

# REAL ESTATE HANDBOOK & RESOURCE GUIDE 2017

*Guiding you in the right direction.*



**REAL ESTATE DEPARTMENT  
OF THE APOSTOLIC ASSEMBLY**

# REAL ESTATE HANDBOOK AND RESOURCE GUIDE

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**REAL ESTATE DEPARTMENT**  
OF THE APOSTOLIC ASSEMBLY

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# INTRODUCTION



Bishop Felipe A. Salazar  
General Secretary

Praise the Lord! Throughout North America, local churches of all sizes are impacting the mission field. From church plants on the East Coast to established congregations in California, churches are being blessed as they seek to faithfully carry out the Great Commission. Every church that experiences the joys of baptism and membership growth is presented with the challenge of providing adequate facility space for its congregation's needs.

The Apostolic Assembly of the Faith in Christ Jesus is comprised of many churches operating as one entity. As such, we have a Constitution that contains specific real estate policies and procedures in order to protect the financial integrity of our organization, thus preserving the wellbeing of every local church. The basis of our bylaws regarding real estate can be summed up in Proverbs 15:55 (NASB), "Without consultation, plans are frustrated, but with many counselors they succeed." Therefore, as provided by our Constitution, it is vital that all of our churches adhere to sound moral and financial policies and procedures to prevent unnecessary liability, as well as provide a trajectory to success.

To that end, we have designed this resource guide as a systematic tool to help local churches as they wisely prepare to undertake any real estate transaction. One major benefit of belonging to the Apostolic Assembly is that the Real Estate Department stands ready to help educate and equip local churches as they navigate the often treacherous waters of facility planning. Our staff will gladly work with a church that is planning for any real estate endeavor. We look forward to the privilege of serving your church. It is vital that you contact us as early as possible in the planning process. Our goal is to help your church save time and money as you prepare to lead your congregation safely through the real estate process. We prayerfully wish you continued success as you minister in the mission field God has given you!

Bishop Felipe A. Salazar  
General Secretary  
and The Real Estate Department



# PROPERTY TAXES

**What are property taxes and who are they payable to?** Property tax is the annual amount paid by a landowner to the local government or the municipal corporation of their area.

- Property taxes are due every year, and it is the responsibility of the local church to make timely payments.
- Even if a church does not receive (a) tax statement(s) via mail, the property taxes are still due and will incur penalties if not paid on time.
- A church is at risk of losing a property if property taxes are not paid in a timely manner because the local government has the right to redeem the property taxes by selling the property.
- It is also important to note that property taxes are due on every parcel of land. Some churches' property is composed of multiple parcels of land of which a property tax is levied against every parcel.

**When are property taxes due?** Every local government has different due dates for property taxes. Additionally, the annual amount due might be split into two or more installments with different due dates.

- The local church needs to contact their local government or municipality in order to ascertain when the property taxes are due. Normally, the cycle of when property taxes are due remain the same year after year.

**Property Tax-Exemption.** The Apostolic Assembly of the Faith in Christ Jesus is a non-profit, tax-exempt organization under section 501 (c) (3) of the IRS code. Organizations that qualify for federal tax-exempt status are, by law, exempt from paying property taxes in all 50 states. Property taxes vary by region, so a property tax exemption in states such as California or New York is more valuable than an exemption in Louisiana, which has one of the nation's lowest property tax rates

**Filing For Property Tax Exemption.** Even though a local church is eligible to be exempt from property taxes, it still requires an application to be filed and approved by the local government or municipality. If an application for property tax exemption is not filed or approved, then the church will be responsible for paying the full amount of property taxes.

- It is the responsibility of the local church to file for property tax exemption whenever their local government or municipality requires it. Some municipalities require that exemption be filed every year, while others may require every five years.
- Additionally, make sure to include every parcel of land being used by the church when applying for exemption.
- Lastly, even though a church may own a property it may not necessarily qualify for property tax exemption. For instance, if the church owns an investment property (i.e. house), and they are renting this house to generate income for the church, it probably would not qualify because it is not being used for religious purposes.

If you need assistance with any issues relating to property taxes, contact the Real Estate Department at headquarters.

**PROPERTY TAXES:  
EITHER WE MANAGE THEM,  
OR THEY'LL FOREVER MANAGE US**



# NEW CONSTRUCTION

*“For which of you, intending to build a tower, does not first sit down and estimate the cost, to see whether he has enough to complete it? Otherwise, when he has laid a foundation and is not able to finish, all who see it will begin to ridicule him, saying, ‘This fellow began to build and was not able to finish.’” (Luke 14:28-30).*

New Construction has many unknowns in the beginning, so it is important to understand that a significant investment is needed to simply ascertain if your church is financially capable or not. It will be beneficial to enlist a number of volunteers from within your church to help lead in the process.

**BEFORE ANY CONTRACTS ARE SIGNED IT IS REQUIRED THAT YOU OBTAIN A CORPORATE RESOLUTION. YOU WILL ALSO NEED THE BANK’S APPROVAL FOR ALL CONTRACTS LINKED TO THE CONSTRUCTION PROJECT.**

**Steps 1-7 need to be completed before submitting a corporate resolution.** The Apostolic Assembly has created moderate risk assessment guidelines that prevent a local church from taking on too much debt, while still providing enough flexibility to reach realistic goals.

**Step 1. The first step for new construction is to see the maximum debt load you are qualified for. The minimum requirements are as follows:**

- Financial Requirements: All annual long-term debt (principal and interest) payments cannot exceed 30% of the AVERAGE of the annual gross income over 3 years. Gross income consists of consistent revenue of tithing and offering only.
  - For example, if the average annual gross income is \$100,000, the annual mortgage payments cannot exceed \$30,000, which equates to \$2,500 monthly.
- Loan-to-Value Requirements: The loan-to-value ratio cannot exceed 65%. In other words, the local church cannot borrow more than 65% of the appraised value of the collateral being used.
  - For example, if the construction cost is \$100,000, the loan cannot exceed \$65,000.
- Contact the Real Estate Department to assist you with determining how much you can afford within the Assembly’s guidelines.

**Step 2. Casting the Vision.** As leadership “dreams the dream,” the strategy for reaching your immediate mission field will be impacted by the type of buildings that the church utilizes. Therefore, proper planning and vision-casting are paramount. During this time you will:

- Organize and train the Planning and Building Team to study the need.
- Organize and train a Building Finance Team.

**Step 3. Strategic Planning and Evaluation.** Once the “vision” has been cast for the project, this next critical step should be started. Remember it is very important that you know your ministry area, both internal and external, and your ministry focus prior to planning your project. Once you know the capacity of your current facilities and your financial position, you can then develop the new facility that will match your ministry plan!



## Evaluating People and Ministries

- What is the purpose and mission of our church?
- To whom are we currently ministering?
- Who is in our ministry field/community (demographic study)?
- To whom are we equipped to minister?
- Who do we want to become? Why?
- What are our strengths and weaknesses?
- What are our opportunities?



## Evaluating Current Facilities

- Determine amount of land
- Review available survey
- Evaluate current buildings (square footage and layout/space analysis) and condition
- Evaluate current condition of property and buildings (identify needed repairs and upgrades)
- Evaluate visibility, accessibility, and acceptability
- Evaluate current buildings and furnishings with the consideration of current ministries, future ministries, and opportunities
- Consider the possibilities of multiple functions (i.e. small groups, worship, etc.)

## Evaluating the Church's Financial Condition

- Contact the Real Estate Department and/or seek other professional guidance
- Current operating budget
- Available cash/funds
- Ability to borrow funds
- Capital funding campaign
- Other assets dedicated to project

## Anticipated Construction/Facilities

- Explore the feasibility of a volunteer build versus a general contractor build
- Determine if the parking provided is adequate to meet building code and church needs
- Contact your state convention building consultant and the Church Finance Ministry
- Complete "Preliminary Construction Funding & Cost Estimates" form
- Conduct a space assessment of planned building/square footage

**Step 4. Obtain Local Preliminary Construction Resolution and report findings.** Update and inform the church on steps 1-3 of the building process. This includes informing the church of the potential costs for obtaining preliminary information regarding the construction project. These costs may include: architectural drawings, city permits, etc. The congregation needs to understand that these costs are necessary to investigate the project, but do not necessarily guarantee the project will be feasible or approved by the General Board.

- You can obtain the necessary template in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate template form link.
- Send a copy of the Local Preliminary Construction Resolution to your supervising District and headquarters for their reference.

**Step 5. Master Planning.** This phase of the construction planning process will assist your church in determining the suitability of your property for the long-term ministry needs of your congregation. The evaluation findings of the master-planning phase will aid in the master design of future facilities. Careful attention and assistance from an architect that has specific church-related master planning experience is a must.

- Consider existing ministries/needs and future ministries/opportunities
- Present a conceptual plan and preliminary drawings to the church for approval
- Project preliminary costs using building cost averages and any local influence on costs

**Step 6. Design, Specifications, and Coordination.** During step six you will work with a number of outside professionals and vendors, such as lenders, architects, and contractors. At this time you will need to decide on the project delivery method. The project delivery method is the selected approach of the church to design and build the needed facilities. Be sure to enlist the aid of qualified church members to assist you in efficiently handling these important aspects of your building program.

**Common Construction Delivery Methods.** The following three methods of construction are common building methods used by churches:

**1. Design-Bid-Build** – This method is also referred to as a “traditional” construction method. It involves three roles in the project delivery process: church/owner, architect, and builder – in separate contracts. This method typically involves competitively bid, lump sum construction contracts based on comprehensive architect and engineer drawings.

#### **Most common form of project delivery for churches**

- Three phases (design-bid-build), three primary players (owner, architect, and builder)
- Independent contracts between architect/owner and contractor/owner
- Progressive (step-by-step) sequence of work
- Common method used to solicit bids

#### **Process**

- Owner hires architect to prepare construction documents
- Detailed construction documents are used for construction bidding
- Contractor is selected and project cost commitments are made
- Owner hires contractor to build the project

#### **Advantages**

- Widespread use
- Familiarity among owners
- Clear roles assigned to each party
- Design complete prior to construction
- Easy-to-follow process





### **Disadvantages**

- Relatively lengthy process
- Restricts optimal communication between architect, contractor and owner
- Change orders and delay claims are more likely

**2. Design-Build** – This construction method allows the church/owner to contract with one firm representing both the architectural design and the construction services. This method may also be known as turn-key.

### **Process**

- Two-step process: design and construction
- Design is completed by architect
- Construction is completed by contractor
- Early cost commitment is made

### **Advantages**

- Single point of responsibility
- Minimizes owner's risks
- Reduces change orders
- Minimal construction delays
- Value engineering

### **Disadvantages**

- Complex delivery method
- Lack of direct communication between owner/architect and owner/contractor
- Potential for compromises in quality to meet budget/schedule

**3. Owner/Build** – Uses an independent architect for the design, bids out job to subcontractors, and hires a project manager.

- **Construction Manager/Project Manager** – Church works with the independent architect and project or construction manager to oversee the delivery of the project. This delivery method is most often used for large, complex projects where owner/church does not have the time or in-house expertise to oversee the project.

### **Process**

- Construction manager is hired by owner/church
- Architect is hired for construction documents
- The construction manager oversees design (cost, schedule and constructability)
- Construction documents are let to bid
- Contractor is selected
- Construction manager is on board through construction

### **Advantages**

- Direct contractual relationships with owner/church

- Careful monitoring of cost and schedule
- Continuous oversight

### Disadvantages

- Additional cost to owner/church for construction manager
- Construction manager is not licensed in most states
- Relatively lengthy process
- More complex relationships
- Confusion of traditional roles
- No direct communication between owner/architect, owner/contractor
- Increased risk and liability to the church such as construction errors, cost overruns, etc.
- Once the delivery method has been chosen, you are now ready to proceed to the next step of pre-construction planning.

**Step 7. Pre-Construction Coordination and Planning.** Note: Depending upon delivery method chosen the job titles may vary; however, the functionality still remains. The success of a construction project is often determined during step 7. A key aspect of pre-construction coordination will be to select and enlist the project manager who will be vital to the execution of the project. Once selected, the project manager will direct the construction planning process on behalf of the church's building committee. The project manager will also liaison with other professionals on behalf of the church.

- Consult local/state building authorities to determine permit requirements and process
- Submit architectural plans out for bid to prospective general contractors
- Make final general contractor selection from previously identified pool of general contractors.
- Submit plans for final building permits in coordination with the architect and contractor.
- Update construction budget with selected builder.
- Coordinate development of draw schedule.
- Obtain quotes for needed/required insurance (possibly increasing liability, worker's comp, and a builder's risk policy). Contact your church property insurer for more information.
  - o Standard church insurance policies don't cover new construction. Before the project begins, you or the contractor must purchase builder's risk coverage to insure the new building or addition during the construction phase.
  - o Clarify in writing who's responsible for insuring the building while it's being constructed.
  - o After the project is completed or occupancy begins, cancel the builder's risk coverage and add the finished building to your policy.
  - o Either you or the contractor must provide workers' compensation coverage to protect the paid laborers who are performing construction work.
  - o If you hire a subcontractor who doesn't carry workers' compensation insurance, your state's laws may hold you responsible for work-related injuries to the contractor's employees.
  - o Never use uninsured subcontractors. If you do, you could be billed a substantial amount of additional premium for the workers' compensation exposure.

### *When using volunteer or donated labor:*

- o Determine whether your insurance program provides workers' compensation insurance. Many plans do not. Some provide only limited medical or wage loss benefits for volunteers providing donated labor.
  - o Volunteers need to know that after primary medical coverage is exhausted, they will be responsible for their own medical expenses if they're injured.
  - o Explore this expense of providing workers' compensation insurance before deciding to undertake the work yourself. Often, after this premium is factored in, a church finds it is not cost-effective to complete the construction itself.
- Obtain certificate of insurance from contractor and examine possible need to bond contractor to the project.
    - o Before your contractor begins work, ask his or her company to provide you with a certificate of insurance. This document verifies that an organization has appropriate coverage. The certificate should indicate that the contractor has workers' compensation, general liability, and automobile insurance in force.
      - Ensure the contractor has a Waiver of Subrogation in favor of the same entities on the Worker's Compensation.
    - o The contractor should carry liability limits of at least \$1 million. For large buildings, or when renovations are being done to existing buildings, consider requiring higher limits.
    - o Ask the contractor to name "Apostolic Assembly of the Faith in Christ Jesus" as an additional insured entity on the liability certificate of insurance.
    - o If the contractor is providing builder's risk coverage, ask them to indicate it on the property certificate of insurance.
    - o Obtain the builder's risk policy documents for your records.
    - o Check the construction contract for references to indemnification—making compensation for injury, loss or damage covered by insurance.
    - o Make sure the contractor will indemnify, defend, and hold you harmless. If there is no such reference in the contract, ask to have it included.
  - **Seek construction bonds.** In addition to protecting people and property during construction projects, ministries should also consider what they will do if their contractor is unable to finish their project on time—or at all. The best way to prevent this is to choose a reputable contractor, but even those that are financially stable can run into problems. A construction bond is a financial instrument that reimburses a ministry (the purchaser) for extra costs incurred when construction projects are delayed or left unfinished. These costs include the extra expense of:
    - o Not having the new facility available when planned
    - o Hiring an additional contractor to finish the job
    - o Contact your insurance company or the Real Estate Department to see if you should seek construction bonds as it depends on the scale of your construction project.

- Update church. Continued communication with the general membership will help the church stay well-informed and add unity to the process.

**Important note:** At this point, you are not to sign any contracts until the project has been formally approved through a corporate resolution (Step 9).

**Step 8. Obtain a loan pre-approval.** With the first seven steps completed and/or well under way, it is now time to get a loan pre-approval. Remember it is important to secure a loan pre-approval for both the construction loan and the permanent loan at this time. In many cases, the same lender may be used for both loans. The Real Estate Department can assist you with finding a lender that provides the Apostolic Assembly with competitive loan terms based on a long-standing relationship with the Church. While every lender has different requirements, most are the same. In order to obtain a loan pre-approval, be prepared to provide the following:

- P&L statements (income & expense)
- Balance sheets for three previous years and the current year
- Current budget
- Bank statements
- Resume of pastor
- Information on current property and proposed construction
- Line item construction budget
- Approved construction working drawings
- Construction specifications
- Insurance policies covering existing and planned-for church buildings

Now that you have a loan pre-approval, you are ready to submit a corporate resolution.

**Step 9. Submit corporate resolution.** You can now proceed with proposing a corporate resolution for new construction. According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Loan Pre-approval \*if applicable
- Income and Expense Statements- for past 3 years and current year-to-date
- Balance Sheet- for past 3 years and current year-to-date
- Bank Statements- 6 months of most current bank statements,  
ALL PAGES OF MONTHLY STATEMENTS, of ALL accounts held by the church  
(checking, savings, CDs, etc.)
- Local church Property and Liability Insurance Declaration Page

- Mortgage Statement- most current mortgage statements of all properties owned \*if applicable
- Copy of all lease/rental agreements from rental income \*if applicable
- Church and Pastor's History (both can total 1 page)
- City Authorization- Letter from city granting permission to construct
- Copy of proposed Architect contract
- Complete and final set of building plans and specifications approved by all appropriate parties
- Copy of proposed Contractor's contract
- Cost of construction proposal- based on architectural plans and detailed proposal from licensed contractor with line-item cost analysis of the project (materials, labor, permits, etc.)
- Copy of Contractor's license
- Copy of Contractor's Property, Liability, and Worker's Comp Declaration Page
- Copy of proposed construction bond contract \*if applicable

- All resolution forms must be in English in order to be legally valid.
- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your new construction, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board, who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 10. Obtain a loan approval.** Once you have received a corporate resolution you can now proceed with initiating the formal loan process. Do not sign any contracts or begin construction until your loan is approved, unless it is a requirement of the lender to do so. Only a member of the General Board is authorized to sign any real estate contract.

- All loans must consist of principal and interest payments. No interest-only or negative amortization loans are permitted.

**Step 11. Construction. Congratulations!** You have completed the first ten steps, and you are ready to begin the construction of the new facility. A successful construction project is one that has been well thought through and planned. Once a corporate resolution is acquired, contracts and documents needed for your new construction project are ready to be executed. Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, realtor(s), bank, escrow, and any other third party, to ensure everything is completed as agreed upon and according to our Constitution.

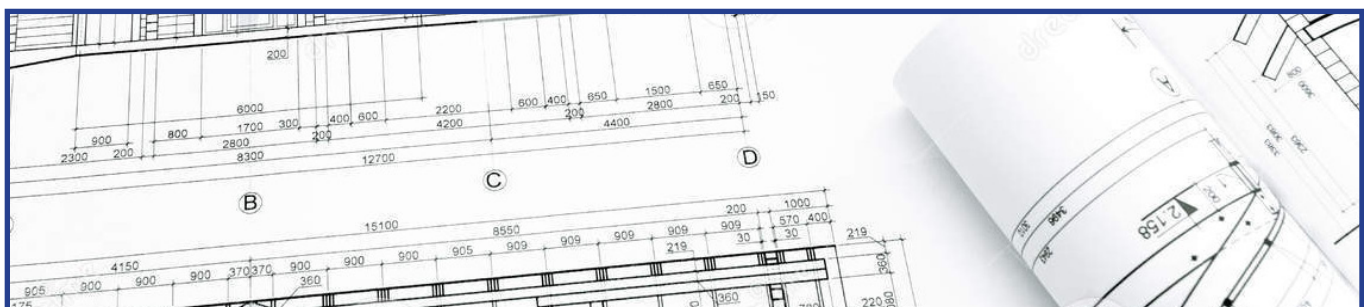
- All net proceeds of your loan will be sent directly to headquarters and placed in a special account set aside for your church. These funds will be administered according to the agreement of the local congregation and pastor, supervising Bishop, and the General Board.

**TIP: DO NOT SIGN ANY CONTRACTS OR BEGIN CONSTRUCTION UNTIL YOUR LOAN IS APPROVED.**



**Please review each of the following points carefully before breaking ground on the site and/or bringing in equipment and/or supplies.**

- Coordinate with contractor and/or architect and obtain all permits.
- Plan and conduct a groundbreaking ceremony. Publicize the event in local news media.
- Do not begin construction until loan is approved and closed and you have received approval to begin construction. Most lenders require their loan to be in a first lien position. Purchasing materials and beginning construction prior to the loan closing may constitute a prior lien position and, in some states, could delay or stop the construction project for 90 days or more until the lien rights expire. Such delays may have an impact on the cost and completion of the project.
- Coordinate inspections and maintain communication with the architect. Inspections are to insure that the construction is in accordance with the plans and specifications and that the structure meets the building codes. Inspections may be done by the architect or by a qualified third party. These inspections are in addition to the required city/county inspections.
- With architect and/or lender's approval, make monthly payments to contractor(s) according to submitted draw schedule. Lien waivers should be obtained from contractor, subcontractors and suppliers and submitted with draw request. Lien waivers should be notarized.
  - o Copies of all Lien Waivers need to be sent to the Real Estate Department.
- Regularly communicate with the lender.
- Closely monitor all work and costs; ensure budget stays in balance.
- Provide monthly updates to the church. If change orders are needed that exceed pre-authorized spending limits, obtain approvals.
- Make arrangements for furnishings and equipment. Arrange for delivery on dates as needed.
- Develop detailed punch list as construction nears completion.
- Evaluate any outstanding contracts or open items and bring to closure.
- Upon project completion, make final inspection with architect.
- Obtain the certificate of occupancy from the local building authority.
  - o A copy of the certificate of occupancy needs to be sent to the Real Estate Department.
- Receive operational information and warranties on building, systems, and fixed equipment.
- Approve and make final payment to contractor(s) and subcontractor(s). Release retainage with lender's approval.
- Finalize and discontinue any unneeded construction related insurance and obtain permanent building coverage.
- Obtain "As Built" drawings from architect for future reference.
- Obtain "As Built" survey reflecting location of all buildings, improvements, utilities, and easements
- As you prepare to occupy your new building and the vision of the expanded ministries is near, make sure that proper planning and training of all staff and volunteers is available as you introduce the new ministries and facilities to the community





# PURCHASE

When considering purchasing a new building, it is important for a church to assess the viability of such an acquisition. Too much debt will cause a church to stop growing as fast as not having enough space! The Apostolic Assembly has created certain, moderate risk assessment guidelines that prevent a local church from taking on too much debt, while still providing enough flexibility to reach realistic goals.

**Step 1. The first step for a new purchase is to see if you are financially capable.** At this point, your local church might have located a potential property, but it is important to find out how much you can afford before moving forward. The minimum requirements are as follows:

- **Financial Requirements.** All annual long-term debt (principal and interest) payments cannot exceed 30% of the AVERAGE of the annual gross income over 3 years. Gross income consists of consistent revenue of tithing and offering only.
  - For example, if the average annual gross income is \$100,000, the annual mortgage payments cannot exceed \$30,000, which equates to \$2,500 monthly.
- **Loan-to-Value Requirements.** The loan-to-value ratio cannot exceed 65%. In other words, the local church must give 35% of the purchase price as a down payment.
  - For example, if the purchase price is \$100,000 the loan cannot exceed \$65,000, and the local church would need to give \$35,000 as a down payment, plus applicable closing costs. As a rule of thumb, figure your closing costs to be equal to 3% of the total purchase price.
- **Required Reports.** The Apostolic Assembly requires that a formal appraisal and Phase I Environmental study be conducted on all new purchases. While most banks already have this requirement to obtain a loan, in the event the Seller is financing the purchase, both of these reports are still required. Usually the appraisal and Phase I environmental study require payment in advance. Depending on the size of the property, this could range from \$3,000-\$6,000 for both. The appraisal and environmental study will not be initiated until after the corporate resolution is issued and a purchase contract is signed.
- **Conditional Use Permit (CUP).** If you are looking into purchasing a building that is not a church, it will be necessary to obtain a CUP from the City. A CUP is a zoning exception which allows the property owner use of his land/building in a way not otherwise permitted within the particular zoning district. Though the exact process differs with the specific ordinance requirements, typically the owner presents his argument orally and by petition before the local zoning board, planning commission, or zoning administrator. The proponent explains the intended non-conforming use for his property, why he should be allowed the exception to the local zoning, and that being granted the conditional use permit will not negatively impact the surrounding properties.
  - If a CUP is granted, the building will need to be altered to meet the current building codes that the City requires for the public assembly of a church. As you can imagine, obtaining a CUP is often a costly endeavor because it may require major upgrades and alterations such as installing fire sprinklers, adding bathrooms, accommodating for the disabled, etc. Do your homework by meeting with the City to see what their requirements are. Once you have their requirements, you can decide whether it necessitates an architect, and/or outside contractor, or if you can complete the work in-house. Either way, you need to estimate the cost of obtaining the CUP because the final permit will be a contingency of the purchase.

- **Realtors.** Another great benefit of belonging to the Apostolic Assembly is the fact that you do not need a realtor to represent you if you already know which property you intend to purchase. The Real Estate Department is fully capable of closing the purchase by working with the Seller and/or the Seller's agent. This puts you in a better negotiating position because the Seller most likely will not have to pay as much realtor commissions, which could result in a lower purchase price. The only reason you would need a realtor to represent you would be if you cannot locate a building on your own and you need their services to find one. Even then, you will need to wait until the corporate resolution is approved before a realtor agreement is signed.

**Step 2. Obtain a loan pre-approval.** The Apostolic Assembly has established good relations with several lenders that can provide competitive loan terms. Whether you are looking to utilize a local bank, or you need help finding a bank, contact the Real Estate Department because they will act as a liaison between your local church and the bank since certain corporate documentation will need to be provided for a loan pre-approval to be obtained. They can also help negotiate the best loan terms available to the Apostolic Assembly.

- Obtaining a loan pre-approval does not require anything to be signed and does not constitute any commitment to borrow. The purpose of this step is to see what the bank is willing to offer so you can present the proposed terms to your congregation before any loan commitment is made.
- All loans must consist of principal and interest payments. No interest-only or negative amortization loans are permitted.

**Step 3. After a loan pre-approval has been obtained, you can now proceed with proposing a corporate resolution to purchase.** According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Loan Pre-approval letter from bank
- Income and Expense Statements- for the past 3 years, and current year-to-date
- Balance Sheet- for past 3 years, and current year-to-date
- Bank Statements- 6 months of most current bank statements, ALL PAGES OF MONTHLY STATEMENTS, of ALL accounts held by the church (checking, savings, CDs, etc.)
- Property and Liability Insurance Declaration Page
- Mortgage Statement- most current mortgage statements of all properties owned \*if applicable
- Copy of all lease/rental agreements from rental income \*if applicable
- Church and Pastor's History (both can total 1 page)
- New Property Pictures (inside/outside of all buildings and of land)
- City Authorization- official city permit or other document indicating how the property is zoned and if it is suitable for church use (i.e. Conditional Use Permit, Occupancy Permit, etc.).

- o All resolution forms must be in English in order to be legally valid.
- o Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your purchase, to the Real Estate Department.
- o Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board, who will issue the final decision.
- o This process requires many steps, so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 4. Once a corporate resolution is acquired, the purchase contract, loan application, and all other documents needed for this purchase are ready to be executed.** Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, realtor(s), bank, escrow, and any other third party, to ensure everything is completed as agreed upon and according to our Constitution.

- After the transaction has closed, the Real Estate Department will send your church all of the pertinent closing documents such as the Deed, Final Closing Statement, etc. There will also be copies maintained at the Apostolic Assembly headquarters should you need them for future reference.

### **Important Considerations regarding a Purchase**

- Even though you initially qualified for your loan, your loan contract requires that you maintain those qualifications. Banks will review your loan annually to ensure you are still in compliance with financial ratios, insurance coverage, and that your property is maintaining its value.
  - o It is important that you post accurate financial data to the Assembly's database in a timely manner because this is the data that is used when requested from your bank to conduct the annual loan review.
  - o Make sure to pay your insurance premium timely so there is no lapse in coverage. Also, ensure that your insurance company is providing the proper proof of insurance to the bank. If there is a lapse in coverage, minimum, the bank can apply a forced placed insurance which may cost 3x times the normal rate, or at worst, the bank can declare breach of contract and call your entire loan due immediately. Send a copy of your insurance to headquarters for proper record keeping.
- If your church owns a property that has equity, you may opt to utilize this asset to help purchase a new building. This is known as a contingency purchase, which means that the purchase of a new building is contingent upon the sale of your existing property. Churches that may not have liquid cash for a down payment, but meet the other financial requirements for a new purchase, can maximize their cash by capitalizing on this opportunity. You will need to submit two separate corporate resolution requests: one to sell and the other to purchase.

### **NOTES:**

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# REFINANCE

Most church loans will require refinancing as a result of a balloon payment becoming due, an interest rate becoming variable, or simply to obtain more favorable loan terms due to the changing economy. It is important to know the terms of your current loan so you can anticipate when a refinance is necessary. If you do not have a copy of your loan documents, contact the Real Estate Department who will provide you with this information. If you are considering refinancing for the purpose of taking cash out, please start at Step 1 below. If you are simply refinancing the same loan balance then start with Step 2.

## **Step 1. The first step for refinancing a loan to pull cash out is to see if you are financially capable.**

The Apostolic Assembly has created certain, moderate risk assessment guidelines that prevent a local church from taking on too much debt, while still providing enough flexibility to reach realistic goals. The minimum requirements are as follows:

- **Financial Requirements.** All annual long-term debt (principal and interest) payments cannot exceed 30% of the AVERAGE of the annual gross income over 3 years. Gross income consists of consistent revenue of tithing and offering only.
  - For example, if the average annual gross income is \$100,000, the annual mortgage payments cannot exceed \$30,000, which equates to \$2,500 monthly.
- **Loan-to-Value Requirements.** The loan-to-value ratio cannot exceed 65%. In other words, your local church cannot borrow more than 65% of the appraised value of its property.
  - For example, if the appraised value of your property is \$100,000 the loan cannot exceed \$65,000. You must factor in the existing loan balance of your property plus any applicable closing costs. The closing costs for a refinance vary, but as a rule of thumb, calculate them to be 3% of the total loan amount.

**Step 2. Obtain a loan pre-approval.** The easiest and best way to refinance a mortgage is to utilize your existing lender. Since you have already established a relationship with this lender, they are the likeliest candidate to refinance your loan. Furthermore, they may even waive certain closing costs since you are a repeat customer. However, banks often change their lending guidelines and loan programs, which may necessitate you going with another lender. The Apostolic Assembly has established good relations with several lenders that are at your disposal. Whether you are looking to refinance with your existing lender, or you are thinking about going with another lender, contact the Real Estate Department because they will act as a liaison between your local church and the bank since certain corporate financial documentation will need to be provided for a loan pre-approval to be obtained. They can also help negotiate the best loan terms available to the Apostolic Assembly.

- Obtaining a loan pre-approval does not require anything to be signed and does not constitute any commitment to borrow. The purpose of this step is to see what the bank is willing to offer so you can present the proposed terms to your congregation before any loan commitment is made.
- Most banks will require an appraisal and Phase I environmental study to refinance.



Usually the appraisal and Phase I environmental study require payment in advance. Depending on the size of the property, this could range from \$3,000-\$6,000 for both. The appraisal and environmental study will not be initiated until after the corporate resolution is issued and a loan commitment is signed.

- All loans must consist of principal and interest payments. No interest-only or negative amortization loans are permitted.

**Step 3. After a loan pre-approval has been obtained, you can now proceed with proposing a corporate resolution to refinance.** It is important to note that a resolution is required anytime there is a change to your loan terms. Even if you are simply extending your existing loan, it is still considered a modification to your original loan terms. According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Loan Pre-approval
- Income and Expense Statements- for past 3 years, and current year-to-date
- Balance Sheet- for past 3 years, and current year-to-date
- Bank Statements- 6 months of most current bank statements, ALL PAGES OF MONTHLY STATEMENTS, of ALL accounts held by the church (checking, savings, CDs, etc.)
- Property and Liability Insurance Declaration Page
- Mortgage Statement- most current mortgage statements of all properties owned
- Copy of all lease/rental agreements from rental income \*if applicable
- Church and Pastor's History (both can total 1 page)
- If cash out, line item list of how proceeds will be utilized. \*if applicable. It is important to state this clearly on your local resolutions because funds will only be administered based on the agreement of your congregation.

- All resolution forms must be in English in order to be legally valid.
- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your refinance, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board, who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.



# SALE

There are many reasons why a church may need to sell a property. Whatever the reason, a sale can provide new opportunities for growth and renewed vision.

**Step 1. The first step for a sale is to determine if you need a realtor.** Another great benefit of belonging to the Apostolic Assembly is the fact that you do not need a realtor to represent you if you already have a buyer since the Real Estate Department can facilitate the closing of the transaction. The standard commission for a realtor is 6% of the sales price. This translates to thousands of dollars saved for your local church. However, if the buyer has a realtor representing them you will still need to pay commissions, but a lower percentage can be negotiated since there is only one realtor involved. The only reason you would need a realtor to represent you would be if you do not have a buyer and you need the property to be properly marketed to sell.

- If you need a realtor, and do not know of any in your area, the Real Estate Department has contacts throughout the United States that have worked closely with the Apostolic Assembly and are skilled in selling church/commercial properties.
- Keep in mind, if you are thinking of using a realtor you know, make sure they are experienced in selling church/commercial real estate. Most churches have members or acquaintances in the real estate market that are experienced only in the residential market. The church/commercial market is very different from residential and requires someone with a good amount of knowledge and experience to ensure your church gets the maximum exposure to the right kind of buyer.
- Whether you have a realtor or mind, or you need assistance finding one, contact the Real Estate Department so they can interview the potential realtor prospect, introduce them to our policies and procedures, and possibly even negotiate a reduced commission. When a corporate resolution to sell has been approved by the General Board, then a listing agreement can be signed.

**Step 2. Determine sales price.** If you already have a buyer, work with the Real Estate Department to determine a fair sales price. They have access to real estate data consisting of recent comparable sales that will aid in setting a price. If you need to market the property with a realtor, you will work with your realtor to determine a price range comprised of the initial sales price along with the lowest amount you are willing to sell the property for. Your resolution will need to state both amounts. This is so the congregation is aware of the lowest sales price if the price needs to be negotiated lower than the initial sales price.

**Step 3. Once you have determined a sales price, you can now proceed with proposing a corporate resolution to sell.** According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Property and Liability Insurance Declaration Page
- Mortgage Statement- most current mortgage statements of all properties owned \*if applicable
- Copy of all lease/rental agreements from rental income \*if applicable
- Church and Pastor's History (both can total 1 page)
- Line item list of how proceeds will be utilized. It is important to state this clearly on your local resolutions because funds will only be administered based on the agreement of your congregation.

- All resolution forms must be in English in order to be legally valid.
- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your sale, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 4. Once a corporate resolution is acquired, all sale documents are ready to be executed.** Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, realtor(s), bank, escrow, and any other third party, to ensure everything is completed as agreed upon and according to our Constitution.

- After the transaction has closed, the Real Estate Department will send your church all of the pertinent closing documents. There will also be copies maintained at the Apostolic Assembly headquarters should you need them for future reference.
- All net proceeds of your sale will be sent directly to headquarters and placed in a special account set aside for your church. These funds will be administered according to the agreement of the local congregation and pastor, supervising Bishop, and the General Board.

**Important Considerations regarding a Sale**

- If you plan to sell your current property, and this is the only location for your church, make sure you have adequately planned your next move. If your end goal is to purchase or lease a new building, the corresponding corporate resolution request will need to be submitted and approved before the sale is completed.

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# LEASES

This section contains all the information and steps needed for any type of lease transaction within the Apostolic Assembly. A lease is simply a contract renting buildings or land to another entity for a specific period of time. Since the Apostolic Assembly operates as one entity, even lease agreements must follow Constitutional and policy protocols to avoid costly repercussions on the local church and the Assembly. Lease contracts are more complex than purchase and loan agreements and must be highly scrutinized. Here are the three main types of leases as identified within the Apostolic Assembly:

**LEASE-** This is when the Apostolic Assembly is a tenant renting a building from another party.

**SUBLEASE-** This is when the Apostolic Assembly is a tenant renting a building from another party, and is renting that same building to a third party.

**LANDLORD LEASE-** This is when the Apostolic Assembly owns a property and is renting to another party. Once you determine what type of lease you require, scroll to the appropriate section to receive the necessary information.

## LEASE

**Step 1. The first step to leasing a building is to see if you are financial capable.** The Apostolic Assembly has created certain, moderate risk assessment guidelines that prevent a local church from taking on too much debt, while still providing enough flexibility to reach realistic goals. The minimum requirements are as follows:

- All annual lease payments cannot exceed more than 50% of the average annual gross income over the past two years. Gross income consists of consistent revenue of tithing and offering only.
  - For example, if the total annual lease payments equal \$30,000, which equates to \$2,500 monthly, your annual gross income must not be less than \$60,000, or \$5,000 monthly.
- If you are considered a New Work of 2 years or less, the supervising District or the local sponsoring church will have to sign as Guarantor, meaning, in the event that the lease goes into default, the Guarantor will be responsible for payments.

**Step 2. Locate a potential property.** Now that you know how much you can afford monthly, look for a potential building. Speak with the owner to discuss potential lease terms. If you need help negotiating potential lease terms contact the Real Estate Department who can aid you in getting the best terms possible. At this point, the owner may ask you for financial information in order to assess your financial capacity. Provide them what they need so you can get a solid proposal. Obtaining a lease proposal does not require anything to be signed and does not constitute any commitment. The purpose of getting a proposal is to see what the owner is willing to offer so you can present the proposed terms to your congregation before any commitment is made and a contract is signed.

- There are many types of buildings that can serve as a place of worship, but it is important to ensure that there is an existing Occupancy Permit, or Conditional Use Permit, if the building is not a traditional church structure. If you are looking into leasing a building that is not a church, and does not have a permit from the City, you will need to obtain a Conditional Use Permit (CUP). A

CUP is a zoning exception which allows the property owner (or in this case, tenant) use of a land/building in a way not otherwise permitted within the particular zoning district. Though the exact process differs with the specific ordinance requirements, typically the tenant presents his argument orally and by petition before the local zoning board, planning commission, or zoning administrator. The proponent explains the intended non-conforming use for the property, why he should be allowed the exception to the local zoning, and that being granted the conditional use permit will not negatively impact the surrounding properties. The burden of obtaining a CUP is not the owner's, but the tenant's.

- o If a CUP is granted, the building will need to be altered to meet the current building codes that the City requires for the public assembly of a church. As you can imagine, obtaining a CUP is often a costly endeavor because it may require major upgrades and alterations such as installing fire sprinklers, adding bathrooms, accommodating for the disabled, etc. Do your homework by meeting with the City to see what their requirements are. Once you have their requirements, you can decide whether it necessitates an architect, and/or outside contractor, or if you can complete the work in-house. Either way, you need to estimate the cost of obtaining the CUP because the final permit will be a contingency of signing the final lease contract.

**Step 3. After a potential building has been located and you have proposed lease terms, you can now proceed with proposing a corporate resolution to lease.** According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Income and Expense Statements- for past 2 years, and current year-to-date
- Balance Sheet- for past 2 years, and current year-to-date
- Bank Statements- 6 months of most current bank statements, ALL PAGES OF MONTHLY STATEMENTS, of ALL accounts held by the church (checking, savings, CDs, etc.)
- Property and Liability Insurance Declaration Page
- Copy of all sublease agreements from rental income \*if applicable
- Church and Pastor's History (both can total 1 page)
- Property Pictures (inside/outside of all buildings being leased)
- City Authorization- official city permit or other document indicating how the property is zoned and if it is suitable for church use (i.e. Conditional Use Permit, Occupancy Permit, etc.)
- Guarantor Form- If New Work (2 years or less), supervising District or local sponsoring church must sign an internal agreement to guarantee the lease
- Sponsoring Church Resolution Letter- if a sponsoring church is acting as Guarantor, then a Resolution Letter, on the sponsoring church's letterhead with the signatures of both the local pastor and church secretary, must be submitted, indicating the approval of the majority of

members. This means that a general church meeting must be held with a majority membership present to provide the necessary approval.

- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your lease, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board, who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 4. Once a corporate resolution is acquired, the lease contract is ready to be executed.** Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, owner, and any other third party, to ensure everything is completed as agreed and according to our Constitution.

- An attorney will be required to create and/or review the lease contract before it is signed due to its complex, legalese nature. The attorney fee will need to be paid by the local church.
- After the transaction has closed, the Real Estate Department will send your church all of the pertinent closing documents. There will also be copies maintained at the Apostolic Assembly headquarters should you need them for future reference.

### **Important Considerations regarding a Lease**

- If there is a purchase option connected with this lease, then it is understood that a separate purchase resolution will have to be obtained before exercising the purchase option and is subject to the risk assessment guidelines for new purchases.

## **SUBLEASE**

**Step 1. The first step to subleasing a building is to see if the lease contract permits this arrangement.**

Most lease contracts stipulate that you must obtain the owner's permission before subleasing. Failure to get permission will constitute a breach of contract. It also puts your local church and the Assembly at great risk for unnecessary liability. Review your lease contract and follow the steps necessary to obtain permission from the owner. Contact the Real Estate Department if you need assistance with understanding your lease contract regarding subleasing.

**Step 2. Locate a potential tenant.** Once the owner has granted permission, begin interviewing potential tenants. There is a Tenant Credit Application that will need to be turned in with your resolution packet, so make sure the tenant is willing to provide all of this information. You can negotiate terms or utilize the Real Estate Department to aid in negotiations. Make sure that any proposed terms do not violate any of your lease terms.

- If the tenant is a corporation (incorporated church), then submit the documents that pertain to a corporation (Financials, Articles of Incorporation, etc.), indicated on the Credit Application. If they are an individual, have then submit documentation that pertains to individuals (tax returns, personal bank info, etc.).

- You will be the first stage of approval for the tenant, and once you turn in the resolution packet, the Real Estate Department will ensure that the tenant is a credible entity/individual that will be able to fulfill the terms of the proposed sublease.

**Step 3. After a potential tenant has been located and you have proposed terms, you can now proceed with proposing a corporate resolution to sublease.** According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor’s login of the Assembly’s website by clicking “secure downloads”, and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Tenant Credit Application with supporting documentation

- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your sublease, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer’s Department will review and offer their recommendation to the General Board who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 4. Once a corporate resolution is acquired, the sublease contract is ready to be executed.** Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, owner, and any other third party, to ensure everything is completed as agreed upon and according to our Constitution.

- An attorney will be required to create and/or review the lease contract before it is signed due to its complex, legalese nature. The attorney fee will need to be paid by the local church.
- After the transaction has closed, the Real Estate Department will send your church all of the pertinent closing documents. There will also be copies maintained at the Apostolic Assembly headquarters should you need them for future reference.



## **LANDLORD LEASE**

**Step 1. Begin interviewing potential tenants.** There is a Tenant Credit Application that will need to be turned in with your resolution packet, so make sure the tenant is willing to provide all of this information. You can negotiate terms or utilize the Real Estate Department to aid in negotiations. Make sure that any proposed terms do not violate any of your lease terms.

- If the tenant is a corporation (incorporated church), then submit the documents that pertain to a corporation (Financials, Articles of Incorporation, etc.), indicated on the Credit Application. If they are an individual, have them submit documentation that pertains to individuals (tax returns, personal bank info, etc.).
- You will be the first stage of approval for the tenant, and once you turn in the resolution packet, the Real Estate Department will ensure that the tenant is a credible entity/individual that will be able to fulfill the terms of the proposed Landlord lease.

**Step 2. After a potential tenant has been located and you have proposed terms, you can proceed with proposing a corporate resolution to Landlord lease.** According to our Constitution, the following three levels of the Church must approve any real estate transaction: the local church government and congregation, the supervising District, and the General Board of Directors. That being said, the following is a complete checklist of what you will need to submit to your supervising District, who then submits the final package to the Real Estate Department for the final consideration of the General Board. You can obtain the necessary forms and templates in the pastor's login of the Assembly's website by clicking "secure downloads", and then clicking the appropriate corporate resolution forms link.

- Transaction Information Sheet
- Local Government Resolution
- Local Member Resolution
- Tenant Credit Application with supporting documentation

- Once all of the items above are obtained, you will need to submit this information to your supervising District. Upon their review, the District will submit your packet, along with their recommendation for your Landlord lease, to the Real Estate Department.
- Once the Real Estate Department receives your resolution packet, both they and the General Treasurer's Department will review and offer their recommendation to the General Board who will issue the final decision.
- This process requires many steps so it is important to allow at least 45 days from the point your District receives your packet before expecting a final decision to be issued.

**Step 3. Once a corporate resolution is acquired, the Landlord lease contract is ready to be executed.** Only a member of the General Board of Directors is eligible to sign any real estate contract, so the Real Estate Department will facilitate any signings you need from this point forward. They will also act as a liaison between the local church, tenant, and any other third party, to ensure everything is completed as agreed upon and according to our Constitution.

- An attorney will be required to create and/or review the lease contract before it is signed due to its complex, legalese nature. The attorney fee will need to be paid by the local church.
- After the transaction has closed, the Real Estate Department will send your church all of the pertinent closing documents. There will also be copies maintained at the Apostolic Assembly headquarters should you need them for future reference.



# INSURANCE

A church has some unique characteristics that set it apart from a typical business. For instance, a church may be liable under canon law as well as common and statutory law. A church often relies on volunteers more than paid employees. Yet, a church also resembles a for-profit business in a number of ways. It owns property that may be lost, damaged or stolen. It owns vehicles that may be involved in auto accidents. Like a business, a church needs insurance to protect its assets so it can continue to serve its mission. Below is an explanation of the different types of insurances, the different limits you should have, and other pertinent information.

- All insurance policies possessed by a local church must be submitted to headquarters for review and record. Since the Apostolic Assembly operates as one entity, it is important that every church is verified to have the proper insurance coverage. The Insurance Department staff is ready and willing to assist you in navigating through the complex world of insurance coverages.

## Property Insurance

Property insurance offers protection for physical possessions— buildings, property, and belongings. If a church owns a building (or land) or has a mortgage on a building (or land), there must be property insurance in place. It is important to provide your mortgage holder proof of property insurance annually as this is part of your loan contract. In the process of obtaining property insurance, it is important to calculate the building's replacement cost. This figure differs from the original price and market value. It reflects how much it will cost to repair or rebuild the structure in an event of damage or loss. An insurance agent or a local building contractor can provide an estimate of a building's replacement cost. Ideally, a professional appraisal may provide a more accurate building replacement cost, as it takes into account current market factors in the area.

- Personal Property Insurance is included in a property insurance policy; this covers items inside a building. To determine the amount of coverage for personal property, it is a good idea to create an inventory of all possessions in a building. If an inventory is not available, a general rule for an estimate is to calculate the value as a percentage of each building's replacement cost. For example, if a building is worth \$1 million, the contents may be estimated to be worth 20 percent of the building's replacement cost, or \$200,000.
- Another coverage you should consider is building ordinance coverage. It covers the extra costs incurred to repair or reconstruct a building to meet current building codes. Without this coverage, a church may incur large out-of-pocket costs to improve old buildings so that they meet modern standards.
- Be sure that all church-owned property is covered under the property policy. This may include halls, meeting rooms, parsonages and education centers. It may also include living quarters inhabited by a pastor or other members of the clergy. Religious artifacts, paintings and other artwork should be inventoried and listed on a separate schedule.
- Many churches use computers to purchase supplies, maintain accounts, and communicate with parishioners. Your property policy may not provide adequate coverage for your computers and data. If it doesn't, consider buying electronic data processing coverage.

## General Liability Insurance

Liability Insurance is required for all churches to have, regardless of building ownership. This insurance protects people and finances. Basic liability coverage provides protection for claims of bodily injury or property damage liability. Enhanced liability coverages include personal injury liability, specialized emotional injury liability, and teacher/governing board liability. Other liability protection options include sexual acts liability, counseling acts liability, directors and officers liability, and computer-related liability. If a church leases a building or occupies a building without charge, there must be liability insurance in place. Liability limits determine the maximum amount that the insurer will pay on behalf of the church (and covered individuals) if a liability claim is made. If a church coordinates special events such as retreats/camps, carnivals, food give-aways, etc., it is important to have Event Insurance in place.

- The minimum requirement for General Liability for every church is as follows:
  - o 100 or less members, \$1,000,000.00
  - o 101-400 members, \$3,000,000.00
  - o Over 400 members, at least \$5,000,000.00
  - o The above are only general guidelines and a church may be required to have more liability coverage if they possess risk factors outside the normal operation of a church. For example, if they operate or rent to a school or daycare it may require more coverage than their membership range limits.

## Auto Insurance

If a church provides vehicles for ministry/staff or owns a vehicle used for trips, there must be auto insurance in place. Vehicles represent one of the most serious liability exposures for a church. For many organizations, the most serious bodily injury or property damage losses are the result of automobile accidents. Therefore, it is recommended to obtain higher coverage limits of Auto Insurance. It is also important that drivers be properly licensed for the vehicles they will operate. Most states require a commercial driver's license (CDL) for driving buses and large vans. Generally, a commercial license is needed if the vehicle weighs more than 26,000 pounds or is designed to transport more than 16 people (including the driver). Check with your local Department of Motor Vehicles for the CDL requirements in your state.

## Workers Compensation Insurance

Workers' compensation insurance provides coverage for employees in relation to work-related injuries or diseases that are specified by state law. Pastors and church staff who receive monetary compensation for their services are considered employees and must be covered by the church's Worker's compensation insurance. It is important to actively update the insurance company with any changes in salaries, as the Worker's Compensation policy is based on salary amounts.

- The Apostolic Assembly possesses a master policy in which all churches are covered with Worker's Compensation insurance. Your annual premium is determined by the amount of employee(s) you possess and their salary amount(s). You will need to update this information on an annual basis with your District, who will then let you know the amount of your premium, which is payable directly to the District.



# FICTITIOUS BUSINESS NAME (DBA)

## Registering Your Business Name

Since the legal name of our corporation is “Apostolic Assembly of the Faith in Christ Jesus”, and because we operate as one entity, you may want to brand your church under a different name. If you choose to name your church other than “Apostolic Assembly of the Faith in Christ Jesus”, you’ll need to register with the appropriate authorities. This process is known as registering your “Doing Business As” (DBA) name.

- Please note that registering your church for a fictitious business name is not required unless you plan on using the DBA for business transactions such as banking.

## What is a “Doing Business As” Name?

A fictitious business name (assumed name or DBA name) is a business name that is different from your personal name, the names of your partners or the officially registered name of your corporation; in this case, “Apostolic Assembly of the Faith in Christ Jesus.”

- It’s important to note that when you form a business, the legal name of the business defaults to the name of the person or entity that owns the business, unless you choose to rename it and register it as a DBA name. For example, a DBA could be presented as New Life Church, Mount Zion, Apostolic Faith Center, etc.
- The DBA name is considered an assumed name and you will need to register it with the appropriate local government agency.
- The legal name of your business is required on all government forms and applications, including your application for employer tax IDs, licenses and permits.
- In registering your local church DBA, you should select “other” when available.
  - o (It is not a Sole Proprietorship, LLC, or Corporation)
- Please note: Not all states require the registering of fictitious business names or DBAs.

## How to Register your “Doing Business As” Name

Registering your DBA is done either with your county clerk’s office or with your state government, depending on where your church is located. There are a few states that do not require the registering of fictitious business names.

**Step 1. Come up with a business name to register as your DBA.** In some states, business names cannot closely resemble existing business names or mislead the public.

**Step 2. Check your chosen name against your Secretary of State’s online database of registered business names to see whether it is available.** If your first choice is not available, go back to the drawing board and choose a new name altogether, and perform the search again.

**Step 3. Contact your local county clerk’s office and request a Fictitious Name Statement form.** Your county may provide a form online that you can print at home, or you may have to visit the county clerk’s office in person.

**Step 4. File your Fictitious Name Statement.** Although the specific formats vary between counties, the required information is virtually the same. Be ready to list your desired DBA name and business address, as well as your personal contact information and legal name, “Apostolic Assembly of the Faith in Christ Jesus.” After filling out the information, sign the bottom of the form.

**Step 5. Submit the DBA filing fee along with your Fictitious Name Statement.** Check with your county clerk’s office to determine the fee charged in your county, since fees differ among counties.

**Step 6. Publish notice of your DBA registration in a newspaper of general circulation in your county of residence once per week for four consecutive weeks.** Check with your county clerk’s office to determine if there is a specific list of approved publications in which to meet this requirement. Check with the publication when placing your notice to ensure that it will file an affidavit with the county clerk upon completion.

**Step 7. Send a copy of your official DBA form to the General Secretary’s office at headquarters so they can properly identify your church under your new DBA.**

### **Documents Needed to Open a DBA Checking Account.**

- Before your visit to the bank, please be sure to follow the procedures listed below. They will facilitate the opening of your new checking account that will ultimately allow you to conduct business under your DBA:
  - o First, you will need to follow the previously mentioned six steps and register your DBA.
  - o Second, you will need to contact the General Office Headquarters in order to obtain the following documents:
    - Articles of Incorporation
    - 501c3
    - Letter of Authorization
  - o You will need to provide the names that will be linked to the account along with their titles. For example, John Smith – Pastor, Jane Doe – Treasurer



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