



Buying Church Property

Purchasing property involves more than simply selecting a site. It includes the necessary steps of investigating the property, creating a financial plan and completing the various legal and financial requirements to finalize the transaction. Most importantly, before a congregation decides to purchase a piece of property, it first needs to determine if the property matches the church's long-term financial and ministry goals (see Disciples Church Extension Fund's Choosing a Site planning guide).

Step 1 Investigation

After identifying a potential site, church leaders should take several steps to investigate the property to determine what actions the congregation will need to take to purchase the property. In many cases, a congregation's articles of incorporation or bylaws will state who has the legal authority to make a decision for the church.

During the investigation stage, a congregation should consider the following actions:

- Working with a realtor who specializes in commercial real estate
- Researching public records about the history and legal description of the property

- Evaluating the "real" value of the property, via an estimate of value or by gathering comparison values of similar property sold recently in the area
- Walking or touring the property

Step 2 Financial Planning

While evaluating a site, church leaders should create a financial plan for how the congregation will purchase the property. The plan should address how the financial cost matches the missional and financial goals of the church. Most financial plans include an estimate for the following:

- Down payment and/or escrow requirements
- Fundraising (if needed)
- Financing/debt service (if needed)

- Fees related to evaluating and purchasing the site

If the congregation plans to finance the purchase of property with a loan, it should contact Disciples Church Extension Fund as early as possible to determine what additional steps may be required to secure that loan.

Step 3 Making an Offer

Once the leadership of a church feels certain that the purchase of the property matches its missional and financial goals, leaders should work with a real estate agent to make an "offer" to purchase the property. Typically, an offer is the first step of negotiation with the seller, and it usually includes several contingencies, allowing the potential buyer to further evaluate the property.

Several sample contingencies include:

- Ability to gain congregational approval
- Ability to gain financing
- Ability to gain zoning approval (if applicable)
- Inspection of the facility and a survey of the property
- Satisfaction of environmental concerns

Before submitting an offer, be sure to consult with legal counsel and to allow enough time for the congregation to make a decision. In many cases, 90 days is the suggested time period



needed to complete the purchase of property.

Step 4

Common Requirements

As the church prepares to complete the legal steps necessary to purchase property, leaders will need to work with their real estate agent, legal counsel, and Disciples Church Extension Fund to finalize the transaction. For most property purchases, the following third party reports and items may be required:

- ALTA survey (including metes and bounds)
- Property inspection
- Master Appraisal Institute commercial appraisal (including best use)
- Environmental phase I study
- Title insurance
- Proof of property insurance
- Copies of the congregation's articles of incorporation and by laws

Additional items, such as the church's financial history and fundraising information, may be required if a congregation is financing the purchase of the property with a loan. Finally, be sure to confirm zoning requirements and what, if any, restrictions are related to easement, flood plain, signage, entrance, utilities and right of way.

Step 5

Congregation Approval

If the congregation at large has not already granted final approval, church leaders should follow the requirements of their articles of incorporation and by laws to confirm the congregational approval of the property purchase. Depending on the congregation, this

action may be required earlier in the process, and/or may need a certain vote percentage to approve the purchase of the property.

Legal representatives of the congregation should properly sign documents as agents for the congregation, rather than as individuals. In many cases it is best to sign all legal documents as "Name of congregation by name of representative, title of representative ("ABC Christian Church by Jack Smith, Board Chair").

Summary

By taking these steps, leaders will be better able to navigate and protect the congregation through the process of purchasing property. Ideally, each of these steps should be followed after the church has already considered the factors of its ministry (see Disciples Church Extension Fund's Choosing a Site planning guide), and has been assisted by a Disciples Church Extension Fund advisor.

For more information about selecting or purchasing property, please contact Disciples Church Extension Fund at 800-274-1883, info@disciplescef.org, www.disciplescef.org