



APOSTOLIC ASSEMBLY OF THE FAITH IN CHRIST JESUS

General Secretariat 2025 Workshop: Protecting the Church's Mission "The Resolution Process"

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SCRIPTURAL FOUNDATION

1 Corinthians 14:40 – *"Let all things be done decently and in order."*

WHY IS THE RESOLUTION PROCESS NECESSARY?

We get it. No one likes dealing with "red tape" and bureaucracy when you want to get something done. While we understand the frustration that many real estate transactions can bring to pastors and local churches, we also recognize the value of a refined process that is designed to ensure that every transaction is completed with diligence, prudence, and for the benefit of the local church. The resolution process fulfills both a biblical and constitutional mandate to let everything that we do, be done decently and in order.

The Real Estate Department exists to support the needs of the local church and its pastor, to facilitate all real estate transactions. Additionally, we strive to use our expertise in Commercial Real Estate knowledge and practices to protect the local church, and organization, from potential legal challenges that can easily happen in real estate transactions.

The Concept of Dual Control

Most financial institutions have some form of "dual controls" implemented into their process. A dual control is when the ***process of approval requires more than one person to review before an approval can be granted.*** Although dual control processes take a little more time, the purpose of dual control is to **reduce liability and to protect the integrity of those making the decision.**

Proverbs 11:14 says, *"Where no counsel is, the people fall: but in the multitude of counselors there is safety."*

While we are not a financially regulated institution, we are an organization that has established processes and guidelines that include forms of "dual controls" – or multiple approval levels – for the legal protection and safety of all. The Resolution Process is one such process that allows us to have multiple layers of review and approval before we finalize legal transactions.

CHALLENGES WITH CHURCH REAL ESTATE TRANSACTIONS

Why does it seem that church real estate transactions are so much more complex than a typical residential transaction? There are several reasons for this (which we will discuss later), but the primary reason is because church real estate transactions are the most volatile investments in the Commercial Real Estate Market.

A recent Gallup survey revealed that in the last two years, more than 800 church properties in the United States have foreclosed (failure to make the mortgage payment) as a result of economic downturn, overextension of maturity dates, and the absence of denominational support. In California alone, 133 church properties were sold at auction in the last two years, and 586 church properties have received delinquency notices from lenders.

What Are Some of the Common Challenges Churches Face in Real Estate Transactions?

- 1. Title Complications:** Church organizations with long histories may face unclear property titles, especially if land was originally held in trust by individuals whose heirs are now involved. This can hinder sales or refinancing efforts. The average cost to fix title issues per property ranges from \$1,500 to \$5,000, depending on the complexity of the title issue.
- 2. Legal Errors:** Church organization bylaws may require congregational approval for property transactions. Failure to adhere to these requirements can lead to disputes or legal challenges, as seen in cases where property decisions were made without proper authorization.
- 3. Financial Overextension:** Some churches have taken on large mortgages to expand facilities, anticipating continued growth and donations. Economic downturns or declining membership can make these financial commitments unsustainable.
- 4. Valuation Errors:** Finding an accurate valuation on a church property may be difficult depending on the geographical region the church is located in. Heavily populated city areas tend to have higher valuations than more rural areas. Sometimes, churches get “duped” on valuation by realtors who essentially fabricate or over-extend property values.
- 5. Maintenance & Repair Costs:** Aging church buildings can incur high maintenance costs. Estimates suggest it costs congregations \$7–\$10 per square foot annually to operate church buildings, excluding staff or service expenses.

These are just *some* of the challenges that churches can face during real estate transactions. For these reasons, the Real Estate Department exists to **be a partner** with the local church and act as a professional resource that the pastor can rely on to advise him on the correct steps to take in every transaction.

VISION VS. REALITY

There is nothing wrong with having a vision – in fact, vision is biblical and necessary for growth. But we must understand the difference between **vision** and **reality**.

The vision is where we want to be – what we hope to become. The reality is where we currently are and the acknowledgement of our present circumstances.

The Real Estate Department does not exist to kill the vision. On the contrary, we want to help you realize the vision. However, our solemn responsibility is to carefully analyze every transaction and possible scenario to ensure that the real estate investment your church wants to make is possible. Sometimes this level of diligence requires for us to **slow things down** and carefully consider every implication and possible outcome.

- *Church A: Purchased vacant lot with marsh land and protected species. Unable to build. Stuck with mortgage and no plans to build.*
- *Church B: Purchased a building after being advised not to purchase it. The purchase was completed without completing an appraisal or Environmental inspection and through a private lender. For personal reasons the pastor decided to leave the congregation with the building and mortgage. Found out after he left that there was an oil spill 40 years before and now the church could not be refinanced with a new lender and the building could not be resold.*
- *Church C: Purchased a vacant lot without following the resolution process with the desire to build a prefabricated building. After spending all of the cash savings on the lot, they found out that the city zoning requirements would not allow a prefabricated building on that lot. This changed their building plans and when they went to apply for a loan, they were denied because they had no savings, no cash, and no collateral. The pastor decided to sell the property to recoup his investment – it's been almost three years and no one has come to buy it. Now the church is renting a small building and sitting on an empty lot they can do nothing with, and have no money to build.*

These are just *some* real life examples of challenges that could have been avoided if the Real Estate Department was consulted and worked together with the local church, prior to completing a real estate transaction.

THE BASICS

While every resolution process varies in requirements depending on the type of resolution, there are several basic elements that are applicable to every resolution. Today, we want to share them with you. For more specific resolution requirements, you may visit our website – www.aarealestate.org – and watch our informative videos and download the proper forms:

1. **THE CONSULTATION** – It is important to begin every possible real estate transaction with a complimentary consultation with our team. Just by sharing some preliminary information, we are able to help give some reasonable advice on how you might proceed with a transaction. **The consultation is NOT an approval to move forward or sign anything.** At the conclusion of the consultation, our team member will advise you on next steps.

2. **THE FINANCIAL PREQUALIFICATION** – no matter what kind of transaction the resolution is for, we must **always** review the local church’s financials and ensure that all financial prerequisites are met. If a church’s finances are not in order, or a clear plan has not been laid out to acquire the necessary finances, then we will immediately recommend you pause your plans until your finances are in order.
 - a. **Lender Pre-Approvals** – If a loan is required, the local church **SHOULD NOT** create, sign, and complete any resolutions until an official Letter of Intent (LOI) has been given to the local church, by the Real Estate Department. The specific financial arrangement, including all loan details, are a requirement for the resolution process.

3. **LOCAL RESOLUTIONS** – In order for a resolution to begin, the majority of the baptized church members and the local ministerial body must be in agreement with the terms of the resolution. This is accomplished through the **Local Government Resolution** and the **Local Member Resolution**. These resolutions require 50% + 1 person, majority approval with wet signatures on each page of the resolution. The correct resolution forms are provided by the Real Estate Department.
 - a. **Supporting Documentation** – in addition to the resolution documents, the list of supporting documentation (i.e. – insurance, bank statements, property information, etc.) must be completed and submitted to the Real Estate Department for review.

4. **DISTRICT RESOLUTION** – Once the local church has satisfied the requirements of the local resolution, they are required to submit their resolution, along with all supporting documentation, to the District Board for review. **It is the responsibility of the District to review each resolution request analytically and verify that the church meets the minimum requirements to proceed with the resolution.** Once the District Board votes and makes a decision, they complete a District Resolution, using the template provided by the Real Estate Department.

5. **DOCUMENTATION REVIEW & VERIFICATION** – At this point, the local resolution and District resolution is provided to the Real Estate Department for review and verification. All documentation is carefully reviewed for accuracy and legitimacy. If everything is in order, the Real Estate Administrator prepares his recommendation to the General Board of Directors, along with the recommendation from the General Treasurer. This resolution is then presented at the next monthly General Board Meeting.

6. **CORPORATE RESOLUTION** – After the Real Estate Administrator presents the resolutions to the General Board for review, the General Board votes and makes a final and collective decision of approval or denial. That decision is recorded in a Corporate Resolution, which is later sent via email to the pastor and District officials. If the resolution is approved, then the Real Estate Department works with the local church to begin the official documentation process.

Note: *An approved Corporate Resolution does not guarantee the completion or closing of a real estate transaction; it is simply the approval required to move forward. Once an escrow period is opened, that is when the Real Estate Department works on behalf of the local church to ensure that all of the correct formalities and legal processes are followed accurately. In rare cases, challenges can be uncovered with some transactions that require further investigation, or even the cancellation of the transaction altogether.*

CONCLUSION

The Real Estate Department is here to serve and help our local churches and pastors with all of their real estate transactions. Additionally, we are here to protect the organizational interests of the Apostolic Assembly and ensure that every transaction is completed with diligence and wisdom. It is never our desire to hurt any church, or hinder its growth; on the contrary, our desire is help churches realize their dreams and vision come to pass – even if it takes a little longer than we would hope for. Our desire is to help you carefully plan your real estate investments and to make your church’s vision become a reality!

*“For which of you, intending to build a tower, does not sit down first and count the cost, whether he has enough to finish it—lest, after he has laid the foundation, and is not able to finish, all who see it begin to mock him, saying, ‘This man began to build and was not able to finish?’” – **Luke 14:28-30***