

THE DIOCESE OF EAST TENNESSEE  
THE STANDING COMMITTEE

POLICIES AND PROCEDURES  
regarding  
THE ACQUISITION, ENCUMBRANCE, OR ALIENATION OF  
REAL PROPERTY

(Adopted by the Standing Committee on 9/11/08; revised 10/25/12)

*(Refer to The Constitution and Canons of The Episcopal Church, I.7.3-5; and to the Diocesan Canons, Title III, Canon 1.)*

The Canons referred to above (and which are available on-line) designate the Standing Committee as the agent of the Diocese which, along with the Bishop, is authorized to consider all requests in the Diocese to alienate or encumber property and to grant or deny permission for such actions. An “encumbrance” includes a mortgage, lease, lien, easement, encroachment, refinancing, or other restriction on property or its use. Alienation is the voluntary transfer of title and possession of real property from one party to another.

The following is intended to offer guidance to all concerned so as to assure that due diligence is done, and that the best interests of the applicant as well as the protection of the financial assets and integrity of the applicant and of the Diocese are maintained.

To assist the Standing Committee in its decision making process, the following application, with exhibits, must be completed and submitted to the Standing Committee for all requests to encumber or alienate real property. The applicant may be asked to meet with the Standing Committee once the application has been received and considered by the Standing Committee.

Applications should be sent to the Diocesan office in writing and in duplicate, with one addressed to the Bishop and one to the President of the Standing Committee.

All applications shall be signed by the contact person, the most senior clergy person of the applicant, and the most senior lay person (typically, the rector and the senior warden, if a parish).

***Any constituent body in this Diocese contemplating the alienation or encumbrance of real property is directed to alert the Standing Committee to this fact.***

## **GUIDELINES**

**The Standing Committee will use the following guidelines to determine the appropriateness of the request being submitted:**

1. "Applicant" is defined as any constituent body of the Diocese of East Tennessee.
2. That the proposed project is done in a legal manner and meets all relevant criteria of the Church and Governmental Authorities.
3. That the amount to be borrowed is financially feasible. (Loans should not exceed 80% of the appraised value of the real estate being encumbered. Maximum amount borrowed should be no more than 2.5 times normal operating income. Maximum debt service should be no more than 25% of normal operating income.)
4. That this project will in no way adversely affect any of the following: applicant's financial obligations to the clergy; ongoing maintenance of present structures; the various programs of the applicant; and the applicant's support to the Diocese.
5. That the applicant has provided realistic future operating income and expense projections that demonstrate their ability to meet the proposed debt load, without adversely affecting program and personnel. Projected revenue growth (if needed to meet the new debt load) should be supported by existing trends or other evidence that this is a reasonable expectation.
6. The appropriate contact person for the applicant would normally be the Senior Warden, or Chairman of the Board, or his/her designee.
7. The sale of any property is to be a transparent process, so that all interested parties have opportunity to make an offer to purchase.
8. Proceeds from the sale of Church property used for worship or fellowship, etc., will normally be expected to be reserved or dedicated for a similar future facility. Proceeds from the sale of a rectory will, likewise, be expected to be available for future housing needs of the clergy.
9. *Meeting the terms of these guidelines will not automatically result in the consent of the Bishop or Standing Committee.*

## APPLICATION FOR CONSENT TO SELL CHURCH PROPERTY

1. Name and address of the applicant submitting this request.
2. Name, mailing address, phone number, and email address of the applicant's contact person.
3. Describe the approval process used by the applicant; include minutes of the vestry or other meeting (in accordance with the applicant's by-laws) showing that a resolution was adopted authorizing the sale, and setting forth the details of the proposed action.
4. Legal description of the property to be sold including a copy of the Deed. The Applicant should ensure that the property is in compliance with all requirements of Title III of the Canons of the Diocese of East Tennessee, especially those addressing how property is to be titled.
5. Assurance that the applicant has fulfilled its obligations, which shall include, but be not limited to: annual audits; maintenance of minimum clergy salary levels; insurance payments; Diocesan asking.
6. Describe how the applicant will compensate for the loss of this space.
7. Describe the applicant's plans for use of the proceeds.
8. Appraisal or other documentation of the fair market value of the property.
9. Copies of existing surveys, title reports, tax receipts, title policies and other germane documents.

## APPLICATION FOR CONSENT TO ENCUMBER CHURCH PROPERTY

*If any of these requirements present an undue burden, they may be omitted, with an explanation.*

1. Name and address of the applicant submitting this request.
2. Name, mailing address, phone number, and email address of the applicant's contact person.
3. Description of the project:
  - Provide a written description of the project, including estimated cost.
  - If construction is involved, provide the request for proposal and a minimum of two bids.
  - Provide architectural plans, if available.
  - Provide a list of all governmental approvals and permits which will be required.
  - Does this project involve a historically designated structure?
  - Survey
  - Environmental studies, if any
4. Legal description of the property to be encumbered; provide a copy of the Deed and title policy.
5. Financing details
  - Amount to be borrowed
  - Interest rate (fixed or variable)
  - Any applicable fees/closing costs
  - Amortization schedule and loan terms
  - Copy of Lender's Commitment Letter
6. Details of funding sources: What programs, if any, have been implemented to raise funds for this project? Are other fund-raising activities planned over the life of this loan? Are there any alternate sources of repayment?
7. Provide copies of the applicant's financial statements and operating budgets for the last three years.
8. Provide a copy of the most recent Treasurer's report
9. List all trust funds, endowment funds, and savings accounts; include the

book value, market value, and income received from each; and note any restrictions on use.

10. List all outstanding loans, including amount, source, interest rate, repayment schedule and purpose.
11. Provide a copy of a current real estate appraisal by a licensed appraiser.
12. Describe the approval process used by the applicant; include minutes of the vestry or other meeting (in accordance with the applicant's by-laws) showing that a resolution was adopted authorizing the encumbrance, and setting forth the details of the proposed action.
13. Describe the Congregation:
  - Current facilities
  - Geographic area from which congregants are drawn, and the next closest Episcopal Congregation
  - Trend in the number of communicants over the last five years
  - Trend in the number of pledging units over the last five years
  - Approximate median age of the Congregation
  - Average attendance on an annual basis for the last five years
14. Pledging history (last five years):
  - Number and amount of pledges made
  - Number of pledges honored
  - Amount actually received on pledges
15. If a pledge drive is an integral part of the ongoing financing for this project, please provide a supporting schedule that will outline the status of pledges from the capital drive, including total pledges, collection schedule, amount collected to date, and a reserve for uncollectible pledges.
16. Assurance that the applicant has fulfilled its obligations which shall include but not be limited to: annual audits; maintenance of minimum clergy salary levels; insurance payments; Diocesan asking.
17. Any other documentation reasonably requested by the Standing Committee.

## ACQUISITION OF PROPERTY

Under normal circumstances, the acquisition of property entails an encumbrance, in which case the above requirements apply. In the event that an applicant is able to acquire property without an encumbrance, the Standing Committee only needs to be informed and given assurance (signed, when appropriate, by the three persons mentioned on page 1 of these policies and procedures) that the requirements of guidelines 2,4,5 & 6 are met and that property is in compliance with all requirements of Title III of the Canons of the Diocese of East Tennessee, especially those addressing how property is to be titled.

## REGARDING LOANS FROM THE DIOCESAN “OPPORTUNITY FUND”

When an Applicant seeks a loan or a change in an existing loan from our Diocesan Opportunity Fund, the Applicant is required to complete the Application for Consent to Encumber Church Property as set forth in the Policies and Procedures of the Standing Committee. The Standing Committee will report its findings to the Bishop and Council.