

# EPISCOPAL DIOCESE OF COLORADO

## Application for Consent to Encumber Church Property

### Application for Consent to Encumber Church Property

#### **Instructions:**

Please complete the four page Application and submit, with all applicable exhibits, to the Property Advisory Committee for review one to two weeks prior to their scheduled meeting. Please be aware that an incomplete application or failure to include all applicable exhibits may result in the delay or return of your application.

The Property Committee prefers that documents and accounting materials be provided as e-mail file attachments. Documents may be scanned or submitted as MS Word or MS Excel files or in .pdf format. Please e-mail the application and supporting documents to Scott Asper, [scott@coef.org](mailto:scott@coef.org). Please also direct any questions to Mr. Asper at 303-534-6778.

Your Standing Committee views each application for alienation or encumbrance as an opportunity to know your organization better and to review its operations for compliance with the canons. Accordingly, in addition to the specifics of your request, the Property Committee will be reviewing your Articles of Incorporation, your Financial Statements and your Parochial Report. Several of the exhibits will facilitate this review.

Your Standing Committee will also want to review the legalities involved in the transaction which is why the application asks for a copy of your deed (to verify the legal description and ownership), and copies of any related documents for loans, grants and any other encumbrances.

Most importantly, however, your Standing Committee wants to know that if your request is related to a loan that it is financially feasible and that you have the resources to meet all your obligations to your clergy, your congregational programs, your support of the diocese and debt service payments. The five-year proformas are extremely important and should be completed with thought and care. If a capital drive and a multi-year construction project are planned, provide separate proformas for the operating projections and the capital proceeds and expenditures for a more clear understanding of what is expected. If congregational growth plays heavily in your projections, provide the rationale to show that the projected growth is attainable.

This form is available in hard copy or by e-mail by contacting Scott Asper at [scott@coef.org](mailto:scott@coef.org), 303-534-6778. If you save as a Word file, you may then enter your specific information in the spaces provided and print out the completed copy.

The purpose of the Property Committee's review is to insure that any encumbrance is in accordance with the guidelines and policies promulgated by Standing Committee, thereby conserving valuable meeting time. Because of the Property Committee's advance work, it is expected that few actual appearances by congregational delegations will be necessary. A member of the Committee will be in touch with questions regarding your submission and will advise you prior to the Standing Committee Meeting of its findings. If you wish to make a presentation in person, make your wish known at the time you submit your request. A representative of the Committee will advise you of the time and place for your appearance, provided that the proposed agenda allows time for such a presentation.

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## Application Form (Page 1 of 4)

\_\_\_\_\_ (Church Name) \_\_\_\_\_ (City or Town)

This package provides for the following items to be submitted (please indicate the status of each):

	<u>Included</u>	<u>Not Included</u>	<u>Not Applicable</u>
Application Form:			
Page 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Page 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Page 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Page 4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Vestry Approval Date: \_\_\_\_\_

Exhibits:

Exhibit A, Executive Summary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit B, Copy of deed(s) on property to be encumbered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit C, Project Budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit D, Lender Proposal or Commitment Letter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit E, Copy of last Parochial Report, pages 2 & 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit F, Five Year Operating Proforma	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit G, Project Proforma (showing Project Receipts and Expenditures on an annual basis from the beginning of the project to its completion)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit H, Copy of last full year Balance Sheet & Income Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit I, Copy of current year budget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit J, Copy of current year interim income statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit K, If refinancing: Standing Committee original loan approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit L, If refinancing: Copy of existing Note/DOT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit M, Copy of Title Commitment in connection with new loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit N, Written Approval of the Arts and Architecture Committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exhibit O, Copy of most recent audit or letter explaining delay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other exhibits

_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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## Application Form (Page 2 of 4)

1. Name and full mailing and street address of church or diocesan institution submitting this request:
  
2. Contact name(s) and title(s) of person(s) who will be responsible for the project from the inception through completion with address, daytime phone number, and **preferred e-mail address**:
  
3. Description of the project for which the requested encumbrance is requested (Provide a brief description below or, preferably, provide an Executive Summary (**Exhibit A**) describing the need for the project, the scope of the project, and the anticipated cost and funding sources.)
  
4. Legal description of properties to be encumbered: (attach copy of current deeds, **Exhibit B**)
  
5. Title to Property is currently in the name of:  
 Applicant    Bishop and Diocese of Colorado    Other: \_\_\_\_\_

NOTE: IF THIS REQUEST IS FOR REFINANCING OF EXISTING DEBT IN AN AMOUNT THAT IS LESS THAN THAT ORIGINALLY APPROVED BY STANDING COMMITTEE, YOU MAY SKIP ITEMS 6 THROUGH 10 AND PROCEED DIRECTLY TO ITEM 11.

6. Estimated cost of project: \_\_\_\_\_ (attach copy of project budget or other supporting document, **Exhibit C**)
  
7. Financing Details: (Attach copy of lender proposal or Commitment Letter, **Exhibit D**)

Construction Period Financing: Maximum amount borrowed: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_ Loan Fees: \_\_\_\_\_

Permanent Financing: Projected Take-Out Date: \_\_\_\_\_ Amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_ Amortization Period: \_\_\_\_\_  
Date Due \_\_\_\_\_ Balloon Payment: \_\_\_\_\_  
Projected Monthly Principal & Interest Payment: \_\_\_\_\_  
Other Fees: \_\_\_\_\_

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8. Detail of other funding sources including funds currently held in reserve, proceeds of capital drive, and other funding sources: (Brief Summary here, include in **Exhibit G, Project Proforma**)
9. Standing Committee Guidelines provide for the maximum encumbrance (after credit of loan reductions from building fund pledges) to be not more than 2.5 times Normal Operating Income (NOI). Does this request meet that guideline?  Yes  No  
NOI (per page 3 of last Parochial Report, **Exhibit E** attached): \$ \_\_\_\_\_  
Maximum Encumbrance (normally permanent financing above): \$ \_\_\_\_\_  
Ratio (Maximum Encumbrance divided by NOI): \_\_\_\_\_
10. Standing Committee Guidelines provide for maximum debt service payments to be not more than 25% of Normal Operating Income (NOI). Does this request meet that guideline in the first full year of debt service payments? (Attach Five Year Operating Proforma, **Exhibit F**)  Yes  No  
The first full year of debt service payments is: \_\_\_\_\_  
(1) Amount of Normal Operating Income in that year: \$ \_\_\_\_\_  
(2) Amount of Debt Service Payments in that year: \$ \_\_\_\_\_  
Ratio (Debt Service Payments divided by NOI (#2/#1): \_\_\_\_\_
11. Additionally, Standing Committee expects the congregation to generate sufficient operating cash flow with which to pay the debt service requirement. More importantly, your bank will probably expect you to show an excess of cash flow, a debt service coverage ratio, of up to 1.25 or cash flow 25% greater than that required to pay debt service. What is the debt service coverage ratio per your operating pro forma in the first full year of debt service payments?  
(3) Net Operating Income (from **Exhibit F**): \$ \_\_\_\_\_  
(4) Add back Interest & Principal (on this loan) deducted therein: \$ \_\_\_\_\_  
(5) Net Operating Income before Debt Service: \$ \_\_\_\_\_  
(6) Debt Service Payments of Principal & Interest (same as (2)): \$ \_\_\_\_\_  
Your Debt Service Coverage Ratio ( #5/#6): \_\_\_\_\_
12. Standing Committee Guidelines expect your legal status and your financial projections to be current, to conform to the canons, and to show your ability to cover your scheduled debt service payments without degrading the performance of your other obligations to clergy, to the support of your congregational property and programs and the support of your diocese. Does your organization and its financial projections conform to Colorado Law and the Canons in the following respects:
- a. Is it incorporated in Colorado as a non-profit corporation?  Yes  No  
b. Is the corporation in good standing with the Secretary of State?  Yes  No  
c. Do the projections meet current clergy compensation guidelines?  Yes  No  
e. Do the projections meet current diocesan support requirements?  Yes  No

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- f. What is the congregation's current level of support to the diocese? (Attach a copy of your last full year Financial Statements, **Exhibit H**, a copy of your current year budget, **Exhibit I**, a copy of your current year interim income statement, **Exhibit J**, and refer to page 3 from your last parochial report, **Exhibit E**, above)

For last year:

Plate & Pledge (per line 3 of the last parochial report): \$ \_\_\_\_\_  
To the diocese (per line 12, less any payments to region) \$ \_\_\_\_\_  
Percentage giving to the diocese (Amount to diocese/P&P) \_\_\_\_\_%

For the current year:

Plate & Pledge for current year (per current budget **Exhibit I**): \$ \_\_\_\_\_  
Current Year Pledge to Diocese (not counting region): \_\_\_\_\_  
Percentage Budgeted to the diocese for current year: \_\_\_\_\_%  
Do you expect to meet your current year pledge?  Yes  No

- g. Has the congregation complied with the requirements for a canonical audit?  Yes  No

13. If this application is for refinancing of existing debt, please complete the information below and attach a copy of the Standing Committee/Executive Committee approval, **Exhibit K**, or provide the approximate date of the approval ( \_\_\_\_\_ ) together with a copy of the note and/or deed of trust, **Exhibit L**:

Date of original financing: \_\_\_\_\_  
Amount of original financing: \_\_\_\_\_  
Terms of original financing: Rate: \_\_\_\_\_ Amortization Period: \_\_\_\_\_  
Due Date: \_\_\_\_\_ Balloon Amount: \_\_\_\_\_  
Amount of current P&I Payment: \_\_\_\_\_

(Attach Lender Proposal or Commitment Letter, **Exhibit D**)

Amount of proposed financing: \_\_\_\_\_  
Terms of proposed financing: Rate: \_\_\_\_\_ Amortization Period: \_\_\_\_\_  
Due Date: \_\_\_\_\_ Balloon Amount: \_\_\_\_\_  
Amount of proposed P&I Payment: \_\_\_\_\_  
Other Fees and Expenses: \_\_\_\_\_

14. Has a Title Commitment been ordered?  Yes  No (If yes, attach a copy of the Title Commitment, including Requirements and Exceptions, **Exhibit M**.)

15. Are all of the appropriate written approvals attached? (Attach **Exhibits N, O**)  Yes  No  
(Exhibits N & O are not required for refinancing of previously approved encumbrances)

(Note: please attach to this application an explanation for a "no" answer to any of the above questions. If the question does not apply to you, perhaps because you are a mission instead of a parish, please so indicate by checking "Not Applicable.")

# Appendix A

## General Guidelines and Expectations of the Standing Committee

### Encumbrance Requests:

1. The parish or mission should provide evidence that it is meeting current guidelines or requirements regarding organization, clergy compensation, support of the diocese and canonical audit.
2. The maximum encumbrance for loans should not be more than 2.5 times annual pledge, plate, and other reoccurring, unrestricted income, with credit being given for building fund pledges (net of a reasonable estimate for uncollectable pledges).
3. The maximum debt service payment should not be more than 25% of annual pledge, plate, and other reoccurring, unrestricted income, the interest rate shall be fixed for a minimum of five years and the amortization period shall be not more than 20 years.
4. The parish should provide realistic future operating income and expense projections for five years that demonstrates the parish's ability to meet expected guidelines or requirements for the payment of clergy compensation, support of the diocese, and scheduled debt service payments. Projected revenue growth should be supported by existing trends or evidence of demand to demonstrate that it is a reasonable expectation.
5. If the encumbrance is to support a building project, provide a separate cash flow projection for the project (not intermingled in the operating projections) that shows by year from commencement of the project until completion the proceeds from borrowing, the proceeds from building fund pledges, and project expenditures. Expenditures should include all "soft" costs in addition to the construction contract. This projection should highlight the high point of the borrowing and the maximum encumbrance upon completion for which debt service is provided in the operating projections. A supporting schedule should detail the status of the pledges from the building/capital drive including total pledges, collection schedule, amount collected to date and a reserve for uncollectable pledges.
6. The Encumbrance Application shall have been completed in good form and submitted timely in accordance with the Committee's Standard Operating Procedures.
7. Every application shall be accompanied by a copy of the deed for the property to be encumbered.
8. Every application for loans shall be accompanied by a Loan Commitment or a Preliminary Letter of Intent from one or more lenders outlining terms of the loan to include the interest rate, the amortization period, the balloon date and amount, if any, and the debt service which is to be provided for in the operating projections.
9. If the property is owned by a parish but still titled in the name of the diocese, the application should also request transfer of title so that the parish may complete the transaction without further involvement of the diocese, once approved.



# **Appendix B**

## **Streamlined Procedures for Refinancings**

At a Special Meeting of the Standing Committee on December 13, 2001 the following resolution was approved:

“Resolved, a parish which has received the consent to encumber real property (in the form of debt) from the Standing Committee or the previous Standing Committee and/or Executive Council, may re-encumber the real property as part of a refinancing of the indebtedness, so long as the principal balance (plus points, loan fees, and closing costs) is not increased, the interest rate does not exceed the rate originally approved, and the term or amortization rate for which the encumbrance was originally approved is not extended” without approval by the Standing Committee.

The Parish or Mission will need to contact the Property Committee for review of prior approval to ensure refinancing is within the guidelines noted above.

**Property Advisory Committee Contact Info:**

Please scan and e-mail documents to: [scott@coef.org](mailto:scott@coef.org)

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