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Sharing Spaces: A Beginner's Guide for Churches in the Episcopal Diocese of Los Angeles

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Introduction

If you have underutilized buildings, land, or parking lots, it makes sense to look for ways to share your property with other organizations whose purpose aligns well with the church. Though certain laws constrain nonprofit organizations from renting space for purposes outside of their mission, there are no outright prohibitions. This manual provides guidance on how to:

- 1) decide what is in the best interest of your parish
- 2) attract the customers you want
- 3) comply with laws and best practices for having others use your property.

Types of Income- Producing Uses

There are different types of income-producing properties, residential and nonresidential. **Residential properties** are used for housing and **nonresidential properties** are used for everything else, such as: office space, warehouses, retail, recreation , events, camps, education, institutional purposes, and more. Many churches also have land that could be leased for temporary purposes, such as a garden, or for many years, such as for accommodating construction of housing, schools or daycare.

If you are considering doing something that is outside the already-approved activities of your campus (which you can discover by seeing what your local planning department has on file for your property), you will need to check with government authorities to be sure that it is a permitted or allowable use. Moreover, if you host a business -such as day care- you are subject to different life, safety and building codes, and responsible for obtaining the required municipal business license from the city and/or county in which the property is located.

For the most part, incidental uses that are commercial (e.g. fundraising programs like Rummage Sales) would not disqualify your local or state tax-exemption, but it is crucial to determine this in the early stages of planning.

Market Research: Who Needs It?

Start by brainstorming a list of possible uses for your property and other assets. Engage your membership and others in your community to explore how your church could practice discipleship in action. We recommend using a “SWOT” analysis framework to identify the Strengths and Weaknesses of your church, and the Opportunities and Threats that your community is experiencing. For example, you could interview elected officials, neighbors, and leaders of local social service organizations.

As you explore possibilities, stay true to the general mission of the Episcopal church. For example, we would not rent to an organization whose purpose is to advocate for the legal discrimination of persons based on sexual orientation or country of origin.

Market research is all the data you find on each of your potential customer groups. Your **market** is the term for the general customer you want to attract to rent your property. Market research is a vital component to successfully renting your property. In real estate, market research is largely based on similar properties in the surrounding area of your property that this customer group might use. Analyzing the other amenities of your neighborhood, such as parks, shopping malls, and restaurants, will help you determine if there is actually a market for the intended use of your property.

For example, if you want to rent your hall to dance companies for their recitals it is important to know the number of dance companies, average number of recitals held, typical number of attendees and or families with children who dance. A relatively large number of dance companies who all have multiple recitals a year in close proximity to your property would indicate there could be a market. If there are not a lot of dance companies but there are a lot of families with children who dance, a dance company may consider using your facility to accommodate those families.

Researching the average number of recitals dance companies hold a year is also important information. If a dance company holds only one recital a year, there may not be a big enough market. Yet, if there are a large number of dance companies in need of space in a location like yours with the features you can provide, the market could still exist.

Researching your customer is just as important. First, you must clearly **identify your customer**. Your customer is the person who will actually be paying you to use your property. Your property’s value proposition must match the price your customer is willing to pay. Researching whether or not your intended customers will actually be willing to rent your property is essential information. You can collect data by emailing surveys or conducting phone surveys to businesses and individuals in your target market. Ensure questions are direct and accurately reflect the potential customer’s willingness to pay and what features they expect.

Land Use Laws & Regulations

When determining possible uses for your property, first make sure their business activity does not violate your property's permitted uses. In your deed -or in other city or County land use/zoning regulations- there will be restrictions that prohibit you from engaging in specific uses or conducting certain activities like parking or food preparation/service. Your property may be subject to certain **zoning laws**, based on your local municipality, **state laws**, or other government ordinances, such as restrictions on the hours or types of business operations in your area. A **Conditional Use Permit (CUP)** or city/county permanent change in the Permitted Uses may be required if your desired business activities are not currently allowed. Instructions for applying for a CUP or permanent change in use are available on your local government's website.

Federal, State and Local Taxes, Assessments and User Fees

Paying Federal, State and Local Taxes, Assessments and User Fees is not a bad thing. If your church is able to generate a significant amount of revenue that outweighs the cost of taxes, fees and user charges from the government, and which do not invalidate your status as a charitable institution, it will benefit your ministry to pay for the cost of services needed for your business. However, there are a number of fairly complex laws associated with federal, state and local taxes so you will want to consult with an attorney, accountant or local urban planner to make sure you are in compliance. What follows is a very general introduction.

Federal Income Tax Exemption and Unrelated Business Income Tax (UBIT)

Nonprofit, 501(c)3 organizations are chartered to serve charitable purposes for the benefit of society. Government regulations are in place to make sure that they spend their time and money fulfilling charitable missions. Business activities must have a "substantial, causal relationship in achieving the organization's exempt purposes," as stated in your IRS form 1023 and your annual Form 990. Churches are exempt from federal income tax if they meet six requirements:

- 1) The church is a corporation.
- 2) The church is organized exclusively for exempt purposes.
- 3) The church is operated exclusively for exempt purposes.
- 4) None of the church's net earnings and inures go to the benefit of any private individuals.

5) The church does not engage in substantial efforts to influence legislation

6) The church does not intervene or participate in political campaigns.

The IRS allows charities to operate a trade or business that is not directly related to their mission without losing tax exempt status, as long as it is not a substantial component of the organization's operations. A significant portion is considered 20% or more. For example, if a tax-exempt organization exists to provide clean drinking water for people in Africa, and they have a social enterprise grooming dogs, such an enterprise cannot consume more than 20% of their annual operating expenses. A church is not entitled to exemption from federal income taxes if any of the church's net earnings and inures go to the benefit of any private individuals other than as reasonable compensation for services rendered, or as distributions indirect furtherance at the church is exempt purpose. Nonprofit organizations are expected to pay taxes on net profits (not total income) over \$1,000 from unrelated business activities.

For example, as a church, profiting from renting your property to a coffee shop would probably be taxed as an unrelated business activity. However, if after you factor in the costs of renting the space, your profits do not exceed \$1,000, you should not be taxed on those profits.

The IRS uses a three part test to determine whether income generated is substantially related to your organization's exempt purpose.

1. Is it income generated through the operation of a trade or business?
2. Is it carried on regularly, similar to commercial business?
3. Is it substantially unrelated to the exempt purpose of the organization?

There are also exclusions and exceptions that allow unrelated business income to remain tax exempt. Investment income such as dividends, interest, royalties, certain rental income, and gains or losses from the disposition of property are generally excluded. Work performed by volunteers is tax exempt. Products or services provided primarily for the "convenience" or benefit of its members, users, students, patients, officers, or employees are considered tax exempt. An example would be a school cafeteria or a shop selling articles that you can only access after paying admission and entering the location. Selling merchandise that was donated, like thrift stores, is also an exception.

If you are launching a venture which is unrelated to your mission but will generate significant revenue for your ministry, there are alternative options you may want to consider. One option is to create a for profit subsidiary, making your organization a majority owner of the new entity. This could insulate your organization from liability associated with the business. It could also increase your ability to receive other sources of funding from traditional investment sources. However, this involves creating a second Board of Directors and can create issues between the two Boards.

Property Tax Exemption

Even though you are exempt from **income taxes**, you may not be exempt from **property taxes**. Mere ownership of a property by a nonprofit organization does not satisfy the requirements for property tax exemption. The nature of your property tax exempt status is dependent on several factors. It is important to be mindful of unrelated business activities, the amount of income generated, and the groups benefiting from using your property.

As a church, you are able to apply for **Welfare or Religious Exemption** for exemptions of owned real property and owned or leased personal property used for worship and other purposes. **Real property** is property that is not movable. This includes land, buildings, or other fixtures that are attached to the land or building. **Personal property** is movable property, which is essentially everything other than land or buildings.

California property tax laws provide for three property taxes exemptions that may be claimed on church property:

1. The Church Exemption, for property that is owned, leased, or rented by a religious organization and used exclusively for religious worship services.
2. The Religious Exemption, for property owned by a religious organization and used exclusively for religious worship services, and certain school activities. The exemption may also apply to leased personal property.
3. The Welfare Exemption, for property owned by a religious organization and used exclusively for one or more of the above activities or any other religious activities. The exemption may also apply to leased property if both the lessor and lessee qualify. In other words, both the organization and property use must qualify for the exemption.

The exemptions apply to property taxes but not to special assessments for road improvements, stormwater drainage and other special purpose agencies. For purposes of these exemptions, the term “used exclusively” means that the property is used exclusively for the stated exempt purpose and excluding any other use. However, uses that are incidental to or reasonably necessary to accomplish the organization’s exempt purpose are also allowed. Incidental uses must be directly connected with the exempt purpose and advance that purpose.

The Church Exemption and Religious Exemption are administered by the Assessor of the county where the property is located. The California Department of Tax & Fee Administration (formerly known as the Board of Equalization, BOE) establishes state-wide forms and procedures necessary to claim these exemptions and provides guidance to county officials. Your County Assessor’s office can provide detailed information and guidance on their website and by calling them.

The property tax exemption may apply when other organizations use the church’s property. Examples of uses that do not disqualify the property from the exemption include:

- Incidental use by nonprofit, charitable groups such as Boy or Girl Scouts, 4-H, or civic improvement groups. The incidental use may not interfere with the use of the property for religious worship.
- With such groups, the church may not charge the organizations for the incidental use except to recover the church's ordinary and necessary expenses for making the facility available for that use, such as janitorial and utility costs. Recovering some of your ongoing expenses is discussed in more detail in the pricing section of this manual.
- Religious worship conducted by another church.

Before allowing another organization to use your church property, you should first determine whether the proposed use will disqualify the property from the Church Exemption. You can contact the BOE to determine whether the proposal might invalidate the exemption or whether you will be required to pay a tax based on the actual use associated with the business.

There are certain full-time uses of property that will not qualify for property tax exemption even though they are conducted by a nonprofit organization. Fundraising, unrelated business activities, and allowance of other unqualified individuals or organizations to use the property for private benefit are excluded from property tax exemption. However, there are opportunities to engage in these activities and maintain property tax exemption. Similar to preserving your income tax exempt status, if unrelated business activity only contributes to offsetting your expenses or is not “substantial” and there is not a significant gain, your property tax exemption may still be protected. If the church's nonexempt activities comprise more than and an “insubstantial part of its overall activities”, the church may lose its exempt status or be required to pay unrelated business income tax.

If another exempt organization leases or obtains a property right to your property, the church's tax exemption would be unaffected by this use; however, the lease would need to be approved by the Diocese. In addition, if your property is primarily used for charitable purposes, a nonexempt group may still be able to use your property for unrelated business activity. Again, if unrelated business activity only contributes to offsetting your expenses and there is not a significant gain, your property tax exemption may still be protected.

Since every situation is different, you will definitely want to consult with a land use attorney or accountant with a specialization in government taxation, and that is familiar with federal, state and local tax law before launching your venture. Here's a very hypothetical example to illustrate how all these taxes might go together:

Your church rents your parking lot to a valet service and is paid \$15,000 for the contract.

First, calculate your expenses for managing the leasing and maintenance of the property. Who is paid? What other costs do you have that should be allocated to this activity? Let's assume that you pay a part-time manager, buy insurance and purchase supplies for cleaning, totaling \$5,000 annually.

$$\$15,000 - \$5,000 = 10,000$$

Next, anticipate the Unrelated Business Income Tax which would be assessed by the IRS on your profit (Assumes that the Unrelated Business Income Tax rate is 15%):

$$\$10,000 - \$1,500 (.15 \text{ of } \$10,000) = \$8500$$

Next, let's calculate the property taxes your church would have to pay if the value of your property is \$500,000 and half of it is the parking lot. The property tax rate in California is 0.77%.

$$(\text{Property Value}) \times (\text{Property Tax Rate}) = \text{Property Taxes. } 250,000 \times 0.0077 = \$1,925$$

Thus, your net revenues might look like this:

$$10,000 - (1500 + 1925) = \$6,575$$

In this example, your church would net \$6,575, even though you have paid taxes.

So yes, dealing with tax issues is complicated, but there are lots of help and it is worth the effort to figure it out!

Other California-Specific Laws & Regulations

All nonprofits must file the **Statement of Information (Form SI-100)** every 2 years. The purpose of Form SI-100 is to assist the Secretary of State in maintaining updated information about California corporations. The form may be filed electronically. It is \$20 and is due within 90 days of filing of the initial Articles of Incorporation and thereafter is due every two years during the calendar month that the Articles of Incorporation were filed and can be filed up to five months in advance of that date.

Nonprofits with unrelated business income (UBI) must file the **Exempt Organization Business Income Tax Return (FTB Form 109)** for years when they had *gross profit of more than \$1,000 from a trade or business unrelated to their exempt purpose*. The form must be filed on or before the 15th day of the fifth month after the close of the fiscal year (for example, if the year ends June 30, the form is due no later than November 15). Similar to the federal requirements, when you are creating a budget for a venture, it is important to include a portion of your general operating expenses (insurance, utilities, maintenance) in that budget to reduce the venture's profits and provide coverage for some of the church's overhead costs.

Determining the Costs of Sharing Your Property- Pricing

In pricing your property, you need to consider the costs. The price should always be above your total cost. The ultimate goal in renting your property is to generate more money that will help your church serve your mission. There is going to be a lot of time and effort on your part as the property owner for renting your property, and you want to make sure it is actually worth it. In pricing your property rental, there should always be a buffer, in case things do not go exactly as planned.

Cost Analysis

There are many “dos and don’ts” to ensure that the benefits exceed the costs of inviting others to share your campus. One of the most important things to do is a deep dive into all the expenses that are attached to owning the property. Your base cost includes any additions or improvements to your property, repairs to property damage, utility costs (gas, phone, wifi, electricity), and any legal fees that will be included in leasing your property.

Once you know total costs for expenses such as utilities, maintenance and repairs (remember that with more use, these expenses go up), you can include a percentage of those costs in what you charge. A standard method for doing this is to determine your total costs for such items and establish a per square foot cost, by dividing the total costs by the number of usable square feet in your building. Then, determine how many square feet your tenant will be using—they should pay the full cost per square foot for their space plus a pro-rated share of costs for common areas such as hallways and bathrooms.

Step 1: Determine rentable space or the actual square footage of your building.

Step 2: Subtract the square footage of the common areas from the rentable space, which gives you the usable square footage.

Step 3: Divide rentable square feet by usable square feet.

Step 4: Subtract 1 from the equation in Step 3 to get the load factor.

Market-Based Pricing

You can choose to price your property in several ways. We described cost-based pricing above. The analysis in cost based pricing requires you to add up all the expenses for your property during the rental period and include a share of those expenses in your rental charge.

Market based pricing is another valuable method for pricing your property -whether renting for a day or a year- to make your business venture competitive and successful. This method focuses on the market

price and the rental price schedules (what is included, what is extra, deposits, etc.) of comparable properties for similar use. The market research you do should enable you to utilize this pricing method based on your target market for each rental use. For example, if you want to rent your parking lot to a parking company, you must research the rent for other local parking lots with the same features. If you want to rent your hall to organizations and families for events, you should investigate all other choices they would have and what and how they charge. If you want to rent your building to a coffee shop, you would want to research the market price for renting similar size and location retail space.

A big factor to consider is your property's location. If your property is on the beach in Malibu and you have a parking lot that can fit 50 cars, the price you are able to charge your tenant is significantly higher than a 50 car parking lot in Tarzana. A simple lesson in supply and demand can illustrate the price customers are willing to pay, and in turn the rent you are able to charge your tenant. If parking is in high demand near your property's location, then your tenant will be able to charge more for parking, and in turn, you will be able to charge more for rent. However, if there is a low demand for parking and a surplus in supply, then your tenant will not be able to charge as much for parking, and therefore the market price for rent in your location would be lower than in a high demand area.

Similarly, if you are renting space for events, distance from the freeway, traffic, parking, ability to cater in a large space, accessibility for those with mobility challenges, etc., should also be investigated (and used in Marketing as well). Thus, the location and features of your property are key facts for determining how much your tenant will be willing to pay to rent or use your space.

Getting Ready to Lease

You can rent out your property for a single or recurring event. This is an effective way to generate income, if you do not have a long term tenant. A single event could be a school production, a graduation, or a recital. These events are not weekly or monthly events. In contrast, a parent meeting or a recovery group meeting would be recurring events that most likely happen every week or month. These events would need an event facility space rental agreement.

Short Term Leases

In an Event Facility Space Rental Agreement, the lessor or the owner of the property outlines the terms and conditions for the lessee or tenant to abide by as well as what features will be provided. The lessor should describe the space, outline the payment schedule, list any non-refundable fees and/ or security deposits for the space. It is common for the lessor to require the lessee to make a non-refundable deposit within 30 days of the event. We have included a number of templates/examples of such agreements in our appendix.

It is always better to clarify too much than too little. The contract between the lessor and the lessee should include the following:

- The names of the venue, the owner and the renter
- The address of the venue
- The start time and date and end time and date of the rental
- Features provided
- The rental deposit amount, and when it is due
- Provisions for a security deposit, if relevant
- When final payment is due
- Consequences for late payment
- Any other terms or expectations

One common pitfall many people fall into is attempting to market to a variety of customers. Especially during the start-up of a business, it is crucial to identify your most likely and lucrative customers rather than attempting to serve everyone. For example, a church might be tempted to market renting their building for events and also renting their parking lot to a parking lot company. While this may seem like a good idea, a major event would likely conflict with the parking company's users.

Long Term Land Uses

If you are considering a long-term lease of your land or property for projects ranging from housing, schools or cell phone towers, you will likely need to engage the services of legal and/or land development professionals (for fee or *pro bono*) to ensure the proposed use is permitted and allowable by the local jurisdiction or prohibited by any valid or unlawful restrictive covenant associated with the property.

Also, Diocesan canons require the written consent of the Corporation of the Diocese and Standing Committee prior to any parish's sale, exchange, mortgage, or other encumbrance, disposition, or acquisition of its property. The prior written consent of the Bishop is also required for all mission churches.

To support parishes in preparing for a lease or sale, the Diocese has developed a guide to acquaint and assist you with the process, and to promote a working partnership between your congregation's ministry and the overall ministry of the Diocese. You can obtain a copy and personalized guidance by contacting the Finance Office.

Underwriting Tenants

As the owner of the property, you must analyze the risk of allowing another party to use your property. The process of determining whether or not your potential tenant would be able to actually uphold their terms of the lease is known as **underwriting**. To do so, you want to analyze these components:

- Financial statements/income statement–balance sheet.
- Credit ratings.
- Any analyst reports on the firm/industry.
- Bank relationships.
- Existing obligations (debt, other leases).
- Past history in similar situations.

Understanding the Fine Print: What is in a lease?

A **lease** is a document that outlines the terms and conditions for allowing a person to rent your property. It is a written rental agreement between two parties, the lessor and the lessee. The owner of the property -the lessor- allows a tenant -the lessee- to use the property for a period of time. The owner of property must consider the different factors of allowing another party to use his or her property, such as the costs

and the permitted and prohibited uses of the property. Ultimately, a lease ensures that everyone understands the guidelines for using the property.

The Components of a Lease

When you are drawing up the lease, you want to explicitly state the terms and effectively communicate each component to your tenant. *Real Estate & Investments* explains the components of the lease as listed and explained below.

1. *Parties to the Lease.*

If a corporation is a party to the lease, make sure that the person signing the lease is a corporate officer authorized to act on behalf of the corporation. The nature of the corporate entity and its relationship to a parent corporation or other entities should be investigated. Failure to do so may present delays in receipts and payments of cash flows if rents become delinquent or the lease is terminated and bankruptcy occurs.

2. *Occupancy Dates.*

Occupancy dates may be important in leases on a newly constructed property which the *owner* may not have finished by the move-in date. In these situations, *tenants* may want the option to terminate the lease. Similarly with retail leases, should the tenant delay occupancy for an unreasonably long period of time, the property owner may want to terminate this lease, particularly if the retail sales of other tenants appear to be adversely affected by the vacant space. When dealing with the right to terminate a lease, issues including forfeiture of deposits and other penalties may have to be considered.

3. *Rent.*

The rent of your property is vital. There are many ways to determine rents, ranging from rents that are flat, stepped-up, indexed, and so forth. Concessions also may be included that effectively lower rents. For example, the owner may provide a free rent period during which no rent is paid. These concessions or discounts tend to be used (1) when vacancy rates are high because the market is oversupplied with rentable space or (2) when demand for space is weak because of slow economic growth. In addition to free rent, other concessions may include a move-in allowance, buyouts of existing leases, designated free parking, and the like.

4. *Other guarantees.*

Depending on the outcome of the underwriting, if the risk of default is considered to be a possibility, a prospective tenant may be required to find a third party to indemnify the lease payments (a co-signer) or obtain a Letter of Credit (LOC) for a fee from a bank. In a LOC, the bank guarantees that any rent in arrears, or money that is owed and should have been paid, will be paid to the property owner. Provisions for reductions in the amount of the LOC based on

timely rent payments by the tenant may be included in the lease, in order to reduce annual LOC fees paid by the tenant.

5. *Tenant Improvements (TIs).*

The condition of the space on the move-in date may be “as is,” or the lease may require it to be “finished out” or renovated before the move-in date. In such cases, the lease may call for tenant improvements (TIs), which could include paint, lighting, carpets, wall coverings, and so on. The extent of this is negotiated and expressed as dollars per square foot of usable space that the owner will budget for a tenant. Any cost in excess of the agreed budget amount must be paid by the tenant. The dollar amount and the description of TIs that the owner will provide are described in a work letter which is prepared by the property owner. Also, the disposition of any of these improvements upon the expiration of the lease is usually specified.

6. *Allowable Uses and Prohibited Uses*

Allowable uses and prohibited uses are enumerated in all leases. These provisions usually prohibit tenants from making major changes of the leased space in their use. For example, a tenant could be prohibited from adding a retail business in space that has been leased in an office building. An important component of your agreement is distinguishing space that is:

- 1) used exclusively by the owner and prohibited to be used by a tenant
- 2) space licensed/leased that can be exclusively used by the 2nd party with or without restrictions
- 3) shared space used by all parties.

Work to ensure that the space being licensed or leased is still under the final control of the owner, who can discontinue the use if there is a problem. Shared spaces such as your kitchen or sanctuary needs to be fully discussed. It is one thing to share a kitchen, but one party’s use can disrupt another party’s use (what they cook, how many people are in the space at one time, if they leave it messy, unclean or unacceptable). This is also key in negotiating the use of worship space where traditions, rituals or the use of furniture and equipment might be considered inappropriate.

7. *Subletting*

Leases sometimes permit the tenant to sublet to third parties. However, in general, a tenant should not be permitted to voluntarily or by operation of law assign, sublet, transfer, mortgage, or encumber all or any part of Tenant's interest in a Lease or in a Premise without Landlord's prior written consent, which, it should be understood, may be withheld or conditioned in its sole discretion. Regardless of a landlord's consent, no assignment or sublease should be effective without the express written assumption by such assignee or subtenant of the obligations of Tenant under a Lease; (1) release Tenant of any obligations of the original lease; or (2) alter the primary liability of Tenant for the payment of rent, or for the performance of any other obligations to be performed by Tenant. In the event of any breach by tenant, a landlord should

be permitted to proceed directly against a tenant, or anyone else responsible for the performance of tenant's obligations, under the lease, including any assignee or subtenant, without first exhausting Landlord's remedies against any other person or entity responsible therefor to Landlord, or any security held by Landlord.

8. *Business conduct.*

All tenants are usually required to “obey the rules” regarding the use of common areas as indicated in the lease. In retail leases, this could mean a prohibition relating to the use of the mall way (common area) for special sales, promotions, signing, and so on.

9. *Owner services to be provided.*

In most office leases, the property owner will agree to provide services such as cleaning, maintenance, and repairs. In the case of retail and warehouse properties, more discretion is given to the tenant regarding the maintenance and alteration of space to conform to the operating needs of the tenant. However, the property owner usually retains the right to approve (1) alterations and (2) the selection of architects, contractors, materials, and the like.

10. *Non-disturbance Clauses.*

If the property owner wants to expand and construct new rental space, many leases contain nondisturbance clauses, which require the owner not to interfere with the tenant’s business operations during an expansion or as any existing space is being renovated. When negotiating leases, tenants may require temporary relocation to other space or the creation of special accommodations (e.g., private entries, exits) during construction.

11. *Eminent Domain.*

Should the state or other government entity use eminent domain to condemn all or part of the owner’s property (to acquire right-of-way, etc.), the lease may provide that the tenant receive a reduction in rent or other consideration, should parking or other factors affecting the tenant’s business occur. Similarly, leases usually include provisions that address events, such as a fire or other occurrences, that result in the loss of business or damage to the tenant’s space.

12. *Responsibility for Expenses.*

Leases vary considerably regarding responsibility for expenses. In some cases, the property owner agrees to provide and pay for some or all of the operating expenses. In other cases, property owners do not wish to take responsibility for many of those expenses because (1) they may be directly related to the tenant’s business and should be paid by the tenant and (2) there is a risk that such expenses may suddenly arise. Consequently, many property owners prefer to either “pass-through” or recover certain expenses from tenants (to be discussed).

13. *Evidence of Insurance.*

Most leases require the building owner to provide comprehensive insurance in common areas of the property (lobby, parking, etc.). Tenants must also provide *evidence of insurance covering* the tenant's space for liability, etc. You might also want the tenant to show evidence of coverage of their employees, ie Workers Comp, if they get injured on your property.

14. *Renewal Option.*

As the lease expiration date approaches, tenants must give a termination notice to the owner as to whether the lease will be renewed or terminated. This is an important decision for both the tenant and the property owner. For the tenant, if the lease is not renewed, the considerable cost to move the business and employees may be incurred. For the property owner, nonrenewal may entail finding a new tenant to occupy the vacated space, negotiating the rent, and paying "make-ready" expenses and leasing commissions. The renewal option is likewise complicated because in addition to the usual factors, it usually involves re-negotiation of a new rent for the next lease term. In order to reduce the uncertainty regarding the rent negotiation, many offices, retail, and warehouse leases specify that a market survey of comparable properties will be conducted by at least two brokerage or research firms (one selected by each party). The survey will be made up to one year before and not less than three months before the lease expiration date. The results of the survey will serve as the basis to negotiate the new rent. In some cases, tenants may have a "most favored nation" clause in their lease. This gives the tenant the right to review the most recent leases executed by the property owner with other tenants in the building. Information on current rents and other terms are thereby provided to the tenant and may be used in negotiations. The landlord and tenant may also agree to arbitration if a new lease agreement cannot be completed.

15. *Estoppel certificates.*

This provision allows a questionnaire to be sent to existing tenants seeking verification of (1) rents/expenses that the tenant is obligated to pay under lease terms, (2) any past-due amounts, and (3) any rents being withheld by the tenant because of disagreements with the owner. This clause is important because investors may want to verify (1) that all rents and recoveries are, in fact, being collected from tenants and (2) that there are no disputes, lawsuits, and the like between the current owner and tenants. *Change in property ownership/bankruptcy.* This provision may give the tenant the right to terminate the lease in the event that the property is sold or the property owner enters bankruptcy.

It is imperative that all parties understand and adhere to the written terms of the lease. Once the lease is signed, it is legally binding for the entire duration of the time frame stated on the lease. The primary purpose of the lease is to ensure clear communication between parties, designate liability for any unforeseen circumstances, and mitigate potential conflicts or miscommunications.

Leases vs. Use License

During the past year, the Diocese has been encouraging most parishes to use a license agreement instead of signing a traditional lease for sharing property with other parties. The difference between lease and license is the one between two distinct legal concepts pertaining to an individual's duties and rights in a contract. A **lease** is a contract between a tenant and a landlord that provides the tenant with exclusive interest in the property. A **license**, on the other hand, is when the owner gives permission to a licensee to conduct an action on the owner's property. The main difference then is that leases give an individual the right to control property, while licenses only give an individual the right to act on it.

Property Control with Leases and Licenses

There are a number of major ways that leases differ from licenses, but the primary one pertains to the matter of control. Leases, as agreements, are contracts which exercise much less control than licenses over the party that is making the payments. If you are entering into a contract where you essentially have freedom to do what you will on a piece of property, then you are probably entering into a lease.

Leases create interest in the property involved. So long as the lease is in term, the party leasing the property has some right to ownership of the property, including the right to keep any person -even the landlord- off the property (although the landlord may reserve the right to enter the property during normal daytime hours for certain, agreed-upon purposes, such as conducting repairs). Due to these ownership rights, leases can often be transferred to another party.

Licenses, on the other hand, allow the party accepting payment to have significantly more control over how their property is used. Pertaining to the example above, licenses cannot be transferred to a third party because the nature of the agreement is that the licensing party controls certain aspects of your conduct on the property; allowing another party to use the property instead of yourself would be a violation of that agreement. Because of this, license agreements are primarily used for shorter-term agreements involving storage, office, and small-scale retail spaces.

Insurance

Insurance is an important tool for protecting your assets from loss whether you are doing a long or short term rental. All leases should include clearly spelled out insurance requirements for lessees and anyone renting space should make sure that their own insurance policy allows for it. You should also consult with your church's insurance broker.

When you rent your property you will have to make sure there is insurance for any potential damages to your property or other liabilities from your renter. General insurance requirements should include the following:

Liability Insurance

Whether you are using a license agreement or a traditional lease, the tenant or licensee should each maintain comprehensive general liability insurance regarding the respective activities of each part in the building, with the premiums fully paid on or before such due date, issued by and binding upon some insurance company approved by landlord or licensor. This insurance should afford minimum protection of not less than \$1,000,000.00, combined single limit coverage for bodily injury, property damage or combination thereof. Depending on the proposed use, the suggested single limit coverage for bodily injury and property damage may need to be \$2,000,000 to \$3,000,000. The landlord or licensor should be listed as an additional insured on tenants or licensee's policy or policies of comprehensive general liability insurance.

In most cases, a landlord or licensor will require that they have no obligation or liability with respect to any loss of or damage to property, real or personal, occurring in or about the leased or licensed area, premises or the building as a result of participation in tenants or licensee's use of the lease or licensed area. The tenant or licensor should be required to maintain insurance against thefts within the licensed or rented area or the building. If the licensed or leased area or any other part of the building is damaged by fire or other casualty resulting from any act or negligence of tenant or licensee or any of its agents, employees or invitees, rent should not be diminished or abated while such damages are under repair, and the tenant or licensee should be held responsible for the costs of repair not covered by insurance. To the extent that the licensed or leased area is damaged in a way that affects usage as a result of the conduct of someone other than the tenant or licensee or its invitees, then the licensor or landlord agrees that it shall be solely responsible for correcting that damage and that rent shall be diminished or abated while such damages are under repair.

Unless the landlord or licensor shall otherwise agree in writing, all of the insurance required to be carried by a tenant or licensee should be effectuated by enforceable policies issued by reputable insurers licensed to do business in the State of California and approved by landlord or licensor, in landlord or licensor's sole and absolute discretion, and contain deductibles, satisfactory to landlord or licensor. A

tenant's or licensee's policies must be: (1) written in accordance with the requirements of lease or license agreement; and (2) endorsed in a form acceptable to include a provision that the policy will not be canceled, materially changed, or not renewed without at least thirty (30) days prior written notice to landlord or licensor. The tenant or licensee should be required to obtain the agreement of their insurers to notify the landlord or licensor that a policy is due to expire at least ten (10) days prior to such expiration.

Prior to the Commencement Date, the tenant or licensee should be required to all deliver to landlord or licensor certificates of insurance acceptable to landlord or licensor evidencing the issuance of all insurance required to be carried by tenant or licensee pursuant to the terms of lease or user agreement to landlord or licensor. Each such certificate of insurance should be signed by an authorized officer of the applicable insurance company or by a broker having authority to issue such certificate of insurance. The insurance company or agent issuing the insurance should also be required to deliver to the licensor, together with such certificate of insurance, proof reasonably satisfactory to the landlord or licensor that the premiums for the term of each policy have been paid. If requested by landlord or licensor, tenant or licensee should be required to deliver a copy of the entire original policy, certified by the insurance carrier as being true and complete.

A tenant or licensee should be prohibited from carrying any separate or additional insurance concurrent in form or contributing in the event of any loss or damage with any insurance required to be maintained by licensee under this agreement, and all policies of insurance procured by a tenant or licensee should state or be endorsed to provide that the coverage afforded under the tenants' or licensee's policies shall apply on a primary basis and not on an excess or contributing basis with any other insurance policies which may be available to a tenant or licensee or any Indemnatee. In the event of any such loss or damage, the tenant or licensee should be required to look exclusively to its own insurance for recovery of losses or damages, and be required to waive any right of recovery or subrogation against landlord or licensor.

Using your property for special events has its own special insurance risk. Think of all the potential risks at a carnival, broken legs on a bounce house, a fire from a barbecue, a carnival ride breaking, and anything else that could potentially go wrong.

Here is a resource for one time event coverage: <https://www.bounce-house-insurance.com/short-term-event-insurance/school-carnival-insurance/> Your existing insurance provider may also offer this kind of coverage. This is an example of a typical insurance policy for a carnival from Bounce House.

Carnival Insurance Coverage Includes:

\$ 2,000,000 – Aggregate (event total limit)

\$ 1,000,000 – Each occurrence

\$ 1,000,000 – Products & Completed Operations

\$ 1,000,000 – Personal Injury & Advertising Injury

\$ 100,000 – Fire Damage (each fire)

\$ 1,000 – Deductible each claim

In your rental agreement make sure you include the insurance cost. You need insurance, but you do not need to be the one paying for it. It is important to research the policy that will best cover the event and figure out how much it will cost. This cost should be included in the overall cost of the event.

An alternative option to carrying such insurance yourself is to require the renter to provide their own insurance for the event. You still need to include this requirement in the rental agreement, just to clarify they are the party responsible for providing the insurance. You also should research and specifically include in the contract the scope of the policy they should provide to ensure the event is sufficiently covered by the policy they choose and always that you are “also insured” with a certificate provided. If the renter provides the insurance policy, you do not need to include insurance in the total cost of the event.

Marketing

Determining Your Value Proposition

Your Value Proposition is everything that your piece of property has to offer or anything that adds value to your property. Examples: Good location, space, air conditioning, etc.

Once you analyze the zoning laws and other land use requirements of your property, the costs of leasing, and identify your ideal property use, you must market your property. In order to market your property, you must decide who your customer is and what your property offers him or her. Your customer segment is determined by the desired use of your property. For example, if you want to rent out your parking lot your customer would be a valet or parking company. When you identify your customer, you want to think through the problem they are trying to solve or a need you can meet. Following the parking lot example, a valet company would be looking for a physical property where it could park cars. While your parking lot would meet this basic need, you must also think about your potential competition and what you can offer your customer to capture the parking lot market. This is known as the value proposition.

As you prepare to market your property you must identify its assets and decide the bundle that would capture your target market. The value proposition of your property includes assets such as location (both general location and location ease to get there through traffic), cost reduction, convenience, or accessibility. Again, in the real estate industry, location is the biggest determinant of the value of your property. a beachfront property in Malibu is worth a lot more than a property in the middle of Iowa. Once you research other properties similar to your own in your location, you will be able to compile the value proposition of your property.

Marketing Methods- Getting Started

There are several ways to market your property. Look for the most cost-effective way to reach your target customer. Think about all the people who come through your church and who are involved in your community. They could all be potential customers who want to rent your property. Do these people read your church's newsletter? Do they see the flyers on your church's bulletin board? Think about how you can market to the people you already know in your community. These people could be potential customers or potential connections for you to meet your customers. You can invite organizations and groups in your target market to use the space you wish to lease. Examples of these groups include preschools hosting a parent night, recovery groups hosting meetings, or a club where your target market is a member. You will be able to capture your target demographic when they are able to see the uses of your space. Using the parking lot example, you could reach out to local parking companies both around and outside of your area. If you are going to try to rent out the space for events, you might want to reach out to caterers and event planners.

In an age of growing technology, you can utilize social media and search engines to market your property. You can either pay for sponsored ads or you can manually market to your target demographic. Manually marketing on Instagram, Facebook, or Twitter includes looking for hashtags your target audience follows and liking photos under those tags, following people who like photos with those hashtags, and liking your target demographic's photos in order to gain attention. Manually marketing on social media requires consistently ensuring your target market is paying attention to you. Marketing your property on social media yourself is more time consuming, but it is also more cost effective when compared to paying for sponsored advertisements or appearances on search engines.

You can also list your property online and wait for prospective renters to see the listing. Another alternative would be hiring a broker to find your customers. Brokers would take a percentage of the revenue earned from renting the property, but this would also ensure they would find quality long term tenants. These options are not mutually exclusive and your business could benefit from incorporating multiple marketing strategies.

Appendix: Additional Reference Guides & Examples of Important Documents

St. John the Divine Episcopal Church sample: Facility Usage Questionnaire

Date of Event: _____

Time of Event: _____

Type of Event: _____

Which church facilities are needed (please check all that are desired):	Usage Fees:
€ Sanctuary (capacity: 125)	\$500/2 hrs
€ Guild Hall /Kitchen (capacity: 50)	\$300/2 hrs
€ Sanctuary, Guild Hall & Kitchen	\$600/2 hrs
€ Interior church courtyard in conjunction with other space (capacity: 125)	+\$150/2 hrs
€ Conference Room (capacity: 12)	\$150/2 hrs
€ Classroom(s) (capacity: 30)	\$200/2 hrs
€ Grass area adjacent to parking lot (capacity: 125) in conjunction w/other	+\$150/2 hrs
€ Each additional hour for any space	+\$150

How much time will be needed prior to the event for set up?

How much time will be needed after the event for cleaning up?

What time will this event be completely finished and ready for the building to be locked?

How many people do you anticipate will attend this event?

How much parking do you think you will need? Please note: St. John's parking lot can accommodate 30 vehicles.

For memorial services:

Will there be an urn and where will you put it? (There is a small table, about 2' by 3', available for use near the altar.) _____

Will there be a casket and is the mortuary providing a stand for the casket? _____

Do you need any of the following: wine, communion wafers, gluten free wafers, chalice, Paschal candle? Please specify _____

AV Equipment and Lighting:

The following equipment can be included in facility usage fees for Sanctuary:

- Microphone (lavalier, wireless handheld microphone)
- Speaker stand (can be used in any room)
- Projector and Screen (can be used in any room)

If any AV equipment beyond the above is needed, User will need to rent or provide that separately.

Tables and Chairs

Included in the rental price are use of the Church's tables and chairs, which can be set up in the guild hall, court yard or external grassy area. The church has 15 tables (5 foot) and approximately 75 chairs, in addition to the pews in the Sanctuary. If additional tables or chairs are needed, User will need to supply those separately. User is responsible for pick-up of any items rented by a vendor outside of the church. St. John the Divine is closed on Mondays.

St. John the Divine Episcopal Church sample: Promotional flier

Promotional Flier available at: <https://www.stjohncm.org/share-our-space>

St. John the Divine's grounds and facilities are available to businesses, individuals and organizations who may need space for classes, meetings, lectures, and other appropriate events. The Church welcomes the use of our facilities for purposes that benefit the community, whether or not those purposes are religious.

The following spaces are available for use, with associated room capacities as noted. Use of these facilities includes use of the Church restrooms and parking lot commensurate with the planned facility use. Fees start at \$150 for two hours.

- Sanctuary – capacity: 125
- Guild Hall – capacity: 50
- Conference Room – capacity: 12
- Classrooms – capacity: 20
- Interior Courtyard – capacity: 150

The church has a modest kitchen which can be used to stage catered foods. Beer, wine and champagne is allowed; all other liquor is not allowed. The User is ultimately responsible for the safety of all its invitees, guests, agents or sub-contractors, including the distribution and consumption of alcohol. User's guests may be carded, therefore, they must have either a valid driver's license or valid picture ID.

Anyone interested in learning more details or checking for open dates should contact:

Church Administrator
St. John the Divine Episcopal Church
183 Bay Street
Costa Mesa, CA 92626
949-548-2237

St. John the Divine Episcopal Church sample: Facilities Rental Agreement

This facility rental agreement is made this day, _____, by and between St. John the Divine Episcopal Church (herein known as the *church*) and

Herein known as *Renter*.

The church agrees to rent the following facilities to the Renter on these dates:

for the rates and purposes listed below:

Training sessions

Facilities: Classroom

*Rental Fee: \$300 total – check to be made payable to St. John the Divine Episcopal Church – due on or before **October 7, 2019**.*

Renter agrees that the rented facilities are rented for the sole purpose stated in the contract and for no other purpose whatsoever.

Renter agrees that, in connection with the use of the facilities at St. John the Divine Episcopal Church, personnel will have authority of action, which will surmount the authority of the guest group.

Renter agrees that, in connection with the use of the facilities on the St. John the Divine Episcopal Church campus under this rental agreement, no other than the persons contracted will come onto the campus for functions involved in this rental, except as arranged in advance with the church.

Renter agrees that all facilities declared off limits for guest groups, or which are not specifically involved in this rental, will not be used by the Renter or its participants without written approval of the Rector.

Renter agrees that if any of the terms and provisions of this rental agreement, or any of the rules and regulations of St. John the Divine Episcopal Church, the church shall have the right to terminate this agreement – in which event Renter agrees that it will forthwith vacate the premises and remove all persons and vehicles brought on campus. In the event of any termination of the rental agreement by reason of the Renter's breach of this agreement or the rules set forth, no part of any funds therefore paid by Renter to the church shall be returnable.

Renter agrees upon completion of the rental agreement, to return facilities to St. John the Divine Episcopal Church in as good condition as when received, except for normal wear and use.

Renter agrees that it will hold the church free and harmless of and from, and defend at its sole cost and expense, any claim, demand, liability, or loss by reason of any injury to any person coming on the campus of St. John the Divine Episcopal Church in connection with the program to be conducted on the campus of St. John the Divine Episcopal Church by Renter, whether or not the claim is well founded. The church agrees to indemnify Renter for any harm to Renter caused by church employees and agents to any person attending Renter's events.

Renter shall take out and keep in force liability and property damage insurance and provide to the church an insurance binder evidencing coverage for minimum medical coverage in the amount of \$5,000, general liability in the amount of \$1,000,000 per person, and \$2,000,000 aggregate/per incident, including the following language:

St John the Divine Episcopal Church is named as an additional insured for the term *October 7 and 10, 2019*, and insured's insurance shall be primary and the church's insurance, if any, shall be secondary in coverage. Information should include: policy number, insurance company name, named insured, broker's name, and broker's telephone number.

Renter agrees that it will conduct its activities on campus so as to not interfere with activities carried on said campus by the church or any other party renting facilities on said campus.

Renter agrees to abide by the policies and regulations set forth by related to functions involved in this agreement.

Renter is prohibited from assigned or subletting the above referred to facilities without obtaining prior written approval from the church's vestry.

Renter hereby acknowledges that late payment by Renter to the church of rent and other sums due will cause Renter to incur costs not contemplated by the agreement. Such costs include, but are not limited to, processing and accounting charges. Accordingly, if rent or any other sum due from Renter shall not be received by the church within five days after such amount shall be due, Renter shall pay to the church a late charge equal to 10% of such overdue amount. The parties agree that such late charges represent a fair and reasonable estimate of the costs the church will incur by reason of late payment by Renter.

St. John the Divine Episcopal Church

Renter

Printed Name & Title

Printed Name & Title

Authorized Signature/Date

Authorized Signature/Date

Building Usage Guidelines Example

It is the intent of _____ to provide a safe, clean and secure environment for all groups that share our facility.

1. CONTRACT

Each group will be required to sign a Use Agreement, a Release of Liability form, and the Building Usage Guidelines.

2. PARKING

Participating members of the group renting a St. John's building may use the St. John's parking lot during the duration of event. Groups must ensure "Reserved" spots are left empty for Clergy, and that emergency lanes are not blocked. If a member of your group parks in the any of the 4 metered city parking spots beside the upper lot across from the Church, they will be ticketed as this is not part of St. John's parking lot, and they will be responsible for payment.

3. SMOKING

There is no smoking in the building or on the grounds.

4. ALCOHOL

Alcohol is not allowed in any building. Beer and wine can be served ONLY with a written request and Vestry approval prior to the event.

5. FOOD

Food and drinks (other than water) are not allowed in the Sanctuary.

6. CLEAN UP

Groups are responsible for ensuring the building is left in the condition it was found. Equipment, tables and chairs will be stored. Spills from food or drinks should be cleaned and the floors swept. If the coffee maker and stove are used, check to ensure all are off.

7. SAFETY

It is the responsibility of each group to ensure the safety of its members. Groups will familiarize themselves with the location of fire extinguishers and emergency exits. In the event of a serious emergency call 911. For problems with the building or equipment, notify the Office Administrator.

8. EQUIPMENT STORAGE

Please remove all of your equipment and supplies from the room.

9. ETIQUETTE

Be mindful that there may be other groups/individuals using other parts of the building at the same time.

10. VIOLATIONS

Failure to abide by these guidelines will result in in loss of future facility privileges.

Signing below acknowledges agreement to the above guidelines.

Name _____ Group _____ Date _____

Phone _____ Email _____

St. John's Representative _____ Date _____

Grace Church sample: Building Rental Contract

Dear _____,

Thank you for your recent inquiry to rent the Grace Church **ROOM** for _____.

The fee structure rate would be \$ _____ for the **ROOM**, plus \$ _____ for ____ hours of sexton time.

To confirm and book your event, please sign and return this rental agreement via email or postal mail. Please note: your rental fee of \$ _____ is due at least one week in advance of building use. You can mail a check to the church address, attention: Finance.

Please see the more detailed “Building Use Guidelines” document for terms regarding building security, tobacco and alcohol use, cancellation priorities due to funerals or other unanticipated church needs, etc.

Your administration/rental contact for booking events at Grace Church is: Christina Burzinski, Parish Administrator, togracechurch@gmail.com, (608) 255-5147 x 24.

Your Grace contact during the event is **name, phone #**.

Sincerely,

Christina Burzinski, Parish Administrator Grace
Episcopal Church 116 W. Washington Ave.
Madison, WI 53703

Signature Approval of Renter

The above charges and additional terms outlined in the “Building Use Guidelines and Fees” are hereby accepted:

Signature: _____ Date: _____

Printed Name: _____

Grace Episcopal Church sample: Building Use Guideline & Set-Up Form

Please email or mail this form to Christina Burzinski (togracechurch@gmail.com), Parish Administrator, to begin the building request process. If your event fits within the mission of Grace Church priorities and does not conflict with pre-existing events, you will receive a “Grace Episcopal Church Building Rental Contract” form outlining your rental date and fees. That form will need to be completed, signed, and returned to the Church office with your \$100 security deposit (and insurance liability form, if requested by the Parish Administrator). Once these items are received, a confirmation will be sent to you and your event will be placed on the Grace Church calendar.

Name(s): _____

Organization: _____

Mailing Address: _____ Phone: _____

Email Address: _____

• Requested Event/Meeting Date(s): _____

• Event/Meeting Title: _____

• Event Time: _____

• Estimated attendance (max. 100): _____

• Which rental space(s) do you require? _____

• Will event be open to the public? Yes No

• Will admission fees be charged for event? Yes No

• What supplies do you anticipate needing? _____

• Are there any special circumstances regarding this event that we need to be aware of? _____

• Indicate any additional concerns or requests: _____

PLEASE NOTE: Grace Church does not provide rental groups with meeting equipment, such as projector screens, projectors, laptops, phone access, etc., at this time. If you need this equipment or any additional needs such as extension cords, ladders, power strips, etc., for your meeting/event, please plan accordingly. Please see the “Buildings Use and Guidelines” document for additional Grace Church rental policies.

Grace Episcopal Church sample: Building Use Guidelines

The use of the Church building should be respectful of the mission of Grace Episcopal Church and its program areas. All requests for use of the church building and grounds must be within Grace Church's guidelines and approved by the Parish Administrator or Rector.

Examples of Acceptable Activities:

- Class Reunions
- Concerts
- Conferences
- Family Reunions
- Funerals/Memorial Services and Receptions
- Meetings
- Plays/Dramas
- Rehearsal Dinners/Wedding Receptions
- Worship Services
- Workshops

Prohibited Activities: The Church may NOT be used for any of the following:

- Partisan political groups.
- For-profit activities from which the Church receives no direct benefit.
- Serving or consumption of alcoholic beverages (unless pre-approved by the Vestry).
- Any purpose which is not consistent with the values of Grace Episcopal Church.

In order to use Church facilities, each applicant must fill out an application and submit it to the Parish Administrator. Once an activity has been scheduled, the originator must fill out and submit either the **Kitchen and Guild Hall Request Form** or the with their refundable security deposit to the Parish Administrator. Completion of this form is unnecessary for groups that are part of Grace Church. However, all events must be scheduled through the Parish Administrator so they may be placed on the Church calendar.

User Fee: All users of the Church facilities other than programs, organizations and committees of Grace Episcopal Church are asked to share the cost of building maintenance, utilities and custodial service as outlined in the section entitled, "Building Rental Fees."

Other policies of note:

- Grace is a smoke free and alcohol free facility.
- Use of the sanctuary's organ requires special permission from the Director of Music or the Church Organist.

- **Damage and Insurance:** All user groups are responsible for conducting their activities in a safe manner. Any and all damage to Church property shall be paid for and is the sole responsibility of the user. Non- Grace Episcopal groups using Church facilities on an on-going basis must provide evidence of adequate liability insurance coverage and, upon request, shall name Grace Episcopal Church of Madison, WI as an additional insured.
- **Children and Youth on premises:** All youth activities shall be adequately supervised by adults at all times.
- **Audio Systems:** Our audio control systems may be used only when a member of Grace is present or by special permission and training from our Rector, Parish Administrator, Director of Music, Church Organist, Wedding Coordinator, or Grace Presents Task Force member.
- **Music spaces:** Use of our music room and/or music rehearsal spaces requires permission from our Parish Administrator and the Director of Music.

Security and Restricted Areas: For your security and ours, only the rooms approved by the Parish Administrator are to be used by your group. Encourage your party to keep valuables (purses, gifts, cameras, cell phones etc.) with them or give them to someone in your party for safekeeping. Grace Church is not responsible or liable for personal property left unattended. Please use only the areas assigned to your group/wedding/ceremony party/guests/vendors.

Area of use is limited to that for which permission is granted. Continued and future use of these facilities is dependent on the care taken by users.

Respect for Worship Spaces: Items in the main Church worship space and/or chapel are not to be moved without approval of the Rector. This includes pews, chairs, and items at the pulpit or altar.

Parking: No parking of any vehicle belonging to renters or guests is available at Grace Church, including the dead-end alley owned by the church off of West Washington Avenue. Renters may only load and unload items in this alley.

Cancellation Policy: Events may be canceled by the originator with at least thirty days' confirmed notice and not forfeit the \$100 security deposit. Anything less than thirty days' notice and the security deposit will not be returned. The Church reserves the right to cancel events at any length of notice due to unforeseen circumstances. Every effort will be made to honor rental agreements.

Decorating:

1. The renter will provide the decorations for the event. Floral arrangements may be placed on the tables and any additional decorations must be discussed and approved by the Parish Administrator before the event. 2. No tacks, staples, nails, wire, glue, sticky tape, screws, pins, or gum may be used on the walls, floor, chairs or any furnishings. Any damage to the premise or equipment by guests or outside groups contracted by the renter during the function will be the responsibility of the renter. Additional charges may be incurred if the cost to repair the damage is more than the \$100 damage deposit. An itemized bill will be submitted to the party renting the space.
3. Candles may be used in the courtyard. They may not be used in the Guild Hall and reception area. Battery-operated candles are an acceptable alternative. 4. The renter will be given up to 2 hours to decorate before the event begins, unless pre-arranged with the Parish Administrator. 5. Rice, birdseed, glitter, real flower petals and confetti may not be used in and around the church.

Catering:

1. Any selected caterer or food vendor needs to be approved by the Parish Administrator. 2. The renter will make the Parish Administrator aware of caterer's arrangements for the event. 3. Table linens and place settings will be arranged by the renter.

Alcohol: No outside groups may use or sell alcohol on church property.

Kitchen Usage: Use of the kitchen needs to be discussed with the Kitchen Coordinator and Parish Administrator.

Music: *Please inform the band or DJ of the following policies:*

1. Equipment delivery is available two hours prior to the start of the event. 2. Storage space of band or DJ equipment, personal belongings etc. is limited. 3. Private rooms are not provided for the band or DJ. 4. Any electrical needs (including extension cords and power strips) must be provided by the band or DJ. 5. Grace Church does not provide table linens and skirting for the band or DJ. 6. All entertainment, including the band or DJ must finish their last set by 11:00 p.m.

Rental Equipment: Grace Church does not provide rental groups with meeting equipment, such as projector screens, projectors, laptops, phone access, etc., at this time. If you need this equipment or any additional needs such as extension cords, power strips, etc., for your meeting/event, please plan accordingly and contract with a rental service of your choice. Duct tape or other heavy adhesives are not allowed on Grace Church surfaces. Because this facility does not have room to store equipment for the following day, all rental equipment must be delivered and picked up on the day of the event. If you decide to rent chair covers, candelabras, etc., you will need a family member or friend who is willing to take the rentals with them after the event is over. These things cannot be left or stored at Grace Church beyond the time block you have reserved. Leaving rental equipment at Grace Church will automatically forfeit the \$100 damage deposit.

Damages: Renters shall assume responsibility for the reasonable care of the church premises related to a rental.

1. No animals, except those assisting persons with disabilities, are allowed on the Church premise.
2. Reasonable care of the building and equipment is required at all times: damage and/or breakage must be reported to the Parish Administrator.
3. Users shall not cause or permit the facility to be damaged, defaced, or altered in any way. Nothing may be attached or removed from the walls, doors, or woodwork. Duct tape, nails, screws, hooks, tacks, and the like are not to be used.
4. Care must be taken with food and beverages to avoid spills. Any spills must be cleaned up immediately. 5. The responsible parties agree to pay for any property damages or expenses if damage or expense occurs during the time they are using the facilities over and above the damage deposit. 6. Failure to report damage caused to Church property is grounds for termination of the rental agreement or future arrangements. Renter shall pay for the repair of any damages within 14 days after the event.

Cleanup and Maintenance:

1. The D.J. or musicians must end their last set by 11:00 p.m.
2. One hour is allowed after the entertainment is concluded to take down and remove equipment from the church.

3. Guests and renters must leave the church grounds no later than midnight.
4. If your event runs longer than originally scheduled, Grace Episcopal Church reserves the right to bill for the additional usage at the pre-established hourly rate of \$100 per hour beyond midnight.
5. All personal belongings, equipment, gifts, etc. must be removed at the conclusion of the event. A double-check of the room is always a good idea. It is helpful to assign this task to a friend or family member when planning for your day.
6. Grace Episcopal Church is not responsible for lost, stolen or damaged articles or equipment.
7. Every effort should be made to leave the building and grounds in good condition when the event is finished. Clean-up includes returning the facilities to its original state.
8. Please place trash and recyclables in appropriate receptacles.
9. The church will provide a cleaning service to clean up after the reception. This service is included in the price to reserve the space for an event.
10. The Parish Administrator determines and has final say on what she considers excessive cleaning. In the event that an unreasonable amount of clean-up is required after the function, there will be a labor charge of \$30 per hour, per employee needed to complete the work. This will be owed above and beyond the damage deposit.

Building Rental Fees

Please note: These fees are subject to change without notice and are intended to cover the actual cost to the Grace Church of Madison for the facilities used. Under special circumstances, pricing will be negotiated or additional spaces not listed here may be rented. The fees listed in this document do not apply for weddings.

For wedding pricing, please see the "Grace Episcopal Church Wedding Guide" found on www.gracechurchmadison.org under Life Events>Weddings.

Tier I Rental Fees Tier I users: Programs, organizations, and committees of Grace Church. - No fees

Tier II Rental Fees Tier II users: Member use for special occasions, programs, organizations and committees of other Episcopal Churches; Groups and organizations of other religious denominations and affiliations.

Full Day (5--10 hours) Guild Hall only Hold approximately 100 people. \$75 \$150

Guild Hall and Kitchen The kitchen can only be rented along with the Guild Hall and use of its equipment must be approved by the Parish Admin. \$125 \$200

Sanctuary Holds approximately 350 people. No fee No fee

Chapel Seats approximately 20 people. No fee No fee

Classrooms, Library, Conference Rooms, Reception, Lobby, Nursery Choir Room No fee

Additional Fees Include:

- Custodial and Security Services--\$18/hour, includes:
 - o 1 person helping to set event up, available 2 hours before event
 - o Clean up grounds, makes sure all tables and chairs are set up according to event diagram
 - o Removing unwanted items from Guild Hall before event
 - o Makes sure all delivered items are in Guild Hall
 - o Guarding doors during event
 - o Emptying trash/recycling after event
 - o Sweeping and mopping floors after event
 - o Replacing and filling bathroom items
 - o Securing and lock up of building

- Kitchen Coordinator = \$25/hour of time, includes:
 - o Set up and preparation of food, plan on 2 hours of prep-time (depending on size of group) o Purchase food for event
 - o Adhering to all safety standards
 - o Clean up and washing of dishes
 - o Returning kitchen to original sanitized state

- \$40 set up fee:
 - o 1 person helping to set event up 2 hours prior to event
 - o Clean up grounds, makes sure all tables and chairs are set up according to event diagram o Removing unwanted items from Guild Hall before event
 - o Makes sure all delivered items are in Guild Hall
 - o Helps set up any equipment, rented items

- An additional \$100.00 refundable damage deposit is required when submitting the Rental Request Form.

- A \$100 charge per hour will be added for events lasting past midnight on Saturday nights.

Tier III Rental Fees Tier III users: Non-profit community organizations/non-member special occasions on a one-time basis; Non- profit community organizations on a regular basis.

Rental Space Half Day

(Up to 5 hours total)

Full Day (5--10 hours) **Guild Hall only** Hold approximately 100 people. \$150 \$275

Guild Hall and Kitchen The kitchen can only be rented along with the Guild Hall and use of its equipment must be approved by the Parish Admin. \$200 \$375

Sanctuary Holds approximately 350 people. \$350 \$500

Chapel Seats approximately 20 people. \$100 \$150

Classrooms, Library, Conference Rooms, Reception Lobby \$35 per room \$50 per room

Nursery \$35 \$50

Choir Room \$100 \$150

Additional Fees Include:

- Kitchen Coordinator = \$25/hour of time, includes:
 - o Set up and preparation of food, plan on 2 hours of prep-time (depending on size of group)
 - o Purchase food for event
 - o Adhering to all safety standards
 - o Clean up and washing of dishes
 - o Returning kitchen to original sanitized state
- Custodial and Security Services--\$18/hour, includes:
 - o Guarding doors during event
 - o Emptying trash/recycling after event
 - o Sweeping and mopping floors after event
 - o Replacing and filling bathroom items
 - o Securing and lock up of building

- \$40 set up fee:
 - o 1 person helping to set event up 2 hours prior to event
 - o Clean up grounds, makes sure all tables and chairs are set up according to event diagram
 - o Removing unwanted items from Guild Hall before event
 - o Makes sure all delivered items are in Guild Hall o Helps set up any equipment, rented items
- An additional \$100.00 refundable damage deposit is required when submitting the Rental Request Form.
- A \$100 charge per hour will be added for events lasting past midnight on Saturday nights.

Additional resources

1. **California Guide to NPO Property Tax Exemptions:**

<https://www.boe.ca.gov/proptaxes/pdf/pub48.pdf>

2. **Sample Guides Done by Others**

Boston Diocese: <https://www.diomass.org/file/32856>

ChurchSafety, Step by Step Guide: [Guide to Facility Use](#)