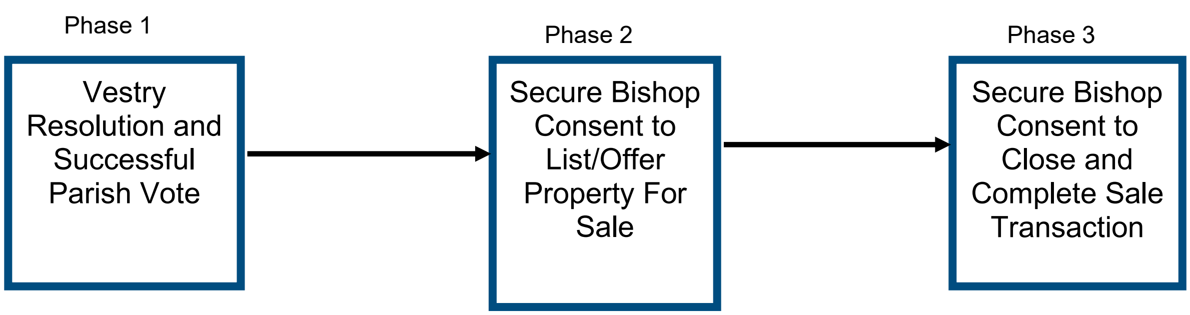
Selling or Mortgaging Parish Property in The Episcopal Diocese of Chicago

Purpose and Use of this Document:

This guide offers a step-by-step overview of what is needed to follow the Canons if your congregation is considering the sale of property or using the property as collateral for a loan.

- The sale or encumbrance of church property is governed by Canons 24 and 22 (sec 3) and Canon 20, section 3 of the Episcopal Diocese of Chicago (included on pages 9 and 10 of this guide).
- Parish property is owned and held by the Diocese and there are specific steps and milestones that govern the transaction process.
  - Special note: If you are a mission congregation, consult with the Bishop and Trustees Committee -These guidelines apply to parish congregations only.

Overview of the Process:



Phase 1 Overview: Parish Vote

1.1 Before the processes gets underway, please reach out to the Standing Committee President to notify the Committee of your intent to sell or seek a mortgage on parish property.

1.2 Vestry prepares and approves a resolution regarding the proposed transaction, recorded in the minutes.

1.3 A special parish vote, approved by 2/3 of ‘entitled voters’, is needed to direct the vestry to take action on the proposed transaction.

1.4 With the Vestry resolution and a successful parish vote, the Parish is now ready to <u>seek consent</u> to list or sell the parish property.

Phase 2 Overview: Bishop and Standing Committee Review and Consent to list property for sale

2.1 Schedule a Meeting with the Standing Committee

Contact the Executive Assistant to the Bishop, (currently Karin Gutierrez) at 312-751-4217 to schedule the meeting

2.2 Prepare a package for the Standing Committee review - (**see details for preparing the package on pages 3, 4, 5).**

2.3 The Standing Committee will complete its review and, if all is in order, will advise the Bishop to consent to the Parish proposal to list and sell the property.

2.4 The parish will receive written consent from the Bishop authorizing the process to begin, along with details and criteria required.

Phase 3 Overview: Standing Committee Review and Bishop Consent to close (to complete the sale transaction)

3.1 Once a sales contract, (or a contract for another arrangement for the use of the property) is pending, please contact the President of the Standing Committee to arrange for final review and consent to close.

3.2 Documents and guidance for this phase are included on page 7.

3.3 The parish will receive written consent from the Bishop authorizing the sale to be completed.

3.4. Please update and notify the Standing Committee President when the transaction is completed.

Please refer to the following pages for details and guidance for each step in the process

Phase 1 Detail: Parish Vote & Resolution

The Vestry must pass a resolution specifically authorizing the sale of the property, or the mortgaging of property. The details of this vote, including specific identification of the property to be sold or mortgaged and any specifics of contracts expected at the time of the vote, must be clearly recorded in the minutes of the meeting.

An example is included here:

Consider recording any parish meetings where the sale or acquisition is presented and discussed.

Example resolution to seek congregational approval for the Vestry to take the necessary steps to execute the sale of the property at *[address, description].*

Resolution:

Resolved, that the Vestry of *[parish name, city & state],* seeks approval of the congregation for the Vestry to take, or cause to be taken, the necessary steps to effectuate the sale of the property at ***[address and description]*****.**

WHEREAS, upon approval of this resolution, the Vestry will seek permission from the Ecclesiastical Authority of the Episcopal Diocese of Chicago, acting with the advice and consent of the Standing Committee to proceed.

WHEREAS, upon receipt of this permission, the Vestry will interview no less than three professional real estate brokers to obtain appraisals for the potential marketability of the property. One of these will be chosen by the Vestry to list the property for sale (following a survey of the precise and metes and bounds of the parcel). *The sale will only be completed if a binding offer to purchase the property is obtained that satisfies the Vestry.*

WHEREAS, the Vestry also formally voted to apply any proceeds from a sale to the capital campaign, with the additional condition that 10% of the sale proceeds be donated to charitable causes.

WHEREAS, in order for this resolution to pass, it is

Parish Vote

a) The entire congregation must vote on the sale or encumbrance of the property, and this vote requires a majority of two-thirds (2/3) of all voting members of the parish, not just those present at a congregational meeting.

Summary of Voting Requirements
Canon 22, Section 3 [full Canon provided at end of this document]

- Baptized and 16 years of age
- Regularly attend services
- Recognized as members by parish leadership
- Have contributed/pledged in the last 6 months

b) Communicate the Vestry resolution to the parish and hold a church meeting and make arrangements and provisions for voting. Make sure the property to be sold or mortgaged, and any terms of contract determined by the Vestry, are included in the resolution on which the congregation will vote.

1. Some helpful best practice suggestions developed by parishes over recent years:

   a) Begin communicating with the parish as soon as possible - Sunday announcements, newsletter articles, etc.

   b) Consider guest articles written by the Senior Warden in the parish newsletter to provide periodic updates as the process moves along - include alternatives being considered, pros & cons, and prepare the congregation for the upcoming parish vote on the sale decision

   c) Voting: When considering a voting process, several options can be considered: Create a GoogleDocs online ballot to be emailed directly to registered members; prepare a printed copy for use in situations where online access is not an option;

   Please see this YouTube tutorial which walks you through the creation and administration of a ballot & election using GoogleDocs
   https://www.youtube.com/watch?v=vR6PDTR9T8A

   d) Consider setting up a table with ballots at coffee hour, and have a warden be present to answer any questions and help with the voting

   e) Consider personal outreach calls to members who have not yet voted

   f) Prepare a tracking system to record each member's vote

There are no clear current provisions for a vote by email, but one may be accepted by the Standing Committee if you can provide clear documentation of how the resolution was made available and the recording of each vote by email.

An example template for a ballot for the parish vote is included on the following page (Page 5)

Phase 2 Detail: Standing Committee Review and Bishop Consent to list property for sale

When the Vestry and the Parish is ready to **seek consent to list or sell the parish property:**

- Contact the Executive Assistant to the Bishop, (currently Karin Gutierrez) at 312-751-4217 to schedule a meeting with the Standing Committee.

Please prepare a package for the Committee review to include the following supporting documents:

- A certification document, signed by the Senior and Junior Warden of the Vestry, to validate the voting procedure and clear documentation of the number of eligible voters and the numerical results of the vote.
- Vestry minutes recording the text of the resolution and result of the vote to sell or encumber the property.
- Results of any parish meetings to present and discuss the proposed sale.
- Documentation of how the parish-wide vote was held.

Also include narrative answers to address the following topics:

- How will the proceeds be directed, e.g. bank, trust account, endowment? What provisions have been made?

Example and Template for Congregation Ballot - Sale of Property

Parish Vote to Sell [property name]

This is a ballot to cast a vote to sell the property at [address, description]. The vestry voted to sell the house at the [date of meeting] vestry meeting, and now the parish must also vote, obtaining at least 2/3 of the parish voting in favor.

* Required

Voting Eligibility

"Parishioners who are qualified to vote on matters that come before the Parish shall be the following as defined by: All baptized persons, age 16 and older, who regularly attend services, and are recognized as Members by the Rector and Wardens, and who have regularly contributed to the support of the Parish means of time, monetary support, service or prayer, all such contributions lending themselves to the financial, physical and spiritual health of the Parish." [Canon 20, section?]

By checking here, you certify that you are an active member of [Parish Name] eligible to vote, and that all information in this form is accurate.

Check all that apply:

I am a member of [Parish Name]______ and qualified to vote ______

Full Name * ____

Phone number * ____

Email * ____

Address *

Vote to sell the property at [Address & Description]

* *Mark only one oval.*

Yes, sell the house, in agreement with the Vestry vote. ◯

No, do not sell the house. ◯

- Please indicate how the proceeds can be/will be used to enhance the mission

and ministry for the congregation and the community
- Please include plans to add wheelchair accessibility or explain how you can prepare the property for wheelchair access
- What concerns or objections were raised by the congregation and/or neighbors during the process and how were they resolved?
- Please consider any potential tax implications or changes in tax status
- Prepare a timeline/narrative to communicate the history of the project from initiation to Standing Committee review
- What alternatives were considered and debated?
- Consider preparing a PowerPoint presentation to include details about the proposed project, history and background details regarding the property, photos if applicable, area maps, and alternatives.

Standing committee approval will be valid for one year from the date of the Bishop's consent to sell letter. Should the property not sell in that time, and you wish to continue marketing the property, you will need to return to a Standing Committee meeting to request an extension.

Phase 3: Standing Committee Review and Bishop Consent to close (to complete the sale transaction

After you receive the first Bishop's consent letter to list or sell the property, it is important that you carefully consider and ensure the following criteria have been followed as you embark on the third phase of the process leading up to closing:
- Engage a broker who is not affiliated with the congregation (not a parishioner or family member of a parishioner)
- Engage an appraiser who is not affiliated with the congregation (not a parishioner or family member of a parishioner)
- Ensure clear title prior to listing and marketing the property
- Locate the actual title to the property
- Attempt to secure other offers
- Indicate the proposed sale to an active parishioner

Once a sales contract, (or a contract for another arrangement for the use of the property) is pending, please contact the President of the Standing Committee to arrange for final review and consent to close. Documents needed for this final consent include, but not limited to:
- Sales contract
- Appraisal
- Evidence of clear title
- Inspection reports, if applicable
- Resolution of any village zoning issues, if applicable

- Confirmation that listing agents, appraisers, inspectors, buyers etc. were not members of the parish

After completing these steps, and secured canonical approval from the Vestry, congregation, and Ecclesiastical Authority, **you are ready to sell** or mortgage the specified property for the benefit of the congregation.

For questions or guidance, please reach out to the President of the Standing Committee.

Using Parish Property as Collateral for a Loan

Before considering mortgaging property, review Canon 20, ("The Corporation and Vestry"), section 6.

This section limits the total unsecured debt of any parish to one-third (1/3) of the average annual income of the congregation for the three years preceding the initiation of the loan and the total secured debt (with buildings or other property as collateral) to three times (300%) the average annual income of the congregation for the three years preceding the initiation of the loan.

All new secured loans must be approved by the Standing Committee of the Diocese (see below.)

If borrowing, the year-end financial statements for the three years preceding the calendar year in which you are seeking to initiate a loan.

This applies to new borrowing, or to any increase in the principal amount of any existing loan.

Thank you for your time and attention to this important process for the Parish and the Diocese.

For questions or guidance, please reach out to the President of the Standing Committee.

The relevant canons, for review:

CANON 24

The Sale or Encumbrance of Real Estate
No real estate owned by the Parish shall be sold or encumbered, except in the following manner:

First—The adoption of a resolution by the Vestry providing for the sale or encumbrance of specific real estate, together with provision, if desired, for the entering into of a contract in relation thereto, but subject to the direction and consent provided for in items “Second” and “Third” hereof;

Second—Direction by two-thirds of the Parishioners entitled to vote as prescribed and defined in the Canon, “Parish Meetings and Elections,” to the Vestry to take or cause to be taken the necessary steps to effectuate the sale or encumbrance; and

Third—The granting of written consent to the sale or encumbrance by the Ecclesiastical Authority, acting with the advice and consent of the Standing Committee. The request of the Parish to the Ecclesiastical Authority for such consent shall be accompanied by (1) a copy of the Vestry resolution provided for in item "First" duly certified by the Clerk of the Vestry and (2) other documentary evidence showing that the direction provided for in item "Second" has been duly and canonically obtained.

Note (Canon 24) The 2/3 voting required in the "Second" clause above is a vote of all Parishioners, not just 2/3 of those present at the meeting.

CANON 22:

Parish Meetings and Elections

Sec. 3. The Parishioners qualified to vote for Wardens and Vestry, and upon all questions coming before any Annual or Special Parish Meeting, shall be only the following:

All baptized persons of the age of sixteen years and upwards, who regularly attend the public services of the Church in the Parish, and are recognized as members of the Parish by the Rector and at least one of the Wardens, or, if the Rector be not present, by the two Wardens, and whose names appear on the books of the Parish Treasurer as having contributed by pew rent, by pledge, by subscription or otherwise to the funds to meet the expenses or other obligations of the Parish during the six months immediately previous to the Meeting, it being understood that the pledge or obligation for such contributions shall have been incurred prior to the said six months; and in addition declare their willingness to conform to the Doctrine, Discipline and Worship of the Church.

CANON 20

The Corporation and Vestry

Sec. 6 No Parish may borrow money on an unsecured basis, if, after giving effect to such borrowing, the aggregate indebtedness of the Parish for money borrowed on an unsecured basis is greater than 33-1/3 per cent of the average of the annual income (excluding income allocated for purposes other than current expenditures) of the Parish for its three fiscal years next preceding the date of the proposed borrowing;

No Parish may borrow money on a secured basis if, after giving effect to such borrowing, the aggregate indebtedness of the Parish for monies borrowed on a secured basis is greater than 300 per cent of the average annual income (excluding income allocated to purposes other than current expenditures) of the Parish for its three fiscal years next preceding the date of the proposed borrowing, and no Parish shall borrow any money on a secured basis (save for the refinancing, without increase in the principal amount, of an existing loan) without the previous written consent of the Ecclesiastical Authority and of the Standing Committee of the Diocese;

Provided that the limitations herein above set forth in this Section shall be waived in whole or in part whenever The Bishop and Trustees of the Protestant Episcopal Church in the Diocese of Chicago, A Corporation, by proper corporate action and with the advice and consent of the Standing Committee, shall so order