



**Dominic
Dutra**

DEVELOPING A REQUEST FOR PROPOSAL

Now that you've met with your congregation, received authorization to explore your options, and engaged a competent and trustworthy real estate broker, you are ready to let the world know.

The vehicle for seeking these options is a Request for Proposal ("RFP"). The RFP should be developed by a real estate broker that has proven experience and references with respect to working with faith-based organizations. This broker should not only have the required real estate expertise necessary to design the RFP, but they must also understand the need to evaluate the missional aspects of various proposals as well. If you're seeking potential merger partners, you'll want someone from your denomination or an independent "church consultant" to evaluate forthcoming proposals too.

The RFP will include extensive floorplans, site plans, and photographic and video imagery. It will also include the objectives of the pastor and congregation with respect to any desired use of the building by groups that may currently be using the facilities. This may include portions of the building that are used for administrative, ministry, and/or worship. My recent experience with a church of the Nazarene may prove to be a good template for your own efforts in seeking solutions.





The Church of the Nazarene (the “Church”) is seeking proposals for the lease of all, or a portion of, their facilities and property (the “Property”) as detailed in the Request for Proposal. While the Church wants to remain as open as possible with respect to the lease of all of their Property as a means of garnering proposals that are optimized in terms of the users benefit (and thus the financial impact for the Church), it would be wise for Interested Parties to also consider the following Key Objectives of the Church.

- The Church believes that its property is an ideal opportunity from a facilities, parking and location perspective and, as such, should garner market-based rental rates for its use.
- The Church plans to use the income gained from the rental of the property to fund a number of other ministries that are less dependent on the facilities (community outreach and other outward facing ministries).
- The Church is open to a tenant using the entirety of the Property on an exclusive basis. With that said, uses that may complement rather than compete with the traditional days and hours of church use may garner additional consideration. Assuming that the Church (and other churches) uses portions of the Property on Sunday (full day) and Wednesday (evening) for worship services and related ministries, as well as 1-2 offices during the week, a user that could accommodate these needs may garner additional consideration. For example, a preschool may lease the entirety of the building but may operate primarily during weekdays. As such, and without overly discounting the rental rate, the preschool may be open to accommodating the Church on weekends and weeknights. If so, this should be incorporated into the proposal.
- Proposers should expect to pay 100% of the maintenance, property tax, insurance, and other costs associated with their use of all, or a portion of, the Property.
- It should be noted that proposals that are more missional in nature, as opposed to purely financial, will necessitate a program that aligns with ministry objectives of the Church (and also include as much financial assistance as possible).
- Proposers should be prepared to provide proof of their financial capacity to meet the proposed lease terms and evidence of insurance.

MINIMUM LEASE TERMS

Prospective Lessees will enter a lease containing the following minimum terms and conditions, and all proposals must address these lease terms and conditions:

1. The Lease will be an Absolute NNN/Bonded Lease: No landlord responsibilities. Tenant is responsible for taxes, insurance, maintenance, and capital improvements and reserves, including, but not limited to, roof, external parking lot and hardscape, painting (interior and exterior), etc.





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2. Lease period will be a minimum of _____ (___) years (“Base Term”) with potential options to renew.
3. The Rentable Square Footage for the Premises is approximately _____ sq. ft.
4. Lease proposals shall include the right of the proposer to work with Church staff to conduct appropriate due diligence on the Property. With this said, the lease of the Property is to be “as is” without warranties or representations, expressed or implied, concerning the suitability of the Property for the proposer’s intended use except as expressly stated in the Lease and will require Lessee to be responsible for any required permits, ongoing maintenance, capital improvements, and reserve costs.
5. Lessee alterations or improvements to the Property are subject to the consent of the Church, with such consent not to be unreasonably withheld.
6. Payment Provisions: (Proposer to input proposed lease rates, etc.)
 - RENT: Annual absolute net rent (meaning tenant pays all costs related to the property) shall be \$_____ / sq. ft. of space.
 - Annual rent increases shall be proposed by the respondent but should not be the greater of three (3%) percent or the annual adjustment in the Consumer Price Index.

In releasing an RFP of this nature, it should include the following very important caveat to this exploration.

The Church reserves the right to accept proposals at any time or to reject all proposals at its sole discretion. In selecting proposers with whom the Church will enter into an agreement for the lease of their property, pursuant to this Request for Proposal, the Church may consider a range of factors, including the financial terms offered; the experience, expertise and professional qualifications of the proposer team; the nature, scope and extent of impacts of the proposed use; overall benefit to the Church, and other appropriate criteria. All proposals will be subject to review by legal counsel for the Church and any and all civil and/or canon law, Church committees and/or Board approvals associated with the lease of church-owned properties. All proposals must contain proposed lease terms and documentation of financial responsibility (detailed below). All inquiries associated with the property, to garner assistance in a tour of the property, and all proposals should be directed to:

[Broker Name and Contact Information.]





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An RFP of this nature will then be marketed as broadly as possible for approximately sixty (60) days in order to gain a true perspective of what lease/use options are available with respect to the rental of all or a portion of the church facilities and property. All proposals will then be evaluated from both a missional and financial perspective by the leadership team, as informed and supported by their real estate broker, the denomination and/or an independent church consultant. At this point, consideration of the sublease of portions of the property to smaller, ethnic and/or start-up churches will take place. In doing so, the Church will be able to more effectively weigh the missional and financial implications of doing so because they will have a more holistic perspective based on the proposals received.

The broker will then reach out to a subset of the proposers that leadership assess as viable options. The broker will work with these entities to refine their proposals and to also schedule interviews with the leadership team and/or the congregation. To the extent viable options remain, the broker will work with both the Church and the selected/preferred proposer to detail more specifically the areas of the Property to be used on an exclusive and on a shared basis. As noted, this may include any sublease or portions of the building to smaller, ethnic and/or start-up churches. Once this work is approved by both the Church and selected proposer, the broker will prepare a formal Lease and Shared Use Agreement for review by both parties (and their respective legal counsel).

The Church is exploring options and will have most likely received a number of proposals. And while the real estate broker and/or church consultant will be providing their professional counsel with respect to which of these proposals may be the best fit for the Church, nothing is legally binding. This is why these proposals often begin with a Letter of Intent. The intent of the parties is what is being negotiated as a precursor to a legally binding document. This is why most Letters of Intent include the following provision;

NONBINDING: This Letter of Intent is non-binding on either party until fully executed Lease documents are exchanged by both parties and is subject to final review and approval by Buyer's legal counsel and officers.

With that said, legal counsel should be engaged to advise the Church prior to any Letter of Intent being signed and, certainly, before a legally binding lease, sale or merger agreement is signed.

