

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION POLICY ON REAL ESTATE

INTRODUCTION

The Presbyterian Church (U.S.A.) is one ecclesiastical body, with the General Assembly, synods, presbyteries, and sessions as governing bodies thereof. The General Assembly (“GA”) formed the Presbyterian Church (U.S.A.), A Corporation (“A Corporation”) as its principal church corporation. The A Corporation and its constituent corporations fulfill various civil law functions on behalf of the GA, through the Presbyterian Mission Agency (“PMA”), the Office of the General Assembly (“OGA”), and the Administrative Services Group (“ASG”).

The GA, the PMA, the OGA, the synods, the presbyteries, and the sessions often work together in partnership on behalf of the mission of the church. The “Organization for Mission” places emphasis on the councils working together to provide resources and services to the congregations.

This Real Estate Policy (hereinafter the “Policy”) affirms that, with regard to Real Property, the basic responsibility is one of stewardship. An attitude of stewardship is prompted by thankfulness to God for physical resources that help to make mission possible and yield a commitment to manage these resources in ways that permit their most effective, appropriate use for mission in keeping with our discernment of God’s will, our theology, approved mission strategies, and the expressed intent of the donor.

The purpose of this Policy is to provide for the most effective use of property to support the active mission programs of the church worldwide, in compliance with the policies of the GA, the A Corporation, the PMA, the PMA Board of Directors, OGA, and the Committee on the Office of the General Assembly (“COGA”).

With regard to international property, the A Corporation has consistently applied the accounting principle of treating all mission funds expended overseas as “expenses” whether the funds have been used for operating expenses or to acquire long term assets, such as equipment, vehicles, and real properties. The rationale for this Policy is that the expenditures are to support mission work for the benefit of the partners with explicit intention to transfer the assets to the partners. It may not be possible in some instances to make such transfers, due to economic, political or legal constraints. During this transition period, these properties are not listed on the books of the A Corporation and, therefore, are not subject to internal control and other financial control systems such as the annual independent audit.

Until international Real Property is legally transferred to the partners (i.e., Partner National Church or relevant Institution [See Glossary Appendix A], the World Mission staff, in consultation with the Office of Legal Services and the PMA Board of Directors, must develop and implement a sound management system to fulfill the stewardship responsibilities. The stewardship responsibilities include supporting effective use of the assets for mission in partnership with Partner National Churches and Institutions while physically and legally safeguarding the assets. Design and implementation of specific systems must reflect the socioeconomic and political environment of the local communities, as well as the mission objectives and managerial capacities of the partners. International property matters requiring approval by the A Corporation Board of Directors (“A Corporation Board”) are referred to the Board via action of the Audit, Legal and Risk Management Committee, after consultation with the PMA Board.

With regard to domestic property, the ASG staff, in consultation with the Office of Legal Services and appropriate PMA staff (for property on which PMA mission is conducted “PMA MP”) or OGA staff (for property on which OGA mission is conducted “OGA MP”), must develop and implement a sound management system to fulfill the stewardship responsibilities. Domestic property matters requiring approval by the A Corporation Board are referred to the Board via action of the Audit, Legal and Risk Management Committee after consultation with the PMA Board (for PMA MP) or COGA (for OGA MP).

ARTICLE I. REAL ESTATE HELD IN TRUST

All real estate held by the A Corporation, however titled, is a resource of the one church and is to be used to facilitate and enhance the church's mission, which mission work is determined and carried out by the PMA.

ARTICLE II. EXCLUSIONS

This Policy applies only to property held by the A Corporation or one of its constituent corporations and acquired, held, and disposed of in accordance with the Constitution of the church and the Mission Policy [See Glossary Appendix A] in place at the time of transaction. Requirements governing Real Property held by particular churches, synods, or presbyteries, which properties are not owned by or titled to the A Corporation, are stated in the *Book of Order*. This Policy does not apply to investment property held at the GA level by corporate entities other than the A Corporation and its constituent corporations.

ARTICLE III. HOLDING TITLE

The A Corporation is a corporate entity of the GA and, as the principal church corporation, will hold title to Real Property in a manner consistent with Mission Policy. In countries where the A Corporation or a constituent corporation cannot legally hold title to Real Property, title will be vested in a Nonprofit Legal Holding Body or Juridical Person [See Glossary Appendix A].

ARTICLE IV. PROPERTY ACQUISITION/DISPOSITION

To support the church's mission program through the use of property, the A Corporation Board, after consultation with other councils or Partner National Churches and relevant Institutions, when appropriate, may take the following actions:

- A. Acquire, lease, or otherwise secure the use of Real Property for the mission programs of PMA and the work of OGA; or
- B. Accept the return of property previously transferred to another entity with a Reversionary Clause [See Glossary Appendix A]; or
- C. Exchange property:
 1. For property of at least equal current Market Value (see Glossary Appendix A); or
 2. For property of less than equal current Market Value when the exchange serves the mission program of the church and is approved by the A Corporation Board on the basis of established priorities.
- D. Sell a missionary residence overseas and repurchase one of comparable Market Value within the same country when recommended by World Mission staff; or
- E. Sell or lease property which the PMA Board has determined will not be used for PMA mission program work or property which COGA has determined will not be used for the work of OGA (see Section VII(B)) and for which exchange or transfer is neither required nor feasible, upon recommendation from the appropriate PMA mission area and the PMA Board or from the appropriate OGA area and COGA and approval by the A Corporation Board:
 1. at no less than current Market Value; or
 2. at less than current Market Value when such sale or lease enhances the mission of the church and is upon recommendation of the PMA Board or COGA and approved by the A Corporation Board on the basis of established priorities.
- F. Hold property not in active mission use, pending appropriate disposition.

- G. Sell property in emergency or exigent circumstances, such as when the A Corporation receives evidence of environmental issues with the property that compromise its safe use or following a natural disaster that renders the property unsafe for its use as mission property.

ARTICLE V. TRANSFER CONDITIONS

Transfer of A Corporation properties will be carried out in conformance with the conditions outlined below:

A. Domestic Property.

1. Upon receipt of a request from the appropriate council and with the concurrence of the receiving entity, property currently in active mission program use and intended for continued use immediately directed by a session, presbytery, or synod, may be transferred by an A Corporation officer upon approval of the A Corporation Board to a council corporate entity without monetary consideration.
2. Unless otherwise determined by the A Corporation Board, domestic, non-institutional properties will be transferred to synods, presbyteries, and sessions without lien.
3. Upon recommendation of the PMA Board (for PMA MP) or COGA (for OGA MP) and when approved by the A Corporation Board and in consultation with other councils, when appropriate, institutional property titled in the name of the A Corporation and currently in mission program use may be transferred to a corporate entity of the council using the property.

B. International Property.

When consistent with PMA Mission Policy, PMA World Mission staff may initiate consultations with Partner National Churches and other international mission Institutions and make recommendations, by vote of the PMA Board, for approval by the A Corporation Board and implementation by World Mission staff, in consultation with the Office of Legal Services, of transfer of title to specific property. Reports from the consultations with Partner National Churches and relevant Institutions will be included with World Mission staff's recommendations. When approved by the A Corporation Board, the partner or other receiving entity will receive title and assume responsibility for its continued use for a mission program under the following conditions.

1. Ecclesiastical properties in current mission program use may be transferred, normally to the Nonprofit Legal Holding Body of the highest governing body of the Partner National Church of the country where the property is located, when consistent with Mission Policy and following consultation with the appropriate Partner National Church or entity and the PMA Board and approval by the A Corporation Board.
2. Institutional properties currently in mission program use
 - a. Small hospitals and clinics may be transferred, normally to the Nonprofit Legal Holding Body of the highest governing body of the Partner National Church or to a Nonprofit Legal Holding Body created for educational or medical work. The receiving body must have a definite ongoing relationship with the Partner National Church.
 - b. Schools, colleges, universities, or medical institutions run by boards of directors may be transferred to a Nonprofit Legal Holding Body created by their board(s) when World Mission staff, after consultation with the Partner National Church and the board of the Institution concerned, asks the PMA Board to recommend the transfer be approved by the A Corporation Board. The receiving body must have a definite ongoing relationship with the Partner National Church. World Mission staff, in consultation with the Office of Legal Services, will be responsible for determining that the proposed holding bodies are legal and otherwise sufficient to receive, use, and manage the property being transferred.

3. Residential

Unless originally intended for the use of an existing or developing church, as a pastoral residence or for emerging church activities, residential property in active mission use may remain vested in the A Corporation for the conduct of the mission program

4. Other

International properties other than those listed above may be sold or transferred on the recommendation of PMA World Mission staff, in consultation with the Office of Legal Services, the PMA Board, and the Partner National Church, when appropriate, and when approved by the A Corporation Board.

C. Receiving Bodies

The following conditions will apply to the receiving body unless otherwise agreed to:

1. The receiving body will agree to accept the property in "as is" condition;
2. The receiving body will be responsible for transfer taxes, legal fees, and all other costs of the transfer; and
3. The receiving body will be responsible for ongoing insurance coverage, taxes, maintenance costs, and other expenses.

D. A Corporation Obligation

Unless otherwise agreed, all obligations of the A Corporation or its predecessors which presently exist are terminated and shall be transferred with the title as appropriate.

E. Due Diligence of the A Corporation

Sale, transfer, or other disposition of property owned by the A Corporation will be completed with due consideration for the policies and position statements of the General Assembly and the policies of the PMA (for PMA MP), and COGA (for OGA MP), and the A Corporation.

ARTICLE VI. ENVIRONMENTAL STEWARDSHIP

The A Corporation, as titleholder, will maintain an institutional integrity consistent with the social goals of good stewardship of the environment in the care, use, and sale of land. All property actions will be completed in a manner consistent with good stewardship of the environment. ASG staff, OGA staff (for OGA MP), and PMA World Mission staff (for PMA MP), as appropriate, will ensure that:

- A. Property acquired by any method will be accepted only when all appropriate inspections, reports, disclosures, and any required cleanup, or other actions deemed necessary by the A Corporation Board or its assignee(s) are completed;
- B. Properties held by the A Corporation PC(USA) will be used in ways which conform with good environmental stewardship; and
- C. Sale, transfer, or other disposition of property will be completed with due consideration of the impact on the environment.

ARTICLE VII. USE, CLASSIFICATION, AND VALUE

The use, classification, and value of property will be established according to the following provisions:

A. Use

The mission program use will be recommended by the appropriate mission staff or entity using the property, in consultation with other councils when appropriate, and approved by the PMA Board (for PMA MP) or COGA (for OGA MP). At least every five (5) years, the appropriate A Corporation Board committee, through ASG staff responsible for property matters and in consultation with the appropriate entity(ies), including the PMA Board or COGA, will review the use of each property. Findings from this review will be reported to the A Corporation Board, COGA (for OGA MP), and the PMA Board (for PMA MP).

B. Classification

Properties will be assigned to the classifications described below, as determined by PMA Board (for PMA MP) or COGA (for OGA MP), upon the recommendation of staff responsible for mission on those properties, and in consultation with other entities as appropriate:

1. Property in active mission program use;
2. Property not required for mission program use;
3. Property for which the use is under determination; or
4. Property not needed for mission program use and subject to disposal.
 - a. A verification of property classification will be conducted by the PMA Board within five (5) years (or other reasonable period) of the previous classification. Results of the verification process will be shared with the A Corporation Board's Audit, Legal, and Risk Management Committee.
 - b. Similarly, COGA will assign classifications to property it principally uses for mission or work. For property on which mission or other work is being conducted by OGA, COGA will make a recommendation, after consultation with staff and other appropriate entities, as to whether mission or other mission or work will be continued to be conducted on that property. If mission or work is discontinued, the property is subject to disposal.

C. Value

ASG staff, PMA World Mission staff (for PMA MP), or OGA staff (for OGA MP) shall obtain an independent valuation of properties, when appropriate, in order to determine the appropriate value of properties, as necessary, for insurance, sale, or other purposes, including the assessed value, replacement value, and/or Market Value, such valuations to be updated every five (5) years or sooner, as needed.

ARTICLE VIII. DAY-TO-DAY MANAGEMENT

PMA World Mission (for PMA MP), OGA staff (for OGA MP) and ASG staff, in consultation with the Office of Legal Services, are responsible for entering into appropriate agreements and taking reasonable and necessary steps regarding day-to-day management of the A Corporation properties. The day-to-day management of properties held by the A Corporation will be conducted as follows:

A. Domestic Property

1. As title holder, the A Corporation has corporate responsibility to ensure that all matters pertaining to property, including taxes, insurance, maintenance, and improvements, are administered according to this Policy and guided by the mission of the church

2. An entity using the A Corporation owned property is responsible for day-to-day management in a manner consistent with good stewardship and for operating expenses, maintenance, and repairs, unless otherwise agreed to in writing by and approved by the A Corporation Board. The Audit, Legal and Risk Management Committee, through ASG staff responsible for property matters, will periodically monitor these activities, in consultation with the responsible mission staff.

B. International Property

1. As title holder, the A Corporation has responsibility to ensure that international property is managed pursuant to good stewardship; guided by the mission of the PMA; and reflects the socioeconomic and political environment of the local communities.
2. When a property is not used directly by the A Corporation, as title holder (either in its own name or through a Juridical Person or Nonprofit Legal Holding Body), the A Corporation requires that the responsible administrative body, national church, or institutional user of international property be responsible for all expenses, including property taxes, insurance, maintenance, repair, and improvement, unless otherwise agreed to in writing by and approved by the A Corporation Board.
3. The administrative body, national church, or Institution receiving a property upon its transfer from the A Corporation shall assume all responsibility for taxes, insurance, maintenance, repair, and improvement unless otherwise agreed to in writing by and approved by the A Corporation Board.

ARTICLE IX. DISPOSITION OF PROCEEDS

Proceeds from property sales will be administered according to the following

A. Unrestricted Funds

1. Domestic

Sale proceeds will, unless otherwise approved by the A Corporation Board,

- a. upon recommendation of the PMA Board (for PMA MP), be considered unrestricted, expendable resources of the Presbyterian Mission Program Fund and reserved for use as approved by PMA Board and the A Corporation Board; or
- b. upon recommendation of COGA (for OGA MP), be considered unrestricted, expendable resources of COGA and reserved for use as approved by COGA and the A Corporation Board.

2. International

Sale proceeds will, unless otherwise approved, be used in the country in which the property was held, either in consultation with the Partner National Church or shall be transferred to such Partner National Church or relevant institutional partner in ministry. Consideration will be given, in consultation with the Partner National Church and its related ministries (i.e., Institutions) to keeping the disposition of proceeds from sales in proportion with the programmatic use for which the property was purchased and used. Final approval will be recommended by World Mission staff to the PMA Board and the A Corporation Board.

B. Restricted Funds

All residual limitations, including donor restrictions, legal requirements, or traditional understandings attached to a property or the use of sales proceeds will be honored by all parties involved in the distribution of sales proceeds.

C. Other Provisions

In those instances where domestic property historically has been dedicated to schools and colleges equipping communities of color, Native Americans, social justice or women's issues, the disposition of proceeds from sales of such property will be carried out subject to consultation with the appropriate bodies and approval by the A Corporation Board.

This Policy incorporates and the A Corporation will follow the GA's mandate that "(w)hatever consideration is given by the judicatory or agency to the disposition of church property that is related to Native American ministry, the appropriate Native American consulting body will be given adequate prior notification requesting its comments or recommendations or both. Such consultation will occur even when the church-owned building or land may not presently be used for Native American work." (Minutes of the 191st General Assembly of the United Presbyterian Church in the United States of America (1979) p. 404).

It is the intention of the A Corporation Board and the PMA Board to make transfers of these properties, if accepted, to appropriate Native American congregations, tribes or other approved bodies which plan to use the property for Native American work.

ARTICLE X. POLICY REVIEW

- A. The A Corporation Board through its Audit, Legal and Risk Management Committee, and in consultation with the PMA Board, COGA, and other appropriate entities of the church, will review the adequacy of this Real Estate Policy every five (5) years (or other reasonable length of time between reviews or as needed).
- B. Revisions, adjustments, or amendments ("Changes") to this Policy may be proposed, by the PMA Board or COGA or by ASG staff responsible for property matters, to the Audit, Legal and Risk Management Committee which will review the proposed Changes and, if appropriate, take an action with proposed Changes to the A Corporation Board for final approval.
- C. Events or situations not covered by this Policy will be reviewed by the PMA Board or COGA (as appropriate) and the A Corporation Board as appropriate, with necessary actions handled accordingly. If required, one-time actions will be taken.

*Changes Approved by the Board of Directors
of the Presbyterian Church (U.S.A.), A Corporation, October 25, 2019*

Appendix A: Glossary

The following definitions apply in this Real Estate Policy:

Institutions	Entities in other countries to which the A Corporation is related through a Partner National Church (see below), traditional historic ties, program grants or involvement, assignment of personnel, or other joint activities. Such entities relate with and the A Corporation's work with such entities relates with Partner National Church(es) in their particular country. The Partner National Church(es) may have boards engaged in oversight of such entities. Such entities generally perform their work of ministry via public health ministries, hospitals, clinics, development agencies, evangelism ministries, and educational institutions.
Juridical Person:	A legal entity created solely for the purpose of holding title to Real Property and structured according to laws and customs of the country involved. Normally, the Juridical Person has complete authority under the laws of the land to buy, sell, or transfer Real Property, subject to conditions under which the entity was established.
Market Value:	The most probable price a property will bring under any conditions requisite to a fair sale in an open, competitive market assuming the price is not affected by any undue influence. The following assumptions are implicit in this definition: The sale will be consummated on or before a specified date; title will pass from seller to buyer under conditions where the buyer and seller are motivated, well-informed or well-advised, and acting in his or her own best interest; a reasonable time will be allowed for exposure in the open market; payment will be made in cash in U.S. dollars, the currency of the country in which the property is located, or comparable financial arrangements; and the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
Mission Policy:	This term is used to refer to the policies and guidelines for the mission programs of the church as spelled out in the most recent version of the "Organization for Mission of the Presbyterian Church (USA)" and provided by the PMA or OGA.
Nonprofit Legal Holding Body:	A nonprofit organization created solely for the purpose of holding title to property and structured according to laws and customs of the country involved. Normally, the board of the organization has complete authority under the laws of the land to buy, sell, or transfer Real Property subject to conditions under which the organization was established.
Partner National Church:	Church(es) in other countries to which the church is related through traditional historic ties, program grants or involvement, assignment of personnel, or other joint activities. In many cases, formal mutual agreements have been signed between the church and a Partner National Church. Often a Partner National Church will have boards engaged in oversight of education, development, evangelism, or health ministries to which the PMA, via staff, may relate directly.
Real Property:	This term refers to land and buildings, owned or leased, or tracts to which the A Corporation has acquired oil, gas, mineral, air or other surface or underground rights.
Reversionary Clause:	A clause included in a transfer agreement providing that, if the terms of the agreement are not fulfilled, title to the subject property will be returned to the A Corporation. This clause may be for a limited or unlimited period of time.
World Mission:	The Presbyterian Mission Agency staff unit most responsible for international mission partnership.