Real Property”**

PLEASE PROVIDE THE FOLLOWING INFORMATION:

- 1) Legal description of the property:
  
- 2) Sales price or asking price \_\_\_\_\_
  
- 3) Tax Value \_\_\_\_\_
  
- 4) Has an appraisal been obtained? \_\_\_\_ Yes \_\_\_\_ No
  - a) If yes, appraised value is \_\_\_\_\_
  - b) If no, session’s estimate of value \_\_\_\_\_
  - c) If the sales price is less than 80% of the estimated or appraised value, please explain:
  
- 5) For what purpose will the funds resulting from the sale be used?
  
- 6) Is the sale to a church member, a relative of a church member?
  
- 7) Is the sale to a person with any other relationship to the church? If so, please describe.
  
- 8) Copy of the congregational meeting minutes approving the property sale

**Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148**

**SELLING REAL PROPERTY THAT HAS BEEN USED AS A MANSE  
OR FOR CHURCH PROGRAM ACTIVITIES**

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

Date of Congregational Meeting to approve sale \_\_\_\_\_

**See ACP Manual of Operations:**

**A. Procedures**

1. The ACP acts on requests to “sell, mortgage or otherwise encumber” or to lease the real property of churches. It is empowered ordinarily to act on the sale of property owned by the church. The sale of real property used for the purpose of worship requires the vote of Grace Presbytery itself.

\*NOTE – If the property has been used for regular Sunday morning worship services, then Grace Presbytery must approve the sale.

**Also see: “D. The Sale of Real Property”**

Please provide copies of pertinent items listed under

“D. The Sale of Real Property” from the Manual of Operations.

For what purpose will the funds resulting from the sale be used?

Is the sale to a church member, a relative of a church member?

Is the sale to a person with any other relationship to the church? If so, please describe.

**Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148**

**LEASING WORSHIP SPACE TO BE USED BY A NON-PCUSA  
RELIGIOUS GROUP OR DENOMINATION**

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

**See the ACP Manual of Operations:**

**A. Procedures:**

1. The ACP acts on requests to “sell, mortgage or otherwise encumber” or to lease the real property of churches. It is empowered ordinarily to act on the sale of property owned by the church. The sale of real property used for the purpose of worship requires the vote of Grace Presbytery itself.

**Also see: “E. On Leasing Worship Space”**

Submit attachments needed:

- Name and address of group wishing to use worship space
- Contact person’s name, address, phone number, (email and fax, if applicable)
- Copy of session minutes authorizing the lease
- Pertinent information regarding the building use arrangements, including insurance
- Is the leasing church group “in correspondence” with the PCUSA)?  
\_\_\_\_\_ yes                      \_\_\_\_\_ no  
(If in doubt, ask the presbytery stated clerk.)
- For congregations neither in or out of correspondence with the PCUSA, submit a signed covenant indicating that the religious organization recognizes the PCUSA as one branch of the true church of Jesus Christ.
- Information relevant to the possible effect of the lease on the ministry or witness of the church requesting approval and indicating that the congregation has considered that question.

**Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148**

## LEASING PROPERTY FOR MORE THAN FIVE YEARS

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

**“A particular church shall not lease its real property used for purposes of worship, or lease for more than five years any of its other real property, without the written permission of the presbytery transmitted through the session of the particular church.”  
(Book of Order, G-8.0502)**

Please submit with the following attachments:

- Name and address of leasing group;
- Contact information for leasing group;
- Copy of lease agreement, including termination or renewal options;
- Copy of session minutes approving the lease;
- Pertinent information about building or property use agreement, including insurance.
- Information relevant to the possible effect of the lease on the ministry or witness of the church requesting approval and indicating that the congregation has considered that question.

Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148

**ENCUMBERING PROPERTY (EXISTING OR TO BE PURCHASED)  
WITH A LOAN**

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

Date of Congregational Meeting to approve loan \_\_\_\_\_

**See ACP Manual of Operations:**

- **Section A. Procedures**
- **Section B. (1) Guaranteeing and Approving Loans**
  1. Return a copy of B. (1) indicating session affirmation of approval.
  2. Provide attachments indicating fulfillment of items in B. (1).
- **Section B. (2) Procedures to Obtain Loans**

Follow the procedures and submit the pertinent information.

Contact information on person(s) for information about loan and/or construction, if different from those named above:

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**Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148**

## REFIANCING OF AN EXISTING LOAN

Name of Church \_\_\_\_\_ City \_\_\_\_\_

Date \_\_\_\_\_

Clerk of Session \_\_\_\_\_

Moderator of Session \_\_\_\_\_

Contact Information \_\_\_\_\_

Date of Congregational Meeting to approve loan \_\_\_\_\_

**See ACP Manual of Operations:**

- **Section A. Procedures**
- **Section C. The Refinance of An Existing Loan**
  1. Return a copy of C. (1), (2) & (5).
  2. Submit copies of items required in Section C. (3) & (4).

Contact information on person(s) for information about loan, if different from those named above:

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**Return to ACP: [statedclerk@gracepresbytery.org](mailto:statedclerk@gracepresbytery.org)  
or by mail to ACP, Grace Presbytery, 6100 Colwell Blvd., Suite 100, Irving, TX 75039-3148**