Presbytery of the Northwest Coast
POLICY FOR HOUSING AGREEMENTS BETWEEN PASTORS AND CHURCHES
Approved 9/25/2015

PART I – General Housing Policy and Assistance

PURPOSE – The purpose of housing agreements, and special assistance that may be needed is to fulfill the responsibility of sessions and the presbytery *"that the Word of God may be truly preached and heard."* In situations where additional assistance is offered, since financial assistance is a finite resource, presbytery assistance is limited to the calling of Pastors or Commissioned Ruling Elders who will represent the only person filling the function of teaching elder. Assistance will not normally be available to associate pastors, church educators, or other staff members. **Various forms of assistance can and should be offered *only when the housing a congregation is able to offer would prevent the candidate whom all parties agree God is calling from accepting the call.*** Ultimately, these agreements and any assistance contained in them are not for the convenience or financial gain of the pastor or congregation, but are for fulfilling the above purpose.

BACKGROUND – This policy has been developed to assure that congregations provide adequate and appropriate housing for Pastors within the Presbytery. **The responsibility for providing housing for the pastor is that of the congregation.** The presbytery's purpose is to support congregations, and can provide assistance to congregations so that they may meet their responsibility. **The presbytery will not enter into agreements directly with pastors.** 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 shall be subject to these guidelines.

THE CALL PROCESS – Pastor Nominating Committees must be made aware of this policy when they begin the search process. **The amount offered for housing and the congregation's ability to provide housing must be determined according to this policy before the search process begins.** Any additional assistance that might be offered beyond the initial offered terms of call would be the result of the situation of a preferred candidate, who for some reason, would not be able to accept the call based on the offered terms. The PNC, COM and the Candidate will work toward validating those reasons and creating a financial arrangement that will enable the Candidate to accept the Call, if offered.

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 Commission 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.**

GENERAL CRITERIA – Proposals for assisting a Pastor in securing housing will be reviewed by the

Commission on Ministry on the basis of the following criteria:

1. **The quality and value of the housing for the Pastor and family should be consistent with the quality and value 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 Commission on Ministry when requesting approval of the proposed arrangement).

2. In urban and suburban areas, and small towns, the provision for **the pastor's housing should be based on available housing within a radius of a thirty minute commute to the church facility.**

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 advise 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 Commission on Ministry should undertake to assure that the Pastor clearly understand how payment of interest will be made.

6. 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.

7. 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.

8. **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.

9. 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.

10. 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.

11. 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.

12. 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).

13. 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 by the Presbytery to the congregation (see Part II). In this event, the Presbytery is to retain all rights and title herein described as those of the congregation or church. All presbytery loans are subject to current fiscal and loan policy, and must be approved by the Executive Board.

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 Commission 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 IF 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 Commission 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.

PART II – Presbytery Participation in Assistance Funding

OBJECTIVE – to help churches assist a newly-called pastor to purchase housing **when an equity purchase is the best option** for providing housing, and in **only those cases where the pastor would be prevented from accepting a call due to the affordability of housing in the area.** What a pastor can "afford" is a subjective decision that must be determined between a PNC, candidate, and presbytery as part of the call process. Many people make vocational decisions to accept a lower salary or living conditions to accept job that more clearly aligns with their vocational calling or family or personal values. Common American secular values dictate the people should generally "build equity" in a home as they grow older; however **if a candidate says he or she could accept a call but cannot "afford" to live on the salary and housing** provided by the congregation, though difficult, **the questioned must be raised and an answer adequately discerned as to whether the candidate is actually called to that place at that time.**

IMPLEMENTATION – This policy shall be implemented by loaning the calling church money from presbytery non-restricted invested funds for a **maximum period normally not to exceed twenty years** at an **interest rate to be determined by the Executive Board** to be set when the loan is made. In order to enable the presbytery to respond to churches equitably, this policy shall be limited to one active loan per calling church; will be available only in cases where the called pastor will be the only pastor of the church, and the loan amount may be limited according to the number of outstanding loans and anticipated number of calls in the next 5 years.

PROCEDURE

1. Church PNC selects a candidate for call and opens negotiation about relocation and compensation.
2. In cases where the preferred candidate is prevented from accepting the call within the offered compensation package, according to the opening paragraph of this policy, the church may requests a loan

from the presbytery.

3. The Executive Board, through its appropriate committee, determines amount of invested non-restricted funds that are available (see note) and sets terms.

4. Using the loan amount the PNC consummates the call and submits it to COM. The loan can only be approved when the pastor, PNC, COM and Executive Board agree to the terms.

5. The Church repays the presbytery according to the terms of the loan.

Note: Availability of Funds

Current presbytery fiscal policy allows for loans of this kind to be made from the Community Blessing Investment Fund (CBIF), subject to its restrictions:

PURPOSE OF THE COMMUNITY BLESSING INVESTMENT FUND:

a) To provide current and future income to support Community Blessing Grants to congregations.

b) To provide short-term (3 years or less) loans to congregations at prime interest or below to assist them with pastor relocation to the Puget Sound area so that relocation expense will not be a barrier to congregations seeking to call a distant candidate.

c) For capital grants for new churches to help acquire/renovate property for their ministry

SPENDING (GRANT & LOAN) POLICY

For all percentage calculations below, the resulting amount will be calculated by multiplying the specified percentage by the average of the previous 3 years' ending balances. This is to mitigate up and down market cycles.

a) Community Blessing Grants: In any given calendar year, NPS Presbytery may grant 5% of CBIF's value. Any income not distributed will be reinvested per the investment policy, or may be held over for the next grant cycle. (by amendment)

b) Capital Grants: NPS Presbytery may grant up to 10% of the funds value for a new church to acquire/renovate property in any calendar year.

c) Pastoral Housing Loans: Up to 5% of CBIF's value can be used for an individual loan and up to 15% of CBIF's value can be made available for loans at any one time.

PART III – APPLICATION
Determination of Need and Affordability

The PNC, working with the Candidate, will provide the following information to COM and the Executive Board as part of application process of acquiring a presbytery loan to the congregation that will be used for an equity sharing arrangement.

1. What is the amount requested?

2. How was this amount determined?

a. What is the current value/asking price of the candidates current home?

b. How much equity does the candidate own in his or her current home?

c. After sales costs, what is the anticipated amount available for putting down on a new home in the Call area (see General Criteria above).

d. What is the anticipated cost of the new home?

e. How does it compare in size and function to the candidate's current home?

f. What is the anticipated total amount of the down payment on the new home?

e. What are the anticipated sources of funds for the down payment:

i. Net proceeds from sale of current home =

ii. Current savings, if needed =

iii. Other sources (family, borrowing from retirement savings, etc) =

iv. Shared equity agreement =

f. Would the candidate be able to purchase or rent a home in the area of service without a shared equity agreement?

g. What is anticipated monthly mortgage payment (include what makes the difference: i.e. better interest rate, mortgage insurance, qualify for a different loan program, etc):

i. If you do not receive funds from a shared equity agreement =

ii. If you do receive funds from a shared equity agreement =

h. Would you still accept the call without the additional funds that may be provided by a shared equity agreement?

3. Copies of any information and/or applications provided to a mortgage lender MUST be submitted to the presbytery. This information will be treated as confidential, but may be used by those appointed by COM or the Executive Board to determine whether the financial need and the ability of all parties to service the loan.

4. The congregation must submit current financial statements, including the current operating budget, operating statements, and an accounting of all savings and investments. The PNC, with the session, must demonstrate why the congregation cannot provide housing that would satisfy the Candidates needs.

5. What else should the presbytery know about the circumstances as it considers loaning the congregation funds for an equity sharing agreement