

The Unitarian Universalist Association Site Acquisition Loan Program

Revised 12.20.05. All previous versions are invalid.

1. Charge to the Congregational Properties and Loan Commission

On April 26, 1996 the Unitarian Universalist Association (UUA) Board of Trustees established the Congregational Properties and Loan Commission (CPLC). The CPLC is charged with managing UUA funds that are dedicated to financially supporting our congregations. More specifically, the funds are reserved for congregations that are planning renovation of current facilities or purchase of facilities in a different location.

On January 13, 1999, the UUA Board of Trustees further clarified the charge to the CPLC. The CPLC

- A. Manages the assets of the Congregational Properties Program, the Loan Guarantee Funds, and all UUA capital campaign and other funds designated for building purposes as well as any other funds designated for building or land purposes.
- B. Develops, recommends, and implements policy and guidelines for loans and loan guarantees including fees, terms, and interest rates.
- C. Monitors collection of loan repayments.
- D. Negotiates financing or refinancing of bank lines of credit.
- E. Reports regularly to the UUA Board of Trustees on these activities.

2. Background of the Site Acquisition Loan Program

The CPLC presented a site acquisition proposal to the UUA Board of Trustees. The Board approved the proposal in October of 2004. The CPLC refined the proposal and launched the Site Acquisition Program in April of 2005. Information about the program was removed from our Web site in September of 2005 when it became apparent that further clarification was needed. The CPLC clarified that the purpose of the program is to assist growing, financially healthy congregations that are without significant financial equity to acquire their first owned spiritual home property. After clarification, the information was returned to the Web site in December of 2005. It is understood that the CPLC may further clarify or revise the guidelines if necessary.

3. Source of Funds

The CPLC currently has site acquisition funds from the *Handing on the Future* capital campaign. Additional funds from the current *Campaign for Unitarian Universalism* may be forthcoming. The CPLC has also negotiated with a UUA financial institution to provide funds for site acquisition loans. Available funds may vary but are expected to be

sufficient for the CPLC to carry site acquisition loans for two to four congregations at any given time.

4. Process Overview

The UUA, in consultation with and acting as an agent of a qualified congregation, will purchase a site in a location where demographics indicate a high potential for the growth of Unitarian Universalism. At the time of original purchase, the qualified congregation will make a payment to the UUA of one-third of the purchase price and certain other fees (as described in paragraph 5) and the UUA will provide the balance of the purchase money as a five-year loan to the congregation. During the period of the loan, the congregation will do the necessary planning, design, permitting and fundraising necessary to make improvements to the site. During the term of the loan, the congregation will make a reduced monthly payment (as described in paragraph 5) on the loan to the UUA. When the congregation is ready to begin improvements on the site it will request that the UUA loan be subordinated to a construction loan from the congregation's local lender. The CPLC will recommend that the UUA's financial institution approve the request. Upon completion of construction, The UUA will notify the congregation of the amount required to pay off the loan. The congregation will then obtain long term financing as necessary and pay off the site acquisition loan.

5. Congregational Contributions

At the time of the original site acquisition by the UUA, a qualifying congregation will contribute a cash payment representing

- A. One-third of the initial site acquisition cost up to \$375,000 plus the full amount of the site acquisition cost in excess of \$1,125,000 (as described in paragraph 7).
- B. Two percent of the loan amount, (as described in paragraph 6) to cover the cost of a Phase One Environmental Study plus processing and closing costs.
- C. Legal fees at a fixed amount to be determined by the UUA legal counsel.
- D. Any unusual site management costs that might be required for the specific site.
- E. Fifty percent of the monthly principal and interest payments normally due during the five-year term of the loan. The UUA will defer, until the full amount of the loan is due, the other 50 percent of each monthly principal and interest payment.

6. Unitarian Universalist Association Contributions

At the original site acquisition, the UUA will lend two-thirds of the sale price, to a maximum of \$750,000, to the congregation.

7. Maximum Amount and Term of Each Loan

In most circumstances, maximum purchase price of a site will not exceed \$1,125,000. A site costing more than that amount may be purchased as long as the congregation pays

100 percent of the acquisition cost exceeding \$1,125,000. In all cases, the maximum loan to a congregation will be \$750,000. The term of the loan to the congregation will be five years, with amortization of principal over 25 years. The CPLC is empowered to make exceptions to these limits on a case-by-case basis in high land cost areas where the acquisition of a local site would make a significant impact on the growth of Unitarian Universalism.

8. Site Disposition Conditions

The disposition of a site will follow these guidelines

- A. The title will be held in a separate, single asset UUA entity
- B. When the congregation completes construction, the title will be transferred to the congregation for the outstanding loan balance plus repayment of the principal and interest deferred to that date by the UUA.
- C. All appreciation will benefit the congregation.
- D. If the congregation does not begin construction within five years of original acquisition, or if the congregation decides to withdraw from the Site Acquisition Loan Program, the CPLC has the option to sell the site. In the event that the sale price is lower than the loan balance, the distribution of proceeds will be allocated in proportion to the investment of each party. If the net proceeds of the sale exceed the loan balance, all proceeds will be distributed in the following priority: First, net proceeds of the sale will be applied to the unpaid principal and accrued interest on the CPLC loan. Second, net proceeds of the sale remaining after full payment of the CPLC loan will be paid to the congregation.

9. Underwriting Conditions

A qualifying congregation will

- A. Have recently conducted a capital campaign in which financial commitments match at least three times the annual contributions to its most recent operating budget. In extreme circumstances, the CPLC will consider waiving this requirement if a financial feasibility study, conducted by a UUA fundraising consultant, indicates that the congregation has a high likelihood of conducting a successful capital campaign.
- B. Have annual congregational debt service, including one-half of the land acquisition loan interest, that does not exceed 25 percent of its annual operating budget.
- C. Have a congregation-endorsed five-year growth plan that supports construction within five years. The plan must be approved by the UUA Director of Congregational Fundraising Services.
- D. Maintains its Annual Program Fund Fair Share status during the length of the loan. If not maintained, the *full* loan interest payment obligation immediately reverts to the congregation, and the UUA has the option to sell the site to recoup its costs.

- E. Obtain minimum property and liability insurance, as indicated in the loan application.
- F. Get an appraisal to determine the fair market value of the site that is acceptable to the CPLC.
- G. Not own its congregational home.
- H. Commit to begin construction of its new congregational home on the site within five years of the initial site acquisition.
- I. Commit to financial, staff, and program growth as specified in the loan application.

10. Other Conditions

- A. The CPLC has the option to extend the congregation's loan, subject to lender approval, if the congregation is not in default of the loan requirements.
- B. Specific site locations will be a joint decision of the CPLC and the congregation.
- C. The CPLC will oversee the management of acquired sites, from initial acquisition to title transfer to the congregation, with the cooperation of a knowledgeable local congregational contact person.
- D. A loan from the UUA will be a first mortgage and no secondary financing will be allowed, except that during the period of a construction loan, it will be subordinated to the construction lender's note.

11. General Site Criteria

- A. The site will be located in a visible "anchor" location.
- B. The size of a site will match the congregation's five year growth plan. The congregation will provide adequate parking to match the plan.
- C. In urban locations, access to public parking or public transportation can supplement on-site parking.
- D. Reasonably priced water, sewer, gas, and electricity will be available at the site.
- E. The site geology and drainage will be conducive to construction.
- F. The site must meet all zoning requirements and land-use restrictions appropriate for the intended use.

For additional information contact:

Wayne B. Clark, Ph.D.
 UUA Director of Congregational Fundraising Services
 and
 Staff Liaison to the CPLC
wclark@uua.org

12.20.05 All previous versions are invalid