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Temporal Goods Policy Archdiocese of Baltimore

Use of Proceeds from Sale or Lease of School Buildings

Complementary Policy to Canons 1291-1297

Effective Date: June 3, 2010

Purpose

The purpose of this policy is to provide proper canonical oversight to any act of extraordinary administration involving a school building owned by a parish or the Archdiocese, within the Archdiocese of Baltimore, so that the intent of donors to schools can be properly protected.

Applicability

This policy applies to the sale or lease of any school building owned by a parish, group of parishes or the Archdiocese of Baltimore. This policy applies to any school building that has been used as a school since January 1, 1990. Under canon law, the sale or leasing of a school is considered an act of extraordinary administration and as such, require the additional approval of the Archbishop. Transactions that involve the suppression or mergers of parishes may follow other processes.

Definitions

Archdiocesan School - Any school that is owned and/or operated by the Archdiocese of Baltimore.

Independent School – A school that is owned and operated by a religious community or owned by a civil corporation controlled by a lay Board of Directors

Parish School - Any school that is owned and operated by a parish within the Archdiocese of Baltimore.

Interparish / Regional School – Any school that has been formed to serve two or more parishes in the Archdiocese of Baltimore and have parishes as sponsors and/or as affiliates of the school.

School building - Any building where the primary use is for the instruction of students or for the administration of educational programs.

School Fund - A Catholic education fund for the furtherance of Catholic education administered by a governing body representing the Archbishop of Baltimore.

Implementation

All sales and leases of a school building, affected by this policy, **require** the approval of the Archbishop and will be managed by the Division of Facilities and Real Estate. A 5% fee on the sale price is paid to the Archdiocese of Baltimore for services¹ involving these transactions. Third party brokers are

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generally not used in any real estate transaction. If a third party real estate broker is used, these services require the written approval of the Executive Director of Management Services and will be coordinated by the Division of Facilities and Real Estate. If a third party broker is used the 5% fee to the Archdiocese of Baltimore is not owed and the parish pays the third party broker fees.

All new leases of school buildings are subject to this policy. A 5% fee for the total value of the initial term is paid to the Archdiocese of Baltimore for services¹involving these transactions. For any parish that has an ongoing lease, this policy will take effect whenever landlord or tenant exercises a renewal option to extend the lease. With regard to leases, the 5% fee will be paid only once for each lease.

The sale or lease of any school building to a charter school or other educational institution must be approved by the Archbishop.

A parish may use monies it receives from the sale or lease of a school building to pay its Special Assessment of Parishes for the Support of Catholic Schools.

Sale Proceeds

A. Sale of Parish School building

When a parish school building is sold, the order of disposition of the net proceeds from a sale shall be as follows:

1. Repayment of debts incurred by the parish or school to the Archdiocese. These debts include but are not limited to:
 - Insurance
 - Cathedraticum taxes
 - Previous unpaid Special Assessment of Parishes for the Support of Catholic Schools

¹ **Services of real estate transactions include:**

- Consultation services to identify highest and best use of property (excludes cost of appraisal).
- Advertising and marketing of property –preparing RFP’s, mailings, postage, phone calls, open houses, walkthrough tours and inspections, posting of notices
- Assist Parish or school with negotiations of business terms for sale or lease
- Legal work and title search
- Preparation of contracts of sale, condominium regimes and lease documents
- Prepare regulatory applications, registrations and permits in accordance with lease or sale
- Inventory and property conditions report
- Representation at public presentations and forums
- Research credit worthiness of tenants

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- Unfunded pension obligations
- Outstanding loans from the parish or school from the Inter-Parish Loan Fund (IPLF) or other loans from the Archdiocese
- Any other unpaid obligations of the parish or school

2. Net proceeds from the sale after debt and obligations will be distributed as follows:

Net Proceeds from Sale of a School Building

Parishes with annual offertory of less than \$300,000 per year (three year average).

Percentage	Distributed to:	Use
80 %	Parish	Unrestricted Parish Use
20 %	School Fund	Archdiocesan education endowment

Parishes with annual offertory between \$300,000 - \$399,999 (three year average).

Percentage	Distributed to:	Use
75 %	Parish	Unrestricted Parish Use
25 %	School Fund	Archdiocesan education endowment

Parishes with annual offertory \$400,000 and over (three year average).

Percentage	Distributed to:	Use
70 %	Parish	Unrestricted Parish Use
30 %	School Fund	Archdiocesan education endowment

B. Sale of inter-parish school building –Distribution of proceeds between the sponsoring and/or affiliated parish will be governed by the By-Laws or other governance documents. Each parish

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entitled to proceeds will distribute its proceeds according to one of the three formulas above as dictated by each parish's annual offertory.

- C. **Sale of Archdiocesan school building** – All proceeds from the sale of an Archdiocesan School building shall remit to the Archdiocese unless the building was leased by the Archdiocese from a parish for its use as a school. In that case, the proceeds from the sale follow the above policy with respect to the sale of parish school buildings.

Lease Proceeds

A. Lease of Parish School Building

When a parish school building is leased, the order of disposition of the rental income shall be as follows:

1. Costs associated with the lease of the building equal to 5% of total lease value, of the initial term excluding all renewal options.
2. Repayment of debts or obligations related to the parish or school. These debts include but are not limited to:
 - Insurance
 - Cathedraticum taxes
 - Previous unpaid Special Assessment of Parishes for the Support of Catholic Schools
 - Unfunded pension obligations
 - Outstanding loans from the parish or school from the IPLF or other loans from the Archdiocese.
 - Any other unpaid obligations of the parish or school
3. Rents from leases will be distributed as follows;

Parishes or schools that have debts and obligations to the Archdiocese

Parishes with annual offertory of less than \$100,000 per year (three year average).

Percentage	Distributed to:	Use
47.5 %	Parish	Determined by parish
2.5%	School Fund	School Fund
50 %	Archdiocese	Repayment of debts and obligations

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Parishes with annual offertory of less than \$200,000 per year (three year average).

Percentage	Distributed to:	Use
45 %	Parish	Determined by parish
5%	School Fund	School Fund
50 %	Archdiocese	Repayment of debts and obligations

Parishes with annual offertory of less than \$300,000 per year (three year average).

Percentage	Distributed to:	Use
40 %	Parish	Determined by parish
10%	School Fund	School Fund
50 %	Archdiocese	Repayment of debts and obligations

Parishes with annual offertory between \$300,000 and \$399,999 per year (three year average).

Percentage	Distributed to:	Use
30 %	Parish	Determined by parish
10%	School Fund	School Fund
60 %	Archdiocese	Repayment of debts and obligations

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Parishes with annual offertory \$400,000 and over (three year average).

20 %	Parish	Determined by parish
10%	School Fund	School Fund
70 %	Archdiocese	Repayment of debts and obligations

Parishes or schools without debts and obligations to the Archdiocese

Parishes with annual offertory of less than \$300,000 per year (three year average).

Percentage	Distributed to:	Use
80 %	Parish	Determined by parish
20 %	School Fund	School Fund

Parishes with annual offertory between \$300,000 and \$399,999 per year (three year average).

Percentage	Distributed to:	Use
75 %	Parish	Determined by parish
25%	School Fund	School Fund

Parishes with annual offertory \$400,000 and over (three year average).

Percentage	Distributed to:	Use
70%	Parish	Determined by parish
30 %	School Fund	School Fund

End of Policy