

Policy for the Leasing of Property held by Congregations in the Episcopal Diocese of Pennsylvania

If a parish/mission is considering leasing any of its real property, it should follow these steps as a matter of our good stewardship of assets, regardless of whether Diocesan approval is required:

- 1) Ensure that a vestry resolution sets forth not only its decision that a lease should be entered into, but also identifying the way in which the lease agreement will further the parish/mission's mission and ministry;
- 2) Have the lease reviewed by a qualified real estate agent and/or attorney;
- 3) Be sure that the lease requires the tenant to insure the property it is leasing, and then obtain from tenant proof that it has obtained the liability insurance coverage. Such coverage should be in the amount of not less than \$1 million primary coverage/\$3 million umbrella and should specifically name the parish/mission, its rector, wardens and vestry, the Church Foundation, and the Diocese of Pennsylvania as additional insureds.

If the lease is **12 months or longer** in duration or if the lease is of shorter duration but is set up for **Auto Renewal**, then the parish/mission may not enter into the lease unless it first obtains the consent of the Bishop and Standing Committee. This process requires at least two months from the finalization of the agreement with the lessee to receive final approval from the Bishop and Standing Committee. Therefore, the parish/mission is advised to allow sufficient time to complete the process and should inform the potential lessee of the timeframe involved.

In order to receive approval, a parish/mission should follow the above steps. In addition, they should:

- 1) Contact the Diocesan Property Manager no less than one week prior to the monthly Property Subcommittee meeting (held on the 1st Thursday of the month) to inform them of the desire/intent to lease and provide:
 - a) A copy of the Vestry resolution authorizing the lease;
 - b) A brief statement of how the lease of this property will aid in the parish/mission's strategy for growing its mission;
 - c) An explanation as to how the rental rate was established, especially if that value is below market norms;
 - d) A copy of the most recent annual budget, current treasurer's report, most recent parochial report and most recent audit;
 - e) A thorough description of the property to be leased such as a site plan, tax map or similar visual document;
 - f) The full name, address, and the relationship, if any, of the lessee to the parish or mission, or any member thereof;
 - g) A copy of the proposed lease;
 - h) A copy of the proof of insurance declaration sheet described in #3 above;
 - i) A clear understanding of which party would be liable for any taxes (including real estate, business privilege, occupancy) that might be incurred as a result of the rental.

Once all of the above have been received, the Property Subcommittee shall then review the proposed lease and supporting documents, and make a determination as to whether or not to recommend that the lease proceed to the Finance Committee.

The Finance Committee will then review the Property Subcommittee's recommendation and make its own recommendation to the Bishop and the Standing Committee to be considered at their meeting in the following month (no less than 30 days after the Finance Committee's recommendation).

At that meeting, the Bishop and the Standing Committee shall review the Finance Committee's recommendation. They shall then make a determination as to approving or denying the request to lease the property.

Income generated from the lease should be reported as additional income on the parochial report.

Please Note

During this process, any of the committees may ask for additional information or clarification. A timely submission allows for a review of the missing information and an opportunity to provide it prior to the Property Subcommittee, Finance Committee, and Standing Committee meetings. Normally, correct petitions, fully prepared and duly submitted to the Bishop's Office, will be sufficient for the Committees to take action. Therefore, parishes/missions are advised to establish a date for closing the transaction which will allow ample time both for assembling these materials and for the process of committee review.