

Community of Christ

**PROCEDURES & GUIDELINES
for
PURCHASE OF PROPERTY
and
HOUSES OF WORSHIP REVOLVING
FUND LOAN**

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BUILDING PROGRAM PROCEDURES & GUIDELINES
for
PURCHASE OF PROPERTY
and
HOUSES OF WORSHIP REVOLVING FUND LOANS

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I. PROCEDURES FOR PURCHASING PROPERTY

1. DEFINITION OF A BUILDING PROGRAM

A “Building Program” (Project) may consist of a sale of property, a purchase of property, building a new facility, remodeling or adding on to the present facility, or major repairs and maintenance to a facility. The information provided in this manual is specific to the PURCHASE of property.

If consideration is being given to selling property please contact Legal Services for a copy of the “Building Program Guidelines & Procedures for Sale of Property.” If consideration is being given to build a new facility or add on to their present facility, or there is need for major repairs or maintenance, please contact Legal Services for a copy of the “Building Program Guidelines & Procedures for Building Projects and Houses of Worship Revolving Fund Loans.”

Please also note that all Guidelines and Procedures are available on the church’s website under Legal Services.

2. PRESIDING BISHOPRIC’S HOUSES OF WORSHIP FUND

Purchase of property by a Congregation, Campground, or Mission Center may be assisted by the ministry and policies provided by the Presiding Bishopric through the Houses of Worship Revolving Fund (HWRF) program and Legal Services. These policies are designed to bring the resources, assistance, and experience of the World Church to the Congregation, Campground, or Mission Center. All purchases require prior approval of the Presiding Bishopric. Approval by the Presiding Bishopric reinforces its role as trustee of the church and provides support of the goals of pastoral and witnessing ministries which are at the heart of our mission.

3. DECISION TO PURCHASE

Decisions about purchasing property must center on the ministries offered by the Congregation, Campground or Mission Center, which in turn are determined by the Congregation, Campground or Mission Center in response to their particular understanding of the vision and mission of the Church. Property decisions should be made only after considering and balancing the vision, mission, program, and need for the facilities

4. PRELIMINARY PLANNING

Once a decision is made that the purchase of property would enhance the ministry of a Congregation, Campground or Mission Center you are ready to begin a planned approach to site selection, design concepts, and the building functions. Legal Services assists at every step of the purchasing process.

5. INITIATING A PURCHASE

A purchase, by a Congregation or Campground, is initiated by contacting the Mission Center officers and Legal Services. **This action should be taken as soon as it is probable that a purchase is likely to be pursued.** Early notification benefits everyone by allowing Legal Services, Fiscal Services and Risk Management opportunity to offer assistance and guidance.

A “Letter of Intent” is to be prepared and forwarded to the Mission Center and Legal Services. The Letter of Intent should include the following information and attachments:

- a) Purpose and need for a new facility
- b) Approximate square footage of the proposed property
- c) Estimated purchase price of property
- d) Pictures of the outside and inside of the proposed building
- e) Funds currently available
- f) Approximate loan amount needed, if any
- g) Estimated costs of utilities

Pastors and Congregational Financial Officers are responsible for ensuring the completeness of the Letter of Intent, and forwarding a copy, along with Congregational Business Meeting minutes approving a purchase, to Legal Services, with a copy to Mission Center Officers. It is important that Mission Center officers be thoroughly informed and deeply involved with each purchase. In addition, consultation with the Mission Support Leader and the Administrative Support Minister is required in all instances.

6. TYPES OF PURCHASES

6.1. Unimproved Land

Factors to be considered when contemplating the purchase of vacant land for a building site should be carefully weighed:

- 6.1.1. Long-term needs of the congregation
- 6.1.2. Parcel size - is the property large enough for a church building and is there enough space to allow for ample parking, etc.
- 6.1.3. Potential to influence or control adjacent land
- 6.1.4. Zoning requirements (City and/or County)
- 6.1.5. Cost of building a new facility.

6.2 Improved Property

Factors to be considered when contemplating the purchase of improved property:

- 6.2.1. Suitability of the building such as location, square footage, ample parking.
- 6.2.2. Plan for modifications that may be needed to adapt it to meet the needs of a specific congregation.
- 6.2.3. Zoning requirements (City and/or County)

II. DUE DILIGENCE PRIOR TO A PURCHASE

1. SURVEY

A survey is not always necessary but is always helpful. A survey provides more than just a description of property. A survey may also show potential property issues such as:

- 1.1 boundaries with neighbors
 - 1.1.1 possible encroachments
 - 1.1.2 possible gaps between parcels
- 1.2 public right of ways
- 1.3 location of utility lines
- 1.4 access issues

If purchasing vacant land a survey is always suggested, however if purchasing a parcel of property that is being carved out of a larger parcel, a survey will be necessary to obtain an accurate description of that portion being purchased.

2. ENVIRONMENTAL SURVEYS

2.1 Phase One Assessment: A Phase One Environmental Assessment provides the buyer with a survey/overview of the environmental condition and history of the property, focusing on the possible presence of hazardous materials. The report identifies potential problems such as underground storage tanks, hazardous materials contaminants. A Phase One does not include specific inspections for asbestos, lead, radon, delineation of wetlands.

2.2 Phase Two Report: A Phase Two report is done as a follow up to a Phase One and involves physical inspections and testing of the property by taking core samples, focusing on the specific issues of concern that were identified in the Phase One report.

3. APPRAISALS

An appraisal is needed to determine the value of a property. An appraisal is not always necessary but is highly recommended when purchasing a property. There are three (3) types of membership designations for appraisers:

3.1 MAI – this membership is held by appraisers that are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and can advise clients on real estate investment decisions.

3.2 SRPA – this membership is held by appraisers that are experienced in the valuation of commercial, industrial, residential and other types of properties.

3.3 SRA – this membership is held by real estate solution providers who are experienced in the analysis and valuation of residential real property.

4. FLOOD ZONE

Prior to purchasing a property it is important to check with the local planning agency to determine whether any portion of the property is located in a designated flood zone. Any property within a flood zone has potential for major issues as well as insurance requirements.

III. APPROVAL PROCESS FOR PURCHASING PROPERTY

Prior to the purchase of a church property all appropriate approvals must be in place. These approvals are:

1. CONGREGATIONS

1.1 Legislative Approval

1.1.1 Congregation shall hold a business meeting to discuss and vote on the purchase, the purchase price, and a loan if needed.

1.1.2 If the purchase is approved by the Congregation a copy of the minutes shall be sent to the Mission Center officers for approval, and to Legal Services.

1.2 Administrative Approval

1.2.1 Letter of Approval signed by the Pastor and Congregational Financial Officer stating they approve of the purchase shall be sent to the Mission Center officers and to Legal Services.

1.2.2 Letter of support from the Mission Center officers shall be sent to Legal Services.

1.2.3 Once the business meeting minutes and the above approvals have been received in Legal Services, Legal will request approval from the Apostle or Designee and member of the Presiding Bishopric liaison for that field..

2. EMERGING CONGREGATIONS

2.1 Legislative Approval

2.1.1 Mission Center conference shall be held to discuss and vote on the purchase of property for an emerging congregation.

2.1.2 If the purchase is approved by the conference a copy of the minutes shall be sent to the Mission Center officers and Legal Services.

2.2 Administrative Approval

2.2.3 Letter of support from the Mission Center officers shall be sent to Legal Services.

2.1.4 Once the above approvals have been received in Legal Services along with the Mission Center conference minutes, and Mission Center Officers approvals then Legal will request approval from the Apostle or Designee and member of the Presiding Bishopric liaison for that field.

3. CAMPGROUNDS

3.1 Legislative Approval

3.1.1 Refer to Campground Bylaws for the proper legislative approvals.

3.2 Administrative Approval

3.2.1 Letter of support from the Campground Board along with Board minutes to be sent to the appropriate Mission Center officers and to Legal Services.

3.2.2 Letter of support from the Mission Center officers to be sent to Legal Services.

3.2.3 Once the Board minutes and Mission Center approvals have been received in Legal Services, Legal will request approval from the Apostle or Designee and member of the Presiding Bishopric liaison for that field.

4. ADDITIONAL APPROVALS NEEDED

Once all of the Legislative and Administrative approvals have been received the following additional approvals are needed prior to moving forward with the purchase:

4.1. **Financing Plan Approval If Houses of Worship Revolving Fund Loan is Needed.**

4.1.1 A copy of the financing plan shall be sent to Legal Services for review and approval. If funds need to be borrowed to assist with the purchase, a Houses of Worship Revolving Fund (HWRF) loan application should be completed. **Outside loans that would cause a lien to be placed on the property are not permitted.**

(Refer to Page 8 for HWRF Loans)

4.1.2 HWRF loans are approved on an individual basis and are subject to the following:

- a) Demonstrated ability to repay the loan.
- b) Completion of a capital campaign and pledges, if required.

4.2. **Listing/Offers/Counter-Offer Approval**

Legal Services will review all listing agreements, offers, and/or counter offers PRIOR TO SIGNING. Legal Services will communicate its concerns and or approval to the Pastor and/or Financial Officer of the congregation.

The APPROVAL FOR PURCHASE/GIFT OF REAL ESTATE form can be completed with the information requested and signed by the appropriate officers. Once all **original signatures** have been obtained forward to Legal Services along with the Congregational/Campground Minutes approving the purchase. In an effort to move the approval process along quickly, Legal Services will accept all approvals via e-mail.

APPROVAL FOR PURCHASE OF PROPERTY

INFORMATION ON PROPERTY

PROPERTY ADDRESS _____
CITY _____ COUNTY _____ STATE _____
_____ vacant land ONLY _____ church building with land _____ rental property

APPROVALS

Approvals consist of both legislative (Congregation) and administrative (Mission Center). Approvals MUST be received prior to final closing of a purchase of real estate.

SECURING LEGISLATIVE APPROVALS:

- 1) Congregational Pastor and Financial Officer sign and date Approval form below.
- 2) Forward completed and signed Approval Form, copy of business meeting minutes approving the purchase, and Letter of Intent, to the Mission Center President and Financial Officer for approval signatures.

SECURING ADMINISTRATIVE APPROVALS:

- 1) Mission Center President and Financial Officer sign and date Approval Form below.
- 2) Forward the completed and signed Approval form with the original signatures, and Congregation's business meeting minutes to:

Marsha Brown, Paralegal
Community of Christ/Legal Services
1001 W. Walnut
Independence, MO 64050
mbrown@cofchrist.org

_____ Congregation

Congregational Business minutes attached: _____ Dated: _____

Pastor's Signature: _____ Dated: _____

PRINT NAME: _____

Financial Officer's Signature: _____ Dated: _____

PRINT NAME: _____

_____ Mission Center

President's Signature: _____ Dated: _____

PRINT NAME: _____

Financial Officer's Signature: _____ Dated: _____

PRINT NAME: _____

IV. HOUSES OF WORSHIP REVOLVING FUND LOANS
(This section references loans for “purchases” of property ONLY)

If funds are needed to assist in the purchase of a property a Houses of Worship Revolving Fund Loan (HWRF) can be applied for. A loan application will need to be completed and sent to Mission Center Officers and Legal Services, along with minutes and necessary approvals. The World Church is the only authorized lender for any congregation seeking a loan as part of the financing plan for a building program. **Outside loans that would cause a lien to be placed on the property are not permitted.** By keeping all loans "in-house" we avoid any possibility of a loan being called or foreclosed by others.

1. LOAN TERMS AND INCENTIVES

HWRF loans are made to Campgrounds, Congregations, Emerging Congregations and Mission Centers for purchases of property. Although emerging congregations may accept responsibility for repaying HWRF loans, it is understood that the sponsoring Mission Center must accept contingent liability for the loan should the congregation be unable to repay on schedule. In effect, the sponsoring jurisdiction must “co-sign” a HWRF loan to an emerging congregation.

The maximum loan available for purchases is up to two-thirds (2/3) of the total purchase price.

Loans \$200,000 and over require further review and approval by the Presiding Bishopric. Approval of each loan is based on the following criteria:

- 1.1 Availability of Houses of Worship Revolving Funds.
- 1.2 Demonstrated ability to repay the loan, including the completion of a Capital Campaign, if necessary.
- 1.3 Availability of proceeds from the sale of existing property (where applicable) to the borrowing entity's equity.
- 1.4 Disclosure of congregational planning, financial and growth performance, and compliance with the procedures outlined in this document.
- 1.5 Placement and maintenance of the congregational insurance program within the World Church Insurance Program.
- 1.7 Full compliance with the approval process designated by the Presiding Bishopric.

The repayment period on new loans is:

loans under \$15,000.00 - 5 years

loans \$15,000.00 and over - 15 years

loan terms over 15 years MUST be approved by the Presiding Bishopric.

Interest rates for loans will be set by the Presiding Bishopric as of January 1st of each year. The annual rate is a variable rate, indexed to a market rate. Interest rates for all outstanding loans will be adjusted at that time, with the new rate affecting the February payment (interest is paid in arrears).

To allow for congregational budget planning, the monthly payment amount for regular loans will be calculated at 6.5%. Interest will be charged and calculated as explained above, and the allocation of principal and interest for each payment can be viewed on the following month's statement. In this way, when the annual rate is lower than 6.5%, congregations will enjoy the benefit through a faster amortization and quicker repayment period.

In projects where a HWRF loan is part of the financing plan, local funds will be utilized first to meet project costs, including any funds held in the Affiliate Investment Pool. When the final draw is made of the loan a Promissory Note will be prepared and shall be signed by the Pastor and Congregational Financial Officer, if the purchase was by a Congregation; or by the Board Members if the purchase was by a Campground; or Mission Center Officers if the purchase was by a Mission Center.

Interest on HWRF loan proceeds released during construction will accrue at the annual rate set by the Presiding Bishopric in accordance with the procedure outlined above. Interest-only payments will be due 30 days after the first draw, and monthly thereafter until the final note is signed.

2. REQUESTS FOR DRAWS

Requests for draws shall be in writing, and may be faxed (816/521-3099) or e-mailed (mbrown@cofchrist.org) with supporting documentation to accompany each request. When requesting draws by fax or e-mail the original request must follow by regular mail. Requests for draws may come from either the Pastor or Congregational Financial Officer for a congregation, or Board President or Financial Officer in the case of a campground or association.

With each draw requested an Interim Note will be prepared and sent to the Congregation for signature. The Interim Note secures the amount drawn against the loan. Each Interim Note must be signed and returned to Legal Services before the next draw can be processed. Once all funds have been drawn the Interim Notes will be replaced by a Promissory Note.

NOTE: Please allow 7 to 10 business days for processing requests for draws.

HOUSES OF WORSHIP REVOLVING FUND LOAN APPLICATION (SAMPLE)

Complete the information below and send one original to the appropriate Mission Center officers and one original to:

Marsha Brown, Paralegal
Legal Services/Community of Christ
1001 W. Walnut
Independence, MO 64050

Submitting this loan application will initiate the loan process. All legislative and administrative approvals must be received in Legal Services prior to final approval of the loan application. Please refer to Section II, Approval Process for Building Program of the Procedures & Guidelines for Building Program.

This document may be printed then mailed, or filled out as a worksheet and attached to an e-mail to mbrown@cofchrist.org.

IDENTIFICATION

Congregation/Campground: _____

Mission Center: _____

PURPOSE/INTENT, NEED FOR BUILDING (mission, vision, program):

ESTIMATED COST OF PURCHASE

Purchase price (vacant land or building) _____

(NOTE: Congregation must have 1/3 of the total purchase price available as cash on hand.)

RESOURCES AVAILABLE - CASH ON HAND

Savings/Checking _____

Affiliate Pool Account # _____

Affiliate Pool Account # _____

TOTAL RESOURCES AVAILABLE \$ _____

SPECIAL COMMENTS regarding cash on hand:

HOUSES OF WORSHIP LOAN

Amount of funds requested

\$ _____

ESTIMATED EFFECT OF PURCHASE ON BUDGET

Annual increase (decrease) in utilities _____

Annual increase (decrease) in insurance _____

Annual increase (decrease) in maintenance _____

Other increases _____

*Repayment to HWRF Loan (monthly) _____

PROJECTED INCREASE IN BUDGET\$ _____

*(Contact Legal Services to obtain estimated monthly payment for HWRF loan.)

PRELIMINARY FINANCIAL INFORMATION FOR LAST FIVE (5) YEARS

TOTAL ENROLLMENT _____ ACTIVE FAMILIES _____

AVERAGE ATTENDANCE _____ CONTRIBUTING WAGE EARNERS _____

CONTRIBUTIONS/INCOME FOR LAST THREE (3) YEARS:

	20__	20__	20__ .
Operating Fund:	_____	_____	_____
Building Fund:	_____	_____	_____
TOTALS:	_____	_____	_____

WILL THERE BE A CAPITAL CAMPAIGN __YES__ __NO

Length of Campaign: _____ Families Contacted: _____ Families Committed: _____

Amount expected to be received prior to construction/purchase:\$ _____

Amount expected to be received during campaign:\$ _____

HWRF Loan Application Dated: _____

HWRF Loan Application prepared by: _____ (Print)

_____ (Signature)

_____ (Title)

MISSION CENTER APPROVAL:

Mission Center: _____

Approved by Mission Center President: _____

Date Approved: _____

Approved by Mission Center Financial Officer: _____

Date Approved: _____

V. CAPITAL CAMPAIGNS

A Capital Campaigns is an intensive effort to raise a significant amount of money in a relatively short period of time in order to fund a major capital project. The most common type of capital campaign is a campaign to finance a new building or significant addition to the present facility.

Although everyone is invited to participate in a capital campaign, a congregation's member families may likely be in different life stages. Some families may have income to give, but few assets, and so be able to give some amount each month. Other families may not have much income, but might have significant assets, and so be able to give a lump sum now. Congregations typically request commitments in both forms, that is, how much can you give today, and how much each month for the duration of the campaign.

The Funding for Mission Office has material available for congregations wishing to undertake this process. Please call 1/800/884-7526 or send an e-mail to funding@cofchrist.org to request this information.

Capital campaigns usually involve the following steps:

PHASES OF A CAPITAL CAMPAIGN

1. Planning Phase

- 1.1. Plan all aspects of the campaign thoroughly with the consensus of the Mission Center Financial Officer and the building committee and pastoral team.
- 1.2. Select the capital campaign committee and committee chair from a broad-based pool of respected persons in the congregation
- 1.3. Project the cost of the project and build a funding plan consisting of cash on hand, assets to be sold and pledges over a specific number of years. Be sure to carefully consider the impact that the debt repayment will have on future programming ministries.
- 1.4. Insure the project scope is within the financial means of the membership
- 1.5. Develop a purpose statement making the vision clear to the members: use artist's drawings, brochures, information sheets, etc.
- 1.6. Provide adequate time between the presentation and commitment phase for questions and clarification.
- 1.7. Train those who will go on visits, and allow them to commit first so that their visits take on a "testimonial" nature.

2. Commitment Phase

- 2.1. Define the campaign time frame and stick to it.
- 2.2. Be creative in your presentation and consensus building. Make sure that committing to this project "feels" different from a steward's regular giving to the congregation.
- 2.3. Visit key members of the congregation (Pastorate, Steering Committee, those who will conduct family visits, and other key contributors) first.
- 2.4. Make sure that every member is personally invited to commit to the project.
- 2.5. Include children with their families.
- 2.6. Communicate and celebrate your progress as the campaign unfolds

3. Follow-up Phase

- 3.1. Acknowledge every gift.
- 3.2. Follow-up regularly with the congregation to inform them of the progress of construction and contributions.
- 3.3. Follow-up with every member periodically regarding the status of their commitment.

VII. CHECKLISTS FOR PURCHASING PROPERTY

1. CHECKLIST FOR PURCHASE OF PROPERTY

1.1 General

_____ Review the guidelines and procedures carefully.

2.2 Approvals

_____ Inform and discuss with Mission Center officers the decision to purchase.

_____ Congregation to meet, discuss, and approve the purchase as well as cost, and loan if applicable.

_____ Copies of business meeting minutes to the Mission Center officers and Legal Services.

_____ Letter of Approval to be signed by Pastor, Congregational Financial Officer, and Mission Center officers. When all signatures have been obtained please forward the approval form to Legal Services.

2.3 Financing – if needed

_____ Complete the HWRF loan application or request a loan application from Legal Services. Copy to be sent to Mission Center officers and to Legal Services.

_____ If needed, plan and conduct a Capital Campaign if needed and provide the information in the loan application.

2.4 Offer to Purchase

_____ Forward Offer to Purchase to Marsha Brown. Legal Services, for review PRIOR TO SIGNING.

_____ Send pictures of inside and outside of prospective building.

_____ Include the following mandatory contingency in the offer, "Offer is subject to final approval of the Presiding Bishop of said church."

2.5 Closing the Purchase

_____ Marsha Brown in Legal Services will work directly with the title/abstract company or attorney to close the purchase.