

**PRESBYTERY OF SAN FERNANDO  
POLICY FOR HOUSING AGREEMENTS  
BETWEEN PASTORS AND CHURCHES**

**BACKGROUND:**

The Presbytery of San Fernando has developed this policy to assure that congregations provide adequate and appropriate housing for Pastors within the Presbytery. This policy has the following objectives:

1. That all parties to a Pastoral housing agreement have taken appropriate care to assure the legality of the agreement.
2. That such agreements are fair to both the Pastor and the congregation.
3. That such agreements anticipate the different circumstances under which housing assistance arrangements may be fulfilled or terminated, so as to assure that all parties understand the potential consequences of such agreements.

**GENERAL:**

All Pastors (Interim Pastors, Stated Supply, Designated Pastors, Pastors and Associate Pastors) serving congregations within the boundaries of the Presbytery of San Fernando shall be subject to these guidelines.

**REVIEW AND APPROVAL OF PASTORAL HOUSING ARRANGEMENTS:**

All arrangements for assisting the Pastor in financing housing are considered a part of the terms of call, and shall be submitted to the Committee on Ministry in advance of congregational approval of the terms of call. Such arrangements shall be included with other proposed terms of the call when such are presented to the congregation.

**FILING OF PASTORAL HOUSING ASSISTANCE ARRANGEMENTS:**

Copies of all such arrangements shall be provided to the committee on Ministry and filed at the office of the Presbytery. Such files shall be considered and treated as confidential. Access to these files is granted only to the parties to particular agreements (and only to the pertinent agreement), the Executive or Associate Executive Presbyter, and the Committee on Ministry, except with the approval of all parties to the particular agreement.

**GENERAL CRITERIA:**

Proposals for assisting a Pastor in securing housing will be reviewed by the Committee on Ministry on the basis of the following criteria:

1. The quality of the housing for the Pastor and family should be consistent with the quality of housing occupied by the average resident of similar family circumstance within the parish, and whenever possible should not be of lesser quality than the previous residence of the Pastor. (Those representing the congregation are responsible to secure and maintain data reflecting typical local housing costs, and are expected to provide this information to the Committee on Ministry when requesting approval of the proposed arrangement).
2. Overall value of the housing should be consistent with that of the average resident of similar family circumstance within the parish.
3. The monthly cost of housing and related expenses (maintenance, repair, improvements, utilities, and the like) should be within the financial reach of the Pastor.
4. All debts incurred by the Pastor should be serviced such that interest (if any) is paid and principal reduced monthly. (Parties to arrangements that include loans at no or low interest are advised that tax liabilities may apply, and are encouraged to seek the advice of someone competent in tax matters). In the event that the congregation defers the collection of interest until the termination or fulfillment of the agreement, the Committee on Ministry should undertake to assure that the Pastor clearly understand how payment of interest will be made.
5. Funds provided or lent to the Pastor by the congregation or any member thereof shall be secured by the property occupied, and such security recorded.
6. Ordinarily, lenders of funds to the pastor at rates below the existing market rates shall be compensated with a prorata share of any equity gained through increases in the market value of the home. The agreement should provide that in the event major improvements are made to the home by the Pastor, the costs of such improvements are to be included in the calculation of such prorata investments, providing that a reasonable increase in market value results from the improvement, and such can be estimated by competent real estate professionals.
7. The pastor should contribute not less than 20% of the purchase price, unless the representatives of the congregation specifically indicate that a lesser amount is acceptable.
8. The Pastor shall agree to maintain the property in good condition. With regard to shared equity arrangements, the agreement shall provide that in the event that the property falls into

disrepair, the costs of restoring the property shall be deducted from the Pastor's equity share in the event of sale.

9. The agreement should require that the Pastor should agree to make all tax payments in a timely way. The agreement should include provisions such that if property taxes fall delinquent for a period of 90 days, the church may, at its option, terminate the agreement, or pay the taxes. If the church pays the tax, it should expect to recover this amount from the Pastor or by means of recalculating its proportionate share of the equity (if any) in the property by an amount commensurate with its further investment.
10. Upon sale of the property, exercise of options, or other disposition of the property, cash proceeds would be distributed in accordance with the following priority:
  - a. Payment of all expenses in connection with the sale, including real estate commissions, title and escrow fees, inspection reports, and transfer taxes,
  - b. Payment of debts on the property, in the priority provided by law,
  - c. Distribution to the Pastor an amount equal to the Pastors prorata share of equity,
  - d. Distribute to the church an amount equal to the church's prorata share of equity.
11. Neither party should convey by gift, sale or otherwise that party's interest in the property without the prior written notice to the other (30 days advance notice is considered a minimum amount of time for such notice). Neither party should pledge, encumber, or in any manner subject such party's interest in the property to any lien, mortgage, or deed of trust without the prior written notice of the other (30 days).
12. All agreements between the Pastor and the congregation shall conclude with a place for all parties to the agreement to sign the document. This provision shall include language that asserts that all parties have read, understood and agreed.

### **FUNDING:**

To the extent possible, Pastors should be compensated such that they can afford housing within the parish, without special arrangements. In considering the costs of securing such housing, principal payments, interest payments, taxes, maintenance, insurance costs and utility costs should be included. While desirable, this guideline may place burdens on those persons moving from less to more expensive housing areas, on those with limited home equity, and/or those being employed in congregations of modest means. Accordingly, if a Manse is not provided, the Pastor may need assistance in securing financing which meets the needs of the Pastor and the criteria of these guidelines. Such funding should come from the following sources, which are listed by order of preference:

1. Loans from congregational reserves.

2. Loans from congregational funds raised specifically to address this need.
3. Loans from congregational funds created by loans to the congregation from commercial sources. Such an arrangement is only possible with congregations with sufficient cash flow to service the new church debt.
4. Loans funded jointly by the congregation and the Presbytery of San Fernando. In this event, the Presbytery of San Fernando is to retain all rights and title herein described as those of the congregation or church.

### **EQUITY SHARING:**

In equity sharing arrangements, provision should be made such that those making the investment in the property receive a prorata share of any increase or decrease of equity, based on the share of original investment made, and subsequent investments, including major improvements. The value of such equity should be determined by securing the appraisals of two competent real estate professionals, suitable to the congregation and the Pastor. Costs of such appraisals should be evenly divided between the church and the Pastor.

Equity sharing agreements should provide that Pastors shall have the option of purchasing the church's equity at any time (except for the applicable provisions described in this policy under the title TERMINATION OF SPECIAL SUPPORT ARRANGEMENTS). When an option is exercised, appraisals from two competent and independent real estate professionals should be made to determine the then current fair market value. The equity share of the fair market value should be recalculated on the basis of the relative investment each party has made as of the application of the option amount. Those making the appraisals should be acceptable to both the church and the Pastor. Costs of these appraisals should be evenly divided between the church and the Pastor.

### **OTHER COSTS:**

The determination of the payment of fees and points paid to secure funds, complete escrow, and buy or sell the property should be agreed upon at the time the terms of call are being negotiated. The agreements reached are to be included in the terms of call information presented to the Committee on Ministry.

### **TERMINATION OF SPECIAL SUPPORT ARRANGEMENTS:**

If funds are lent to the Pastor from other than commercial sources, they shall be repaid when the property is sold and funds distributed. Provision shall be made that such distribution shall include a prorata share of equity gained as a result of an increase of market value over purchase price, providing that an equity sharing arrangement is in place.

At the time of call, the Pastor and representatives of the congregation shall negotiate a fixed time following termination of employment of the Pastor when all funds lent by other than commercial sources must be repaid. This time period shall not exceed six (6) months from the effective date of the termination (or resignation). For purposes of this guideline, termination date is defined as that date at which the Pastor is no longer actively serving the congregation, even though the Pastor may still be receiving compensation. For example, if a Pastor's resignation becomes effective 90 days from the date the resignation is submitted, and during that time the Pastor takes the last 30 days as vacation, the six month period shall begin 30 days in advance of the effective date of the resignation. Additionally, if a Pastor is terminated, and is granted 90 days severance pay, and exercises a 30 day vacation period as well, the six month period for repayment of the housing assistance arrangement should begin 60 days from the date of termination notice.

Pastoral housing support agreements should be subject to immediate termination (subject to a maximum 90 day escrow) should the Pastor fail to occupy the property as a principal place of residence.

Upon termination of the agreement:

1. The church should have the option to purchase the Pastor's ownership interest based upon the then fair market value of the property, with the Pastor's interest to be paid in cash within 120 days.
2. If the church waives the above option, or fails to exercise this option in a timely way, the Pastor will have the option to purchase the interest of the church
  - a. If the church waives the option, within 120 days of the waiving of the option,
  - b. Or, if the church fails to exercise the option within 120 days, the Pastor shall have the option for 120 days thereafter.

#### **WHEN A MANSE IS PROVIDED:**

The Session is responsible to assure that the manse is adequate in terms of size, quality, and location (see paragraph 1 and 2, GENERAL CRITERIA). A statement reflecting the agreement of the Pastor that such is the case should be provided to the Committee on Ministry at the time other terms of call are presented.

The church should assure that regular periodic visits are made to the manse to assure that it is in good repair and properly maintained. This review shall include an evaluation of the housing needs of the Pastor and an assessment of the adequacy of the housing provided.

Records should be kept of all services and items provided with the manse, including such items as furniture, appliances, carpets and drapes, gardening, maintenance arrangements, utilities paid. These are to be specified in the terms of call.

**PREVIOUS ARRANGEMENTS:**

Arrangements made for housing support assistance prior to the date of this policy are subject to the review of the Committee on Ministry of the Presbytery of San Fernando. This review shall be completed within six (6) months from the date this policy is adopted by the Presbytery of San Fernando. Arrangements found not to be in compliance with this policy shall be noted, and modifications recommended at the discretion of the Committee on Ministry. Such recommendations are to include consideration of the financial impact such changes may have on the parties to the agreement.