HELPING PC(USA) CHURCHES NAVIGATE THEIR ECONOMIC FUTURE

HOW TO RENT WELL

A GUIDE TO HELP CONGREGATIONS RENT WELL

This tool was developed in collaboration with PC(USA) and RootedGood. This version was produced in May, 2024

RootedGood worked with a diverse range of stakeholders in the PC(USA) denomination to modify this tool so it is oriented to the particular polity, constitution and ethos of the PC(USA) denomination.

INTRODUCTION

Congregations are increasingly taking advantage of rental income as they are trying to develop a sustainable economic model.

Church buildings are underused and often in locations where there is demand for space. At its best rental income can both fulfill aspects of the mission of the congregations and bring in much needed income.

However, there are challenges with developing a rental model: it can detract from the mission of the congregations, be costly to manage, require significant capital costs, and, unless carefully designed and effectively managed, can easily cost more money than it generates. This tool will help you learn how to build a rental model that works both for your mission and your money.

HOW TO USE THIS MULTI-STEP TOOL

Use this tool to illuminate assumptions and expectations that may not be known or shared and to generate good conversation within your group. This will help you make key decisions in discerning how to rent well.

We recommend working through this tool with a small team of between 3 and 7 people. You could use multiple copies so everyone can easily follow along. However, make sure that one copy is consistently used for filling in the relevant sections (you might want to appoint a scribe). Building the team: We suggest that key clergy and lay leaders are part of the team, along with any individuals involved in finance as well as those involved in care of the buildings and property.

Consider appointing a facilitator to lead the group discussion in order to keep the conversation moving forward and to ensure that all voices are heard. We strongly recommend that the facilitator or leader read through the whole tool before the team meeting. There is data that you may need to gather before both Part 1 and Part 2.

We recommend this tool is completed in 2 parts. Part 1 is all about getting ready. You will learn who your property partner is, be introduced to the Money and Mission alignment framework, read some case studies, do a space audit and test for demand for your space. Part 2 is designed to get you started. You will evaluate potential rental partners, understand the true cost of renting, and how to bring the congregation with you.

PART 1: GETTING READY	PART 2: GETTING STARTED
Partnering with your presbytery	True Cost Analysis
Intro to Money and Mission	Renter Evaluation
Case Studies	Things to Consider
Space Audit	Bringing the Congregation with you
Test for Demand	

CHECKLIST

WHY DO YOU WANT TO RENT YOUR SPACE?

- [x] You want to use your space more effectively (you have more space available than you're utilizing)
- [x] You want to generate some revenue
- [x] You want to meet (or serve) a need in your community using your available space

CONGREGATION AND PRESBYTERY: PROPERTY PARTNERS

In the PC(USA) property is "held in trust... for the use and benefit of the Presbyterian Church (U.S.A.)" G-4.02. As a congregation, you need to partner with your presbytery in any significant agreement or change related to your buildings and land.

For example, anytime a congregation wants to modify their property, enter into lease agreements longer than five years, boundary modification, or enter into any debt encumbering the property, the presbytery must approve it. And every presbytery may have its own guidance for lease agreements beyond the Book of Order provisions. So be sure to check-in with your presbytery for any additional lease guidance, including for leases shorter than 5 years.

This is because the presbytery are partners that will share the risk and/or benefit of this agreement or change.

Therefore, at the beginning of any process that might modify the property and its use, congregations should reach out to the presbytery to engage them in the process.

Who a congregation reaches out to in your presbytery will depend on that particular presbytery. It might be the executive or stated clerk, it might be a finance committee chairperson, it might be a commission on ministry liaison, or it might be the moderator.

Early on in your conversations about your property, reach out and discover who you need to engage in this process.


PRESBYTERIAN CHURCH
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PART 1

INTRODUCTION TO MONEY & MISSION MAP

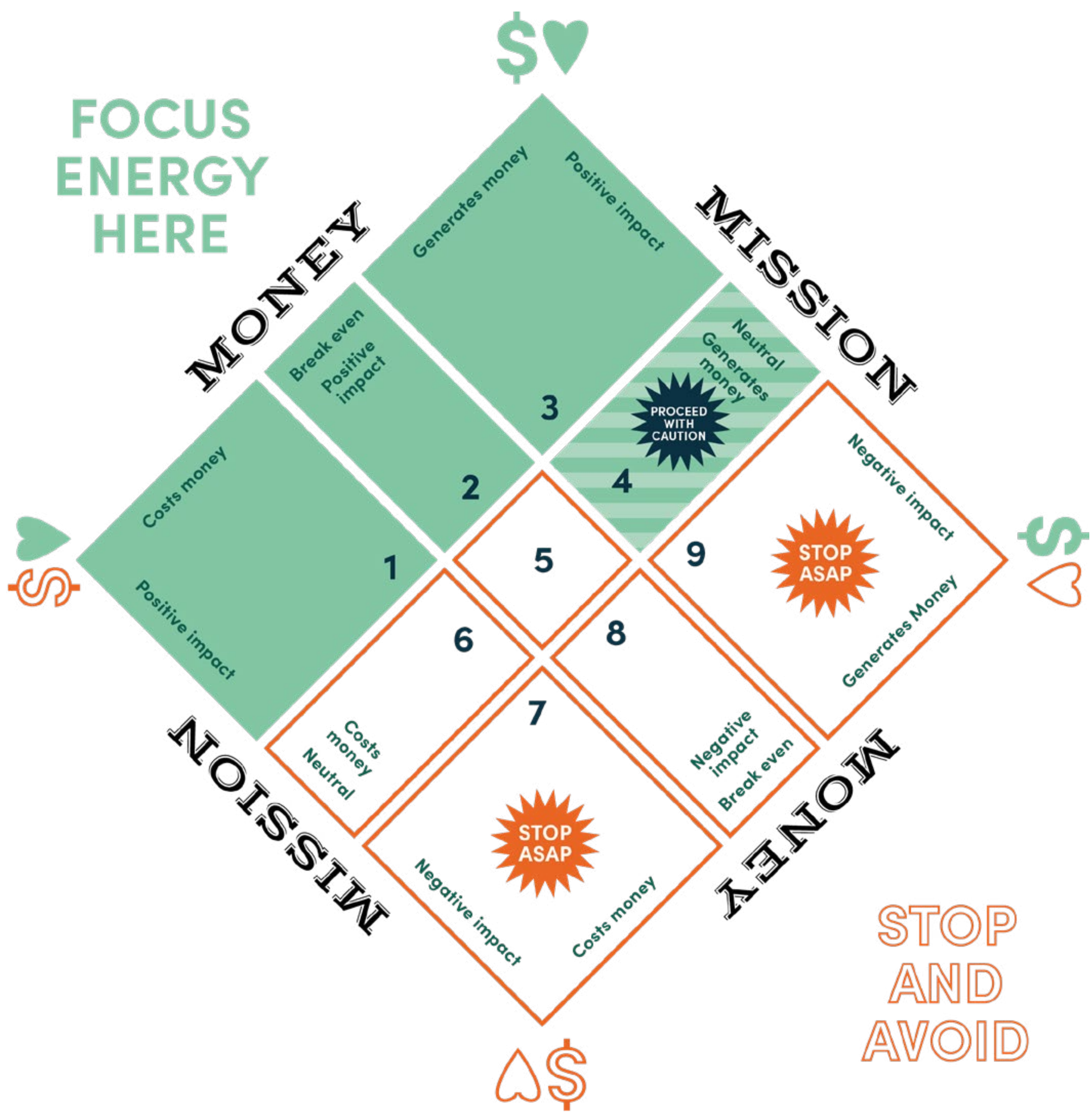
We created this map to help organizations align their money and mission. This is particularly important related to rental models, as the case studies will show. This tool should help you by providing a map to navigate the different case studies and by providing a framework to help you as you design your rental model.

UNPACKING THE TOOL

The map is divided into 9 boxes. Activities that fall in along the upper left on this diamond (the green boxes - 1, 2, 3) have a positive mission impact. Those in the middle are neutral (4, 5, 6)—they neither contribute to nor detract from your mission impact. Those in the bottom third (7, 8, 9) have a negative mission impact—they are harmful to the mission of the organization or to what you want to see happen in the world.

In a similar way you can map the financial impact as you move along on the map. Activities and programs that fall along the upper right side (3, 4, 9) generate money. They have a net positive financial impact on the organization. Those in the middle third basically break even (2, 5, 8). And those in the lower left have a net negative financial impact (1, 6, 7). They cost more money than they bring in.

By mapping the case studies into one of these nine boxes you can evaluate the overall impact of the rental activity on the mission and financial resiliency of the congregation in the case study. You can see where money and mission align and where they do not.


FOCUS ENERGY HERE
MONEY
MISSION
Generates money
Positive impact
3
Break even
Positive impact
2
Costs money
Positive impact
1
Neutral
Generates money
PROCEED WITH CAUTION
4
5
9
Negative impact
STOP ASAP
Generates Money
6
Costs money
Neutral
8
Negative impact
Break even
7
STOP ASAP
Negative impact
Costs money
MISSION
MONEY
STOP AND AVOID

CASE STUDIES

It cannot be assumed when renting out your space that your money and mission will be aligned. Renting out your space has to be thoughtfully done because in operation it can:

- **MAKE MONEY, BUT NOT BE MISSION-ALIGNED**
- **BE MISSION-ALIGNED, BUT MAKE NO MONEY**
- **BE MISSION AND MONEY ALIGNED**

First, make sure you are familiar with the Money and Mission Map, then together read and discuss the case studies. After each case study, as a group discuss where the case study might fit onto the map.

CASE STUDY

HOPE PRESBYTERIAN CHURCH, CHICAGO, ILLINOIS

1.

DENOMINATION:

PC(USA)

CONGREGATION SIZE:

140 regular attendance

MISSION:	Yes ☑	No ☑
MONEY:	Yes ☑	No ☑

BUDGET

Prior to rental agreement – $220k per year. 75% of this is met by donations, 25% by returns from their endowment.

RENTAL SPACE

Five classrooms that were previously used for Sunday School and Children's work but are now largely unused. They are in good condition and have a separate entrance to the street.

RENTAL AGREEMENT

Due to the downtown location and a shortage of office space locally, the most obvious opportunity for rental income was commercial. Concerned about the management, the congregation, in conversation with the presbytery, decided to lease the space to a local commercial property management company, LetCo. While it would receive less income, there would be less management and less financial risk. They agreed a triple net lease, where responsibility lay with LetCo: monthly rent, utility costs, property taxes, relationship with tenants and so on. A 15-year lease was agreed, with the congregation receiving a guaranteed $65k a year.

WHAT HAPPENED NEXT?

One year later, Hope Presbyterian, in close consultation with the presbytery and local community groups, announced an ambitious plan to be net zero in carbon emissions in five years, primarily through receiving a grant for solar panels and improved building efficiencies.

The same week the announcement was made, a local newspaper reported that one of the long term tenants is OilCo, a oil and gas exploration company, exploring fracking opportunities in the Midwest. Understandably, the journalist asked what 'net zero' means if the congregation is generating income directly from the fossil fuel industry.

This revelation upset many in the local community and congregation, with some demanding that OilCo leave the premises. When the congregation proposed this to LetCo, they were informed that, under the current contract, the congregation has no say in who the tenants are.

FINAL THOUGHT

The money played an important part in the financial sustainability of the congregation but the relationship with the tenant meant that the mission of the congregation in the local community was significantly negatively impacted.

CASE STUDY

ST. JOHN'S CHURCH, PORTLAND, MAINE

2.

DENOMINATION:
Lutheran

CONGREGATION SIZE:
75 regular attendance

MISSION:	Yes ✓	No ✓
MONEY:	Yes ✓	No ✓

BUDGET

Prior to rental agreement: $100k. 100% of this is met by donations from the congregation. 40% of this comes from three families. There is a predicted budget shortfall next year due to expected declining income.

RENTAL SPACE

The congregation wanted to rent out the church hall, a separate large building that is normally used between 10 and 15 times a year. The hall is in an average condition, with the bathrooms in need of repair.

RENTAL AGREEMENT

A family in the congregation is a beneficiary of a local non-profit, Future Full, that provides after-school and summer-break tutoring services for low-income high school students with learning and behavioral challenges. Future Full has a good reputation and is growing as an organization. The family made the pastor aware that Future Full is looking for a larger premises and that the church hall could potentially be a good fit. Having toured the facilities and received estimates on improvement work, Future Full proposed the following:

• $75k capital investment for building improvements. The non-profit will contribute $25k in return for a 10 year lease. Future Full also identified grant funding that the congregation could apply for, in order to overcome some of the accessibility challenges related to the property. As a result, the congregation would need to invest the remaining $25k for improvements. The congregation would bear the cost of any unanticipated costs in the improvement work

• Future Full to pay rent of $750/week, fixed for ten years at $39,000 a year. This is less than what the congregation could expect to receive from a commercial tenant.

• Gross lease, meaning that the congregation is responsible for all variable costs - utilities, insurance, repair and maintenance and any tax implications.

WHAT HAPPENED NEXT?

The lease agreement was signed, along with a separate agreement outlining the shared capital investment agreement. During the building improvements, asbestos was discovered and the boiler broke down, resulting in an additional $30k cost for the congregation. In addition, the congregation had not factored in a significant increase in utilities costs related to the church hall being used full-time. The pastor estimated that between 10-15% of her time was spent managing the renting of the church hall.

Recognizing the challenges in this new rental relationship, a member of the congregation offered to estimate the true operating cost of renting out the church hall to Future Full. Factoring a % of the pastors salary, alongside a high utilities bill and new insurance, and that the congregation had to rent a nearby facility for the 10 times a year it required a larger meeting space, the full operating cost was $22k a year. Given the total $55k capital investment, it will take over three years to recoup capital costs, with net income being only $17k after that.

In order to pay for any future repairs and maintenance costs, it was recommended that the congregation put $25k in a savings account to defray any future costs. As a result, the congregation did not receive any net income from the rental for over four years, at the very time it needed the money the most.

FINAL THOUGHT

Future Full was, in theory, a great fit for St John's, a very mission aligned organization to partner with. However, the terms of the lease meant that the congregation was very financially vulnerable. The combination of not factoring in the 'full' cost to the congregation (utilities, management time and needing to rent other spaces) and being vulnerable to unexpected costs, meant that the rental agreement made no contribution to the short-term financial sustainability of the congregation, and only a minimal contribution for the long term.

CASE STUDY

EMMANUEL CHURCH, WACO, TEXAS

3.

DENOMINATION:
Non-denominational

CONGREGATION SIZE:
180 regular attendance

	Yes	No
MISSION:	☑	☑
MONEY:	☑	☑

BUDGET

Prior to rental agreement, $230k.
Income entirely from tithes and donations.

RENTAL SPACE

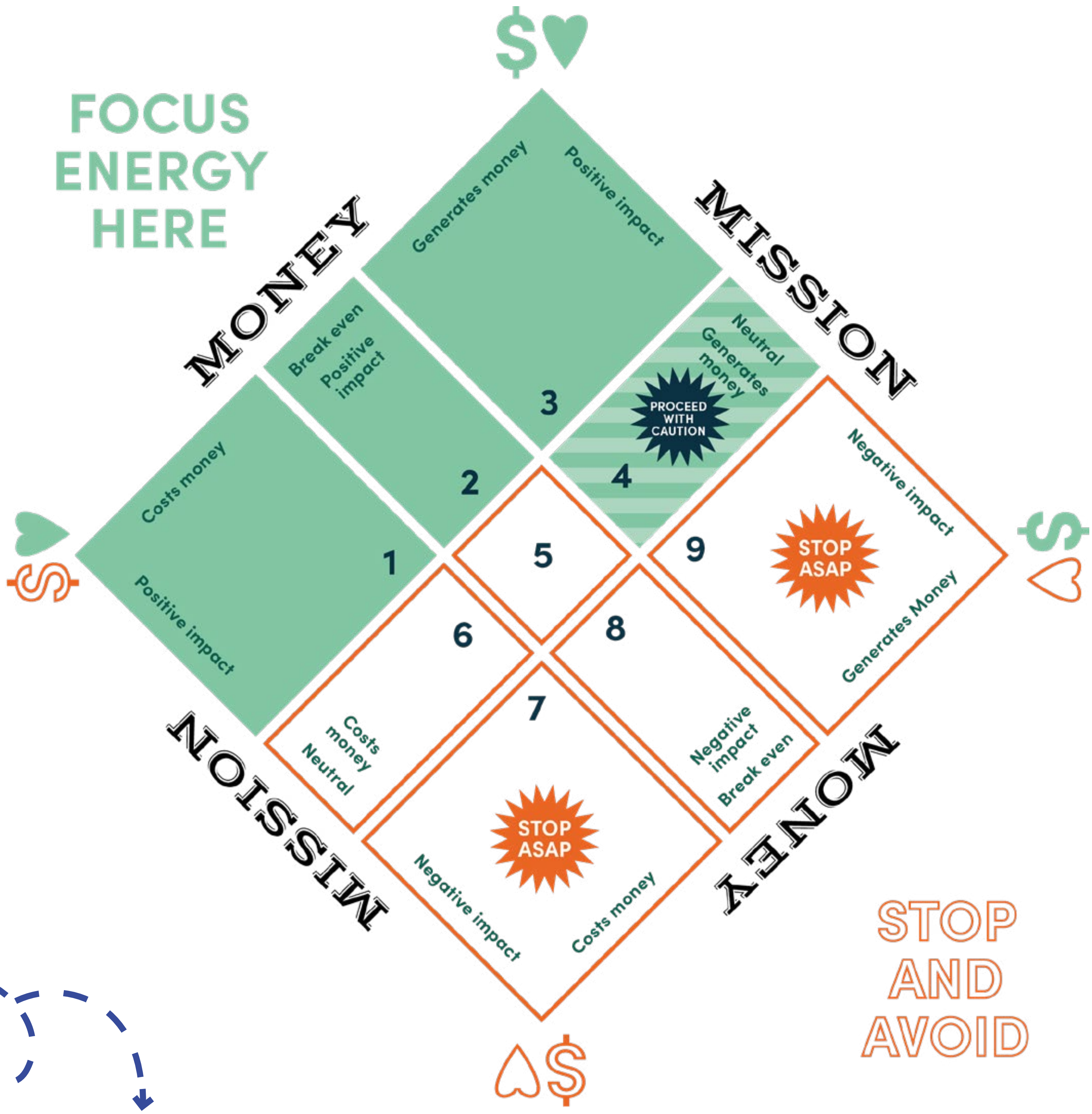
10 years ago, the church had a larger congregation, including a member who made a lot of money from selling her business. She donated a significant sum to turn the church's kitchen into a large, high-standard commercial kitchen. During the last five years, the kitchen has only been used on occasion. It remains in excellent condition.

RENTAL AGREEMENT

A small group in the congregation got together to discern how best to use the commercial kitchen. Aware of the precarious nature of church finances, they were tasked with thinking about how the kitchen might generate some income. They started with thinking about their local community. They spoke of the pain of struggling to connect with a changing local community, which was becoming increasingly racially diverse, younger in terms of average age and with higher levels of economic inequality. In contrast the congregation was mostly white, older, and middle class. The group then looked at what interesting projects were engaging people in their town. They found a program through the local culinary school that offered scholarships to young aspiring chefs from under-resourced communities. They contacted the culinary school, who talked about the challenge for young entrepreneurial chefs to find premises in which to prepare food after they graduate.

A partnership was born between the congregation, the culinary school and the local community foundation. The congregation rented out its commercial kitchen five days a week to the culinary school, who in partnership with the community foundation started an incubator program for young entrepreneurial chefs from under-resourced communities, enabling them to start food businesses in a supported environment. In the partnership, the congregation received $800 a week in rent, at a total of $41.6k a year. The congregation and the culinary school split the costs of utilities relating to the kitchen, along with the small increase in insurance. The costs for the congregation increased by $6k, leaving a net income of $35.6k. The program enabled the congregation to build relationships with their local community in new ways, which had a knock-on effect to other programs and initiatives.

Now that you have read these case studies, discuss where each case study fits on the money and mission map.



FINAL THOUGHT

Emmanuel Church managed to find a way of using their space that generated income and met their desire to connect with their changing community in new ways. While they might have been able to generate more income through a more commercial approach, this partnership flourished in many different ways for the congregation.

SPACE AUDIT

GATHERING DATA ABOUT YOUR BUILDINGS AND PROPERTY

The key outcome of the next group exercise is a shared understanding of the current possibilities and constraints regarding your congregation's buildings and property, as it relates to possibilities for rental.

We appreciate that everyone has a slightly different context - some congregations might have a lot of different spaces, others very little. Some might need to stop doing things in order to start (hopefully) better things. Some buildings will be in good condition, others might need a lot of attention.

For some, conversations like this will be full of possibility (can't wait to redevelop!), others might be full of pain (the good things that used to happen in this room). Most will likely have a mixture of the two.

We hope that our process will be beneficial but please feel free to amend our suggested process in order to fit your specific context.

In this section, you will need to walk around, gather data and collect stories. As you walk around, you will need:

- ★ **A map or drawing of your buildings and property that shows the different spaces.** You might already have one of these handy. If not, even a very rough sketch will work.
- ★ **Data related to your buildings and property including how it is currently used.** We have created a table that you can use to assess each different space.

First, walk around the interior rooms and spaces of your buildings. Fill in the relevant sections in the table for each room. Then, repeat for the exterior spaces. After this, fill our the Space Availability table, for each of the main interior and exterior rooms/spaces.

REMEMBER

There are specific opportunities and limitations related to renting out the sanctuary. There is a constiutional requirement that sanctuary/worship space may not be rented/leased for purposes other than worship without approval of the Presbytery.

Book of Order G-4.0206b Leasing Congregational Property

“A congregation shall not lease it’s real property for purpose of worship, or lease for more than five years any of its other real property, without the written permission of the presbytery transmitted through the session of the congregation.”

INTERIOR: BUILDINGS

ROOM/SPACE	SIZE (APPROX) IN SQ. FT.	MAXIMUM CAPACITY	CURRENT CONDITION	PRIMARY USE	SECONDARY USE
Example: Sanctuary	3,000 sq ft	250	Good	Worship and services	Larger gatherings
Example: Classroom 1	650 sq ft	40	Needs improvement	Sunday school, occasional church meals	Local community group, prayer room

EXTERIOR: GARDENS AND ADDITIONAL BUILDINGS/SPACES

SPACE	SIZE (APPROX)	CURRENT CONDITION	PRIMARY USE	SECONDARY USE
Example: Garden	0.75 acres	Good	Community vegetable garden	Break-out space
Example: Car Park	1 acre	Excellent	Parking on Sunday mornings	Some parking for mid-week use

SPACE AVAILABILITY

ROOM	MON AM	MON PM	TUE AM	TUE PM	WED AM	WED PM	THU AM	THU PM	FRI AM	FRI PM	SAT AM	SAT PM	SUN AM	SUN PM
Example: Sanctuary		X	X		X					X		X	X	X

REFLECTION QUESTIONS

- Together, look at the space availability. What opportunities can you identify?
- What might need to be moved from one space to another in order to create even more possibilities?
- What might be the low hanging fruit? Look at where there might be both availability and a space that is in excellent or great condition.
- Where might some investment (money and/or time and energy) be needed in order to get spaces ready for use?
- Who else might you need to talk to at this point? For example: Presbytery, session, etc.
- Finally, which one or two spaces stand out as the most 'rental-friendly'? Does everyone agree on this?

NEED SOME INSPIRATION?

Check out Wilmington Kitchen Collective

wilmingtonkitchencollective.com

WELL DONE! YOU HAVE FINISHED THIS EXERCISE

Now you know:

YOU WANT TO RENT

And you know:

WHAT SPACE YOU WANT TO RENT

Now you need to:

TEST FOR DEMAND

IS THERE DEMAND FOR YOUR SPACE?

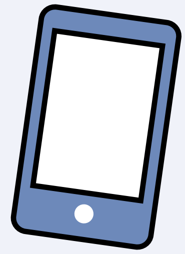
Just because you have a great space to rent out does not mean that people want it. Before you go too far down the road on your rental journey, you can test for demand. Of course, if people are already knocking on your door asking about renting space you can be confident there is demand.

HAVE YOU BEEN APPROACHED REQUESTING TO RENT YOUR SPACE?

- **YES** — Great – go ahead!
- **NO** — Pause

HERE ARE FOUR ACTIONS TO TAKE TO TEST FOR DEMAND:

Do this before you come back together for Part 2:



1 CALL LOCAL REAL ESTATE AGENT WHO DEALS WITH RENTALS

Ask about the local rental market and what trends there might be. Is demand for renting spaces likely to increase? What kinds of spaces are businesses or organizations looking for? You can also ask in a clergy network gathering if anyone is renting out space in their property. Did they have a lot of interest? Call other colleagues and ask if they have had interest in renting out their space.

2 LOOK FOR OCCUPANCY RATES FOR SIMILAR RENTALS

If these are low that could be a warning sign.

3 TALK TO YOUR CHAMBER OF COMMERCE

Try to understand the rental market or alternatively talk to local non-profit associations.

4 ARE THERE OTHER CONGREGATIONS OR NEW WORSHIPING COMMUNITIES LOOKING FOR SPACE?

Talk to local pastors and your Presbytery.

CONGRATULATIONS!

YOU HAVE FINISHED PART 1 OF 'HOW TO RENT WELL'

You have understood how rental income relates to both mission and money, mapped your space and identified one, two or more spaces to rent out, and have come up with a way to test for demand. Part two will help you with everything else you need in order to rent well.

PART 1

GETTING STARTED

Welcome back to Part 2. You will start be estimating the true cost of renting out your space before evaluating potential renters, understanding the different logistics involved and, finally, thinking about how you will engage the congregation with this new step.

ESTIMATED TRUE COSTS

ESTIMATED TRUE COST ANALYSIS

As you consider renting out space in your church building it is important to consider the true cost to the congregation of engaging in rental activity. Often we think only about the income generated by a renter and don't consider how much it costs to make the space available. It is also common to underestimate true costs. Use this exercise to estimate the true cost to your congregation of renting out space.

NOTE:

Keep in mind that there is an opportunity cost of renting out space (that may be non-monetary). The opportunity cost is what you might be able to do with the space instead of renting it.

STEP 1:

Determine your monthly ongoing expenses in each of categories listed here and any other categories relevant to your context (such as utilities, cleaning costs, etc). Enter each of the expenses in the table below.

Check with your insurance company about coverage limits and cost increases

ONGOING EXPENSES	TOTAL MONTHLY COST	% OF BUILDING TIME ALLOCATED TO RENTAL	ALLOCATED COST FOR EXPENSES
Example:	$100	10%	$10
Utilities			
Cleaning / Custodial			
Staff time			
Technology costs			
Insurance			
Other ongoing costs			
Exterior costs (landscaping etc.)			
Total monthly ongoing cost			

STEP 2:

Estimate what percentage of your building will be used for rental purposes or what percentage of staff time will be spent managing the rental program (consider renter relationship management, opening building, etc). Enter these percentages into each expense category.

STEP 3:

Multiply the percentage by the monthly cost in each category to calculate the allocated cost per expense.

STEP 4:

Add up the allocated cost per expense to calculate the total ongoing expense for the rental program.

STEP 5:

Turn to capital improvement that costs you may need to spend on getting the space ready for rental. Enter **total** capital improvement costs in the table below.

CAPITAL IMPROVEMENT COSTS FOR UPDATING RENTAL SPACE	TOTAL COST	LENGTH OF EXPECTED LEASE (MONTHS)	TOTAL / MONTHS OF LEASE = MONTHLY CAPITAL COST
Example:	$10,000	36 months	$278
Renovation cost			
Furniture / equipment purchases			
Other capital improvement expenses			
Total monthly capital cost allocation			

STEP 6:

Enter the anticipated length of the lease you may sign for the space in months (no more than five years).

STEP 7:

Divide the total capital improvement cost for each expense by the number of months the lease is expected to last. This gives you an estimate of the monthly cost of capital improvements spread over the life of the lease.

STEP 8:

Add up the monthly capital costs to calculate a total monthly capital cost amount.

STEP 9:

Add the total monthly ongoing cost to the total monthly capital cost from each table to determine your **total** estimate monthly true cost. You will use this amount later to consider what your actual net income will be from renting space.

TOTAL MONTHLY ONGOING COST	TOTAL MONTHLY CAPITAL COST ALLOCATION	TOTAL MONTHLY TRUE COST

RENTER EVALUATION

It is important to consider how renting out space will further (or potentially hinder) the mission of your church. Choosing the right renter(s) can help accomplish mission in your community. On the other hand, as the case studies demonstrate, renting to an organization that is at odds with the mission or values of your congregation can hinder your work in the community or even harm your neighborhood.

Copy and use the Evaluation Form below to complete this process for each organization you are considering renting to.

STEP 1

Use the screening questions to determine if anything should immediately disqualify the organization as a potential renter in your building. If the answer is no to each of these questions, move to step 2.

SCREENINGQUESTIONS

QUESTION	YES OR NO
1. Does the mission and purpose of the organization interested in renting your space in any way clash with your congregation's sense of mission and purpose?	Y / N
2. Has the organization interested in renting your space done anything in your local community that might damage the reputation of your congregation?	Y / N
3. Is there any discernible clash of values between this organization and your congregation?	Y / N

GO OR NO GO
✓ Go
✓ No go

STEP 2

Rate how important each of the following factors are for your congregation. Rate on a scale of 1 to 3 (1 = low importance, 3 = high importance). Add any additional factors important to you that are not already listed here.

FACTORS

In order to make a good rental decision, it is important to clearly identify what you want to achieve through renting out your space. Every situation and context is different, and it is important to identify – and agree upon – what matters to you in this decision.

Follow these instructions and fill out your responses on the Evaluation Form below for each organization you are considering renting to. For each one, identify how important each factor is (low/medium/high):

- ★ What the organization does aligns closely to the mission and purpose of the congregation.
- ★ The organization's values align closely to the values of the congregation.
- ★ There are meaningful connections between members of the congregation and the organization.
- ★ The organization is financially resilient / stable.
- ★ The organization has the potential to sign a long-term lease.
- ★ The organization is able to pay commercial rates – maximizing the congregation's income from the rental.
- ★ You might encounter new connections in your community through partnering with this organization
- ★ Other factor that matters to your congregation:

....

....

STEP 3

Score the organization you are considering renting to on each of the factors. Score on a scale of 1 to 4 (1 = does not meet this factor, 4 = meets this factor very well).

STEP 4

Multiply the score by the rating in order to calculate the weighted score on each factor.

Example:

FACTOR	WEIGHT/PRIORITY (VALUE OF 1–3) LOW / MED / HIGH	SCORE	WEIGHTED SCORE (WEIGHT x SCORE)	TOTAL SCORE
Connection to congregation	1 2 3	1 2 3 4	8	

STEP 5

Add up the weighted score to calculate a total score for this organization that you are considering renting to. You can use this score to compare this organization with other potential renters now, or in the future.

STEP 6

Enter the monthly rental income anticipated or offered by this organization. Enter the monthly true cost analysis. Subtract the true cost from the rental income to calculate the net income (or loss) from this rental partner.

STEP 7

Complete this process for each organization you are considering renting to. We have included two copies of the form. This enables you to compare two potential renters. If you need more copies, you can photocopy the table or use an additional copy of the tool.

EVALUATION FORM

NAME OF ORGANIZATION	
RENTAL SPACE	

FACTORS TO EVALUATE

FACTOR	WEIGHT/PRIORITY (VALUE OF 1–3) LOW / MED / HIGH	SCORE	WEIGHTED SCORE (WEIGHT x SCORE)
Connection to congregation	1 2 3	1 2 3 4	
Organizational activities align to mission of church	1 2 3	1 2 3 4	
Values of organization and church align closely	1 2 3	1 2 3 4	
Organization is financially resilient/stable	1 2 3	1 2 3 4	
Organization is able to sign a long-term lease	1 2 3	1 2 3 4	
Organization is able to pay commercial rates	1 2 3	1 2 3 4	
Opportunity to encounter new connections	1 2 3	1 2 3 4	
	1 2 3	1 2 3 4	
	1 2 3	1 2 3 4	

TOTAL SCORE

REVENUE PROJECTION

MONTHLY RENTAL INCOME ANTICIPATED OR OFFERED	
MINUS TRUE COST FROM TRUE COST ANALYSIS	
NET INCOME OR LOSS FROM THIS PARTNER	

EVALUATION FORM

NAME OF ORGANIZATION	
RENTAL SPACE	

FACTORS TO EVALUATE

FACTOR	WEIGHT/PRIORITY (VALUE OF 1–3) LOW / MED / HIGH	SCORE	WEIGHTED SCORE (WEIGHT x SCORE)
Connection to congregation	1 2 3	1 2 3 4	
Organizational activities align to mission of church	1 2 3	1 2 3 4	
Values of organization and church align closely	1 2 3	1 2 3 4	
Organization is financially resilient/stable	1 2 3	1 2 3 4	
Organization is able to sign a long-term lease	1 2 3	1 2 3 4	
Organization is able to pay commercial rates	1 2 3	1 2 3 4	
Opportunity to encounter new connections	1 2 3	1 2 3 4	
	1 2 3	1 2 3 4	
	1 2 3	1 2 3 4	

TOTAL SCORE

REVENUE PROJECTION

MONTHLY RENTAL INCOME ANTICIPATED OR OFFERED	
MINUS TRUE COST FROM TRUE COST ANALYSIS	
NET INCOME OR LOSS FROM THIS PARTNER	

GET PRACTICAL:

LOGISTICS FOR “HOW TO RENT WELL”

This tool has been focused on helping you think through how to go about renting your space in a way that is mission aligned with your congregation and will contribute to financial resiliency. Those are the most important aspects to work through. Once you have made those important decisions you will need to consider some practical and logistical aspects of renting space. Work your way through this list of questions, identify how to get the answers, and get your space rental off to a great start!

ALTERNATIVE OPTIONS

SHORT-TERM AND EVENT HIRE ARE ALSO AN OPTION

Much of this tool is designed to help you think about longer term leases. Alongside this, there are also opportunities for event hire, short-term rentals, pop-up restaurants (if you have a commercial kitchen), conferences and so on.

Having gone through this tool, you will have a lot of what you need to make a decision about whether you want to pursue these opportunities. Remember, figure out your estimated true costs, test for demand, evaluate potential renters and, of course, make sure money and mission are aligned!

LEASE

HAVE YOU CHECKED WITH THE PRESBYTERY?

Arrange a conversation to explore any relevant permissions or approvals required before entering into a lease agreement.

HAVE YOU WORKED WITH A LOCAL ATTORNEY TO DRAFT AND REVIEW LEASE AGREEMENTS?

We recommend that you hire a local attorney to help you draft the lease agreement and review it annually for any changes. Investing a small amount of time and money up front will save a lot of headaches later.

HOW LONG DO YOU WANT THE LEASE TO BE?

In addition to other terms and conditions - consider how long you want to commit to renting the space for. For example, one congregation signed a long-term lease with a cell phone provider for a rooftop antenna that generated good income with minimal impact. But then a few years later they had the opportunity to re-develop their building and property. Problems arose because the terms of the long-term lease prevented them from making changes to the building. The development fell through.

TAX IMPLICATIONS

Do you know what the income tax implications will be when you generate money from your lease? Will you have to pay property tax on the space that you lease out?

You may need to pay unrelated business income tax (UBIT) on the money that is generated. It is also important to check on any implications the lease agreement might have on whether you will have to pay any property tax. There may also be tax implications if your church holds a mortgage on its property.

Consult a local tax attorney or CPA with non-profit expertise and to understand the full implications of your rental program on taxation.

Also check out RootedGood's **What About Taxes?** tool for more information on taxation.

INSURANCE IMPLICATIONS

Are there any implications for your insurance policies related to leasing your space? Consider a written inquiry to your insurer, exploring whether there are any additional coverages required and whether you are covered for any liability resulting from the proposed lease agreement. Ensure that this is done prior to signing the agreement. You will likely want to obtain a certificate of insurance from your proposed tenant.

For more guidance and additional guidelines and recommendations for rentals, see Section 2:B:1 of PC(USA) Legal Resource Manual.

OTHER LEGAL QUESTIONS

Are there zoning ordinances that limit what kind of rental program you can operate? Are there food safety regulations you need to be aware of if your tenant is handling food? Are there other legal implications of the rental agreements you are considering?

INTERNAL POLICIES

What new, internal policies might you need as a result of adding this activity and income stream to your church operations? Do you need to change anything about the way money or keys are handled?

SCHEDULING

How do you plan to schedule the use of the space and minimize conflicts between users or groups? Does the lease agreement you have prepared give 24/7 access to the tenant or do they only have access during certain hours or days? How will scheduling be managed and by whom?

Start-up businesses like **Church Spaces, Space Together**, and **Venuely** are experimenting with ways to help congreations coordinate their space with users and tenants.

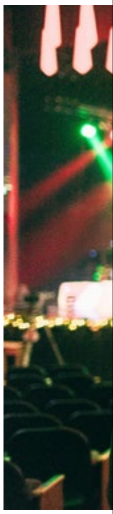
BUILDING ACCESS AND SECURITY

Who will have keys? What access will those keys provide? Do you need to make changes to the building (electronic key systems, video cameras, gates, new locks, etc.) to provide safe and available access for tenants or users along with other activities happening in the building? Are there special steps you need to take to ensure the safety of children on your premises?

STAFFING

Does your existing model and structure provide adequate capacity and expertise to add rental activity to your operations? Do you need to hire or train staff to add expertise or capacity?

BRINGING THE CONGREGATION WITH YOU



Deciding to rent your space will bring change for your congregation and it is important to bring them along with you. As we all have experienced, there are often multiple opinions and emotions in a congregation about changing the use of a space – from excitement, to fear of change, to sadness about what has been lost. We recommend finding opportunities to repeatedly communicate:

- ★ Why you are pursuing rental income and how it connects to both mission and money. Communicate the ways in which the new income will help.
- ★ The process you have chosen to follow (this tool!) and who was involved.
- ★ Who the tenant is.
- ★ Practical ways the congregation can love the new 'neighbor'.

INSPIRE OTHERS

Share your story with others, including your Presbytery and PC(USA)

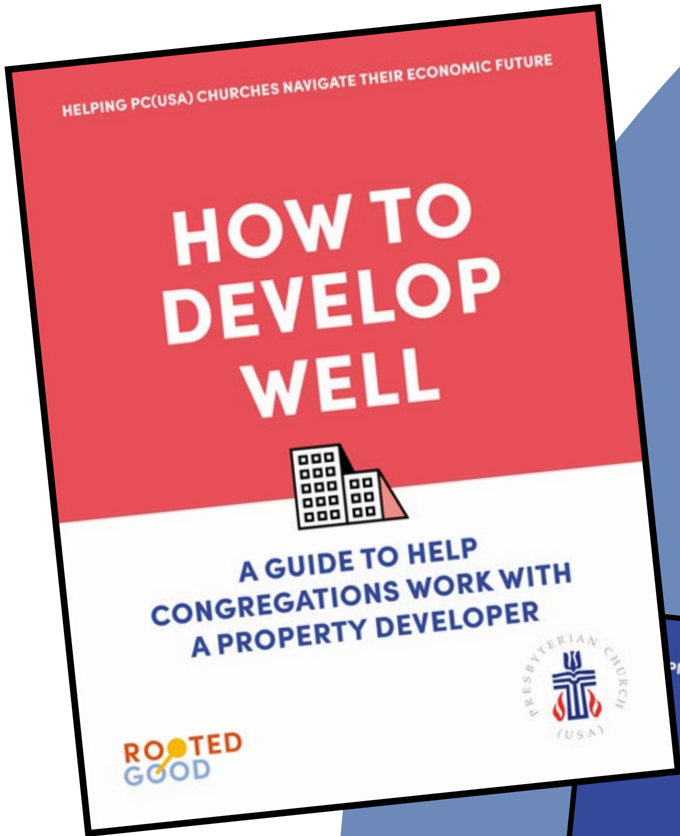
Some ideas that might be helpful related to the last point. Feel free to pick one and make it your own:

- ★ Ask for people to volunteer to help get the space ready. Maybe include a ritual or practice thanking God for all the things that have happened in that space and blessing it as a space that will be a fruitful place for the organization who is going to use the space. The blessing could be repeated at the next service for those who weren't there.
- ★ Put together a welcome basket, using volunteers from the congregation. This could include hand written notes from the congregation, some information about the history of the congregation, and, of course, chocolate and coffee!
- ★ Host a potluck and ask the new renters to come and join in and share about their work with the congregation.

This tool is one in a series of resources designed in partnership with PC(USA) to help congregations discern their future economic models.

THE GOOD FUTURES ACCELERATOR

goodfutures.teachable.com/p/good-futures-accelerator-pma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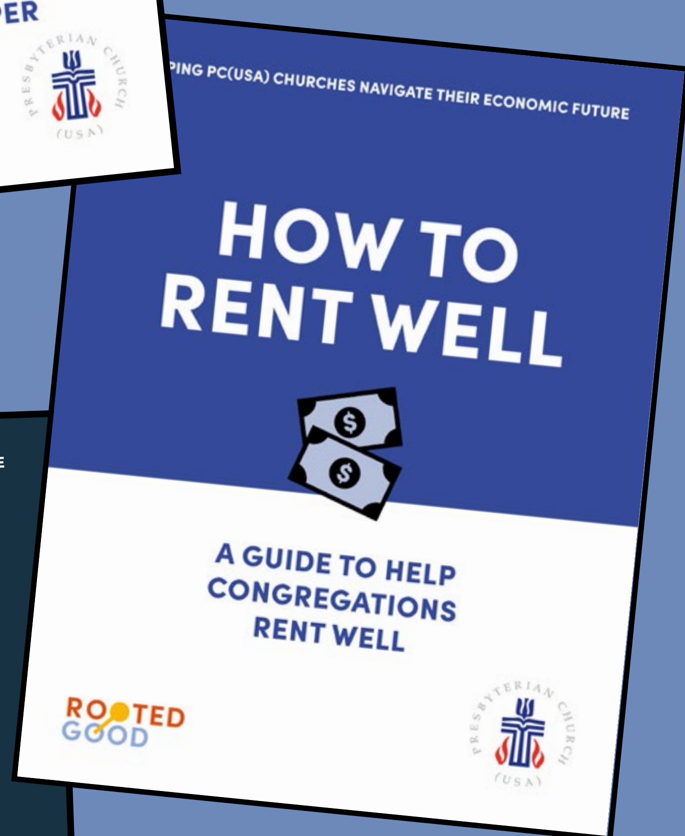
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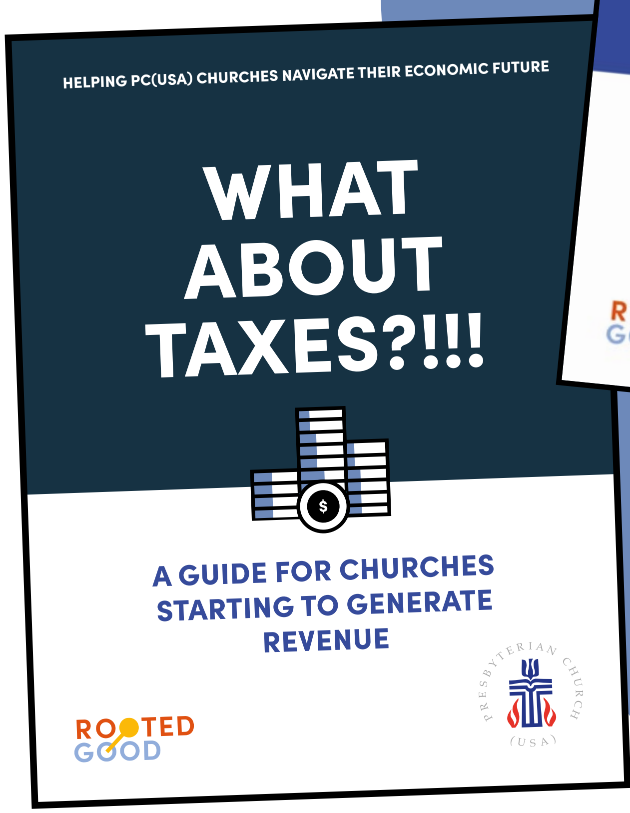
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Give us your feedback!

We are always learning and improving our resources.

Scan the code to tell us how this tool worked for you and what changes or improvements you'd like to see in it.

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