

The ABC's of Buying Property for the Church

A "For Sale" sign goes up in the yard of the house next to the church. We need the space. Now what?

Relocation is in our future. How do we find the site that is right?

We are doing a satellite ministry that will eventually need its own property. How do we proceed?

Our new congregation is now ready to explore property. What can we expect?

While your congregation may not be intentionally looking to buy property, your advance warning on such an opportunity may be limited. Knowing what to do when the time comes could be beneficial. Recently, many calls to Board of Church Extension have involved the acquisition of new or additional property. The steps outlined here will have to be modified to fit an individual situation, but can provide the benchmarks by which progress toward property acquisition can be measured.

Approval for Investigation

The church board and congregation should be aware of and support an initial investigation of property for acquisition. After clearly understanding the need for additional property, a committee is authorized to investigate options. When there is something to report,

the committee will report back to the board with a recommendation.

As the purchase of property requires a legal transaction, the appropriate body for final approval of such a transaction will be spelled out in the document that governs the organization. Many churches are incorporated as not-for-profit corporations. These corporations will have Articles of

Incorporation. Others are governed by a constitution and bylaws that will direct the persons or groups responsible for a legal transaction.

Investigation

Unless the property to be acquired is adjacent to the current church property and a known and identified parcel, thorough investigation of possible options will need to take place. The use of a real estate agent can be very helpful to the investigation process. Their knowledge of an area and properties currently on the market can save many hours of committee investigation.

The agent will also know about the documentation needed in



Joe Bradshaw, real estate agent, congratulates Jody Johnson (center) minister, and Katherine Games (right) church moderator, for the congregation's purchase of a new site. BCE assisted Bethany Christian Church, Louisville, Kentucky, with fundraising and financing for the relocation project.

a real estate transaction and will be helpful in guiding the process. It is customary that the listing agent split the commission with the buyer's agent, usually resulting in no cost to the church.

Property Considerations

There are many things to consider in identifying properties that are available for purchase. In the case of a church looking to relocate, demographic information should be obtained and a clear understanding of the trends of the community should be in place.

Board of Church Extension can recommend a demographic provider at a reasonable cost to the

congregation. The future location for ministry should not be as concerned with the current "growing edges" of the community as with the "growing edge" of the community when the church will be ready to occupy the new location. This may be three to five years or longer in the future. Most importantly, the mission and ministry goals of the congregation will drive location considerations.

Site Selection

To assist in the investigation process, a Site Selection Worksheet provided by BCE should be completed on each potential site. This will enable an "apples to apples"

comparison of the properties. Items considered on the worksheet include price, zoning, utilities, size, restrictions, terrain, access, visibility and area characteristics. All of these items will take on varying levels of importance depending on the ultimate use of the property by the church.

After the list has been narrowed to three or four sites, the church may wish to contact Board of Church Extension for a Site Evaluation Consultation. In addition to the evaluation of sites, this meeting would include a plan of financing for the site. There is no charge for this consultation.

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A note from the editor

There are many titles that, looking in my crystal ball some years ago, seemed to fit me. Those that I thought might fit were husband, father, pastor, friend and colleague.

One that didn't occur to me until recently was "editor." I come to this position as a humble servant hoping that with your suggestions, *Cutting Edge* will continue to help ministers and church leaders with



Ryan D. Hazen

capital issues as it has since 1972. I have learned much from my immediate predecessors in this position—Gary Kidwell and Vernon Blankenship. For their mentoring over the years, I am grateful.

This issue of *Cutting Edge* addresses property acquisition. We

have been receiving many calls recently on the subject. Unlike a building project, property acquisition may not be planned in advance. Many times, a piece of property next to the church goes on the market and the leaders have to quickly grapple with how to proceed.

I hope this issue is helpful, even if you're not "planning" to acquire property.

As you have comments or suggestions for future issues, please contact me. We, at Board of Church Extension, very much see ourselves as your partners in ministry and stand ready to help in your building and property needs.

Bass Joins BCE

With the publication of this issue, I want to introduce William L. Bass. Bill joined the BCE staff on April 1 as a General Consultant. He joins 34 other Board of Church



William L. Bass

Extension staff persons, who have as their central focus, service to the congregations, regions and other organizations of the Christian

Church (Disciples of Christ).

Bill needs no introduction in the Upper Midwest Region where he served as Associate Regional Minister for 11 years before becoming Deputy Regional Minister in 1996. In addition, he has served pastorates at First Christian Church, Nevada, Iowa and Atlanta Christian Church, Atlanta, Indiana.

Bill brings a breadth of experience that will be a real asset to Board of Church Extension and the congregations we serve. Welcome, Bill, to Board of Church Extension staff!

—Ryan D. Hazen

Offer to Purchase

Once a piece of property is identified, an offer to purchase will be written by the church's representatives and the real estate agent. This offer will be presented to the seller for possible acceptance.

Before submitting the purchase offer to the seller, legal counsel should review all legal documents. A purchase offer, once accepted by the seller, is a legally binding commitment and should not be entered into lightly. Most offers to purchase are submitted by the potential buyer to the seller with "earnest money." Earnest money is a sum of money, that may or may not be refundable if the deal does not go through, indicating to the seller that the buyer is "earnest" or serious about the offer that has been presented.

While most people think of the purchase offer as the document that goes back and forth between buyer and seller to settle on an acceptable purchase price, there are many other negotiable items that are clarified in the offer to purchase.

Sample Contingencies

Examples of these other negotiated items include dates that the property will be transferred to the buyer, responsibility for associated costs and other contingencies. These other contingencies should be a part of every offer to purchase made by a church for property. Contingencies that should be included in every offer to purchase include:

1. Ability to gain congregational approval;

Legal Signing Critical

A word of caution should be noted about the signers of a legal document. Whether incorporated or not, the church is a different legal entity from the individuals who make up the congregation. How the document is signed is just as important as who signs. In every instance, church legal documents should be signed, "XYZ Christian Church by Mary Jones, Trustee or ABC Christian Church by Jack Smith, Board Chairperson." It must be clear that the contract is being entered on behalf of the church and not the individual member.

2. Ability to gain financing;
3. Ability to obtain zoning for the new use of the property;
4. A survey that verifies verbal representations and;
5. Satisfaction of environmental concerns.

Others may be suggested by the church's legal counsel. Too many contingencies, however, may scare away the buyer and tilt the seller in favor of a buyer with fewer contingencies. The seller's reluctance to accept many contingencies rises out of the fact that the property will be off the market while the contingencies are being satisfied, so diligence on the part of all parties to satisfy the contingencies will be needed. Any one of the contingencies not being satisfied may nullify the offer to purchase.

Most of the contingencies are self-explanatory as to why it should be included. Obviously, a church will be unable to move forward without the congregational approval. Financing is usually a key element of any property acquisition as few churches have cash lying around designated for property purchase.

The ability to obtain this financing will be key to completing the deal.

Zoning and Survey

Property zoning is usually governed by the city or county planning department. A change of zoning to church use is not a given, especially if adjoining land owners are vocal in their opposition to a zoning change. Without this contingency, a church could acquire a piece of property that could be useless to the program of the church if the zoning question is not answered in advance.

A survey of the property gives information that cannot be obtained by simply "eyeballing" the property. A survey will mark actual boundaries of the site and will give an indication of "usable" land by identifying any easements that cross the site. Easements are nonbuildable parts of the property that are protected for another use such as utility crossing (overhead electrical lines or buried gas, water, telephone or cable lines) or future road expansion as designated by the local government.

If an easement cuts directly through a piece of property, it

may render the entire property unusable for the church's intended use. In addition, the survey will indicate any other covenants or restrictions to which the new property owner will be bound.

Environmental Issues

Environmental issues can impact the use of a piece of property and can dictate costly cleanup if the property is to be developed. Knowing the environmental history prior to purchasing property can save later heartache and cost. The seller should be willing to sign an EPA (Environmental Protection Agency) affidavit assuring the purchaser that no known environmental hazards exist in the property.

The reason for such an affidavit is that, in many cases, the

purchaser of property becomes responsible for contamination that may exist on the property, even if it occurred prior to the purchase. The affidavit is designed to provide some measure of protection should contamination be discovered later. More extensive testing is also available if contamination is suspected.

Financing

When the need for financing is first anticipated, initial contact with Board of Church Extension or another lender is recommended. The congregation's ability to borrow funds is based on its ability to repay. BCE may be contacted early in the process to determine financial capacity.

Loan funds are available after approval and completion of the

loan documentation process. Complete information about receiving a loan from Board of Church Extension is available in a new publication titled, *Preparing for Your Board of Church Extension Loan: Questions and Answers about the BCE Loan Process*.

Summary

Buying additional property, whether it is to undertake new ministries or expand current ministries, is an exciting time in the life of a congregation. Understanding God's direction in these ministries is the foundation of any potential purchase. Making wise decisions about the details of a property purchase is the key to all parties feeling good about the transaction.

Cutting Edge

Published quarterly
Board of Church Extension of
Disciples of Christ
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Indianapolis, Indiana 46207

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Cutting Edge is devoted to reporting on creative programming trends and issues which may be related to planning and financing physical facilities for congregations and units of the Christian Church (Disciples of Christ).

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U.S. POSTAGE

PAID

Indianapolis, Indiana

PERMIT No. 5736

