

# Building, Loan, & Appropriation Policy

Florida Conference Association of Seventh-day Adventists  
Guide to Ownership and Management of Real Estate

- » Acquisitions
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# BUILDING, LOAN & APPROPRIATION POLICY

*All proposals, agreements, or contracts to build, expand, repair, renovate, buy, sell, receive by gift, or trade real property are subject to the approval of the Florida Conference Association Board of Trustees or the Association Executive Committee and must be signed by a Conference Association officer. Such approval will be listed as a contingency in the documentation.*

*Actual transfer of real property can occur only after the transaction has been approved by the appropriate governing committee and the documents have been signed by the designated corporate officer(s). In the event a property is to be purchased or sold, building expansions or for loan applications, the transaction shall be approved by the appropriate committee based on the following criteria:*

## ***Property Development***

All transactions are first submitted to the Conference Property Development Department.

## ***Administration Committee (ADCOM)***

All Church and Conference property transactions being considered for either sale or purchase is reviewed by ADCOM for recommendation to the Association Executive Committee or the Association Board of Trustees.

## ***Association Executive Committee (AEC)***

The Association Executive Committee is authorized to approve the sale or purchase of Church and Conference property up to \$1,000,000.

## ***Association Board of Trustees (BOT)***

The Association Board of Trustees is authorized to approve the sale or purchase of all Church and Conference property exceeding \$1,000,000.

Any purchase or construction project over \$3 million must also be approved by the Southern Union Executive Committee.

## ***Signatories***

All proposals, agreements, or contracts to build, expand, repair, buy, sell, receive by gift, or trade real property are subject to the approval of the Florida Conference Association Board of Trustees or the Association Executive Committee and must be signed by a Conference Association officer. Such approval will be listed as a contingency in the documentation. Actual transfer of real property can occur only after the transaction has been approved by the appropriate governing committee and the documents have been signed by the designated corporate officer(s).

# ***Real Estate – Buying & Selling***

## ***Legal Title to Property***

North American Division of the General Conference Working Policy S 045 46 requires that Church properties and other assets be held in the name of an appropriate denominational corporate entity, not by individuals, trustees, or local congregations. Title to all church properties should be vested in the name of Florida Conference Association of Seventh-day Adventists, a legal corporation of the state of Florida.

## ***Acquisitions***

Since the acquisition, development, and operation of a project are the congregation's responsibility, it is crucial that the congregation become actively involved in the development process.

While the Florida Conference Association of Seventh-day Adventists (FCASDA) Administration will attempt to ensure that a congregation has comprehensively considered all aspects of the project, FCASDA does not indemnify or hold a congregation harmless from any unforeseen consequences of a project. The congregation should conscientiously review FCASDA's recommendations and complete its own due diligence prior to committing to a project

## ***Contracts***

Contracts should be written in the name of the *Florida Conference Association of Seventh-day Adventists*. Church representatives, including pastors, are not authorized to sign contracts; however, a local church representative may be asked to sign contract documents in conjunction with the corporate officer signing on behalf of the church.

## ***Financial Analysis Questionnaire***

A Financial Analysis Questionnaire showing the project's validity, the church's financial standing, and its ability to repay the loan shall be submitted to the Property Development Department.

## ***Due Diligence***

In accordance with NAD and Southern Union policy, any property to be purchased must first go through a due diligence process. This helps expose any issues that might impact use and value both at the time of purchase and in the future. The due diligence includes, but is not limited to:

## ***Appraisals***

All real estate transactions require an appraisal from MAI a certified appraiser, unless waived by an appropriate committee.

### *Environmental*

An environmental assessment shall be made regarding all church properties and other real estate prior to acquisition of the asset, whether by gift, purchase, or otherwise.

### *Survey*

An ALTA survey is required on all church properties prior to acquisition. Surveys need to be certified to the Florida Conference Association, as well as the title company and financial institution if a loan is being taken on the property.

## ***Loan Approval Protocol***

### *Loan Qualification & Terms*

Churches and institutions may, as funds are available, acquire loans from the Southern Union Revolving Fund ("SURF") to assist with the purchase of property or the construction, renovation or repair of buildings. When SURF funds are not available, churches and institutions may be eligible through the Conference for loans from commercial banks with which the Conference has established relationships.

Loan terms may be up to eighteen (18) years for purchasing and up to fifteen (15) years for renovations and repairs, in amounts of up to the equivalent of three hundred percent (300%) of the average annual tithe for the prior three years or sixty percent (65%) of the project cost, whichever is lower. Thirty-five percent (35%) of the project cost must be on hand at the start of the project. The tithe-based eligibility is subject to review every five years. Any exception to this policy must be approved by the Association Board of Trustees and, if applicable, the governing Committee of SURF.

### *Loans for Existing Property*

In the event an existing church wishes to obtain a loan for the purpose of expanding its campus by constructing a new building, it may use equity for up to 15% of the required 35% of the project cost. An emergency loan to address immediately needed repairs to address active roof leaks, broken HVAC, or such, the church may ask for the 20% cash requirement to be waived. Such requests will be considered by ADCOM on a case-by-case basis with no guarantee that the waiver will be granted.

### *Balloon Mortgages*

No balloon payment financing shall be approved for purchases; however, Owner-Financing balloon payments may be approved in the sale of property.

### *Subsidies*

The Florida Conference provides a building subsidy limited to first-time church/school property acquisition. The subsidy amount is five percent (5%) of the cost of purchasing an existing facility or constructing church/school property, up to a maximum amount of fifty thousand dollars (\$50,000). All subsidy requests are voted by ADCOM. There is no subsidy for purchase



of vacant land. The Florida Conference subsidy will not be granted to churches/schools that do not follow the written policies regarding purchases or construction projects unless prior approval is requested and granted for an out-of-policy action.

### ***Loan Applications***

Southern Union Revolving Fund (SURF) Loan Application must be completed and signed by the appropriate church representatives as noted on the form and returned to the Property Development Department. Applications for SURF loans and request for Conference subsidy must be submitted and approved prior to undertaking any project. Loans up to \$499,999 will need Church Board minutes. Loans over \$500,000 require Church Business Meeting minutes with a list of the attending members.

### ***Automated Electronic Payments***

Scheduled monthly debt service on SURF and/or bank loans will be completed by the churches via automated electronic payment (ACH) directly to the respective lending institution, provided such institution has the capability to receive electronic payments. The Church is responsible for ensuring that no tithe or other Conference funds are used to cover ACH payments.

### ***Refinancing***

Loan refinancing cannot exceed three (3) additional years above the remaining term of the original loan, and in no case can it exceed the original amortization term.

## ***Delinquent/Defaulted Church Building Loans & Projects***

### ***Default Status***

It is recognized that there may be unusual circumstances which cause a SURF or Bank loan of a Local Entity to become delinquent. In order to avoid “legal foreclosure” and to avoid damaging the Conference credit rating and credit standing in the business community, it is the intent of this policy that every effort should be made by Conference Administration to avoid having any loan be declared in “default” by SURF or any Bank. Nothing in this policy, however, implies that any action taken by the Conference will inure to the benefit of the Local Entity, and any such action shall be treated as further set forth in this policy.

### ***Delinquent Loan Payments***

As of January 1, 2016, SURF policy states that a delinquent loan reaching 120 days will automatically be brought current by either one of two ways which each underwriting entity (Conferences, etc.) may choose:

- a. Direct billing
- b. Automatic withdrawal/reduction from monthly subsidies



Delinquencies are defined as follows: Payments are due on the 1<sup>st</sup> of the month. A grace period will be extended through the 15<sup>th</sup> of the month (regardless of holidays or weekends). On the 16<sup>th</sup> of the month, payments are considered delinquent. On the 16<sup>th</sup> day of the fourth month of delinquency, the collection process will occur, bringing that delinquency completely current (4 months of delinquent payments).

### ***Definition of Default***

In the event that the Conference has been obligated to bring the loan current with SURF, that loan will be considered a “Default Loan” for this policy.

### ***Expenditures by Conference to Cure Default Status***

In the event the Conference makes any loan payments or other financial expenditure on behalf of a Local Entity in which a loan with SURF or a Bank has become in a past due or delinquent status and such loan becomes a Default Loan as described above, such payment(s) will be deemed a loan by the Conference to the Local Entity and the Local Entity will be required to repay the funds expended on its behalf on a monthly basis in an amount negotiated between the Conference and the delinquent Local Entity.

Such repayment amount shall include all funds expended in order to bring the loan to a current status including all past due payments, late payment assessments and interest charges and other expenses, together with reasonable interest on such advances (all such expenses being defined as “Conference Expenditures”).

### ***Agreement Between Conference and Local Entity***

A written agreement will be entered into between the Conference and the Local Entity setting forth specific terms, including a maximum time within which the local congregation should become financially stable and outlining the terms by which a Local Entity may retain use of the property. The agreement for repayment will require automated electronic monthly payments for current payments and repayment of delinquent amounts, to be initiated and processed by the Conference which will make the appropriate application of funds.

### ***Interest-only Payments***

Churches that have loans on the SURF Delinquent Loan list or have late payments to a commercial bank shall immediately begin the process of finding an entity to rent the property and, within 90 days from the date of delinquency, obtain a tenant to rent with the rental proceeds to be used toward making timely payments before consideration will be given to refinancing the loan or granting an “interest-only” period.

Interest-only loans may be granted in six-month increments for a maximum of 24 months over the life of the loan. Interest-only does not extend the loan period, it will increase the monthly payments once the interest-only period is completed.

All tenant/rental agreements must be prepared through the Florida Conference Property Development Department.

## ***Repayment of Funds Which Have Been Advanced by the Conference***

Conference Expenditures do not include unpaid loan balances but do include debt service and any other property-related costs that may be incurred in the interim, and such costs shall be accrued to the Operating Fund Accounts Receivable during such time as the Local Entity is able to fulfill the terms of the Agreement.

### ***Plant Fund Accounting***

Upon recognition that a Local Entity is unable to reclaim the property, the accrued (loan balance) and accruing costs (future debt service and other costs) will be accounted in the Plant Fund as investment for future sale.

### ***Declaration of Default***

The Conference Association Board of Trustees shall take an action which will give the Local Entity written notice that as of a date certain the Conference (as maker or guarantor of the loan) will assume full control and ownership of the property (as though there had been a foreclosure action by the lending institution) and that the Local Entity has no further “equity interest” in the property; however, the Local Entity shall have the right to cure a default status at any time before the sale of the property provided the Local Entity has the ability to reimburse all Conference Expenditures on a “cash basis.”

### ***Negotiation Period***

The negotiation period for resolution of the default status between the Church and Conference is limited to no more than 60 days after the Declaration has been given. Negotiations must include a plan to bring the loan to current status, or an agreement to vacate the property. Resolution of the default status must include full recovery of Conference Expenditures.

### ***Debt Service or Payoff by Conference***

Continuation of debt service or completion of pay-off shall be reviewed from time to time as market conditions indicate.

### ***Governing Body for Final Decisions***

In the event that the Conference Administration and Local Entity leadership of an entity in Default Status are unable to arrive at a mutual agreement concerning the application of this policy, the final decision regarding the Default Loan and the future relationship of the Local Entity and Conference to the subject property, including the date to vacate and subsequent decision relating to the status of the property will vest in the Conference Association Board in its sole and absolute discretion, in conjunction with the Property Development Department.

# ***Vacated Property***

**The following protocol will be followed as it relates to the various situations and circumstances of property usage in which there is no local congregation currently:**

## ***Declaration to Congregation***

The Association Board will adopt a Declaration (for the record) of intention to hold the property long-term without Conference obligation to any congregation.

## ***Plant Fund Accounting***

Accrued and accruing costs as well as revenue will be accounted for in the Plant Fund.

## ***Management of Vacated Property***

The property will be placed under Property Development Department for management and guidance as to disposition of the property.

## ***Default Status***

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repay the funds expended on its behalf on a monthly basis in an amount negotiated between the Conference and the delinquent Local Entity.

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## ***Insurance Claims***

It is the responsibility of the local church to prevent further damage following an insurable event. The church should take temporary measures necessary to secure the building and contact Florida Conference Risk Management to file a claim. Please note that during natural disasters, it is not uncommon for predatory contractors to come to the affected area. Please do not sign any contract until the property development department has been consulted. See the Insurance Claim Project Guide for additional Information.

## ***Rental Agreements***

Rental agreements for property owned by the Florida Conference Association must be signed by an officer of the Association. The Property Development Department can create an agreement with the input of the local church.

## ***Construction and Renovation Approval Protocol***

**The following Construction Approval Protocol shall apply for all construction projects, including additions and renovations, regardless of whether or not financing is required:**

### ***Feasibility***

Contact the Property Development Department before entering into any agreement with architects, engineers, contractors, or any other building trade to determine if such a project is feasible and to make certain Conference protocol is being followed, keeping in mind that all such contracts must be signed by an officer of the Florida Conference Association.

### ***Permitting & Notice of Commencement***

Building permits are important. They help ensure that your project will meet the code requirements to keep the occupants of the building safe. The plan review that is part of the permitting process as well as the inspections contemplate things that could cause fire or structural issues.

The basic rule of thumb is, if you need to cut into a wall, or reconfigure any electrical, mechanical, plumbing, or low voltage electrical systems, you probably need a permit. All permit applications and NOC's must be signed by an Association Officer at the Florida Conference. We are here to help you navigate through the process, please contact us.

### ***Vacant Land***

Vacant land must be free and clear of any mortgage encumbrances prior to entering a construction project unless prior approval is requested and granted by the Florida Conference Association Executive Committee.

### ***Owner's Representative***

An Owner's Representative who meets all the Conference criteria must be retained on projects over \$200,000. The Owner's Rep will work on behalf of both the local entity and the Florida Conference Association to give guidance in selecting construction professionals and identifying potential cost savings known as "value engineering" and other potential savings. The Owner's Rep will fulfill an advisory role during the pre-construction and construction process and will verify the work completed before any payments are made to contractors, etc.

The fee for the Owner's Rep service is 4% of the construction cost. It does not include architectural and engineering fees. It is the local church's responsibility; should the scope of work be increased beyond the initial agreed-upon amount, the Owner's Rep has the right to expect compensation for the additional work.

### ***Construction Contingency***

A contingency amount of ten (10%) percent above the estimated cost of the project is required in the project budget. In the event the entire amount is not used at the time the Certificate of Occupancy is obtained, any remaining funds may be used by the church or school or not drawn from the construction loan.

Should the contingency amount push the loan above the standard policy loan amount the church or school qualifies to borrow, the loan will be considered an out-of-policy loan and require approval from the Association Board of Trustees.

### ***Use of Contingency Funds***

Contingency funds may be used to pay the Owner's Rep fee, with prior authorization.

### ***Plans and Cost Review***

The owner's rep or another conference-approved construction consultant will complete the building plans and cost review to verify that the project financing is adequate for construction completion before construction can begin.

### ***Construction & Plans Approval***

Building plans and financial plans must be submitted for approval according to the following schedule, regardless of whether the project involves loans or subsidies:

- \$100,000 or more – Florida Conference
- \$3,000,000 or more – Southern Union

### ***Liability & Workers' Comp Insurance***

All projects must include provisions for adequate liability insurance and workers' compensation insurance for the employees of all contractors and subcontractors. Worker compensation waivers do not meet our policy requirements.

	<b>Major Projects Insurance Requirements \$3 Million and \$1 Million Workers Comp</b>	<b>Minor Projects Insurance Requirements \$1 Million and \$1 Million Workers Comp</b>
A/C	Replace rooftop units, work requiring a crane. New instillation	Replace ground unit/s or replacing parts inside units
Electrical	Replacing Panel/Replacing Service/ Upgrading Service to Higher Amps/ Adding sub panel or adding to current panel	Replacing Breakers/Repairs/ Connecting & disconnecting current equipment
Fencing		Adding or replacing fencing
Flooring		All
Maintenance		All standard Maintenance
Painting	If a lift or scaffold is required	Standard painting, no lift/ scaffold
Plumbing	New Construction/Major Renovation	Existing Construction
Roofing	Projects Over \$100,000	Projects up to \$100,000
Signs		Unless electrical panel needs to be upgraded to accommodate power.
Windows and Doors	Adding or changing size of windows and/or doors	Replacing windows and/or doors (same size)

\*Property Development reserves the right to determine whether a project is minor or major based on the complexity and the risk associated with a project.

## Agreement

Any Local Entity seeking loans, construction approval or authorization for sale or purchases must execute this document acknowledging that it has received a copy of this *Building, Loan and Appropriation Policy* and that it agrees to the terms of this policy as a condition of the project and loan approval.

Church Name: \_\_\_\_\_

Church Treasurer	Date
------------------	------

Church Board Chair \_\_\_\_\_ Date \_\_\_\_\_



## ***Meet the Team***

*We are here to help our churches and schools.*



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See our website for guidelines:

<https://floridaconference.com/property-development/>