

Key Term Sheet for a Proposed Contract

As approved at November 12, 2019 Presbytery Meeting

This document, entitled “Key Term Sheet” contains all the Key terms for the contract that will establish a new and specific relationship between Covenant Presbyterian Church, San Francisco, (CPCSF) and the Presbytery of San Francisco (PSF) through the Finance and Property Oversight Committee (FPOC) and the Committee on Ministry (COM).

The mission of the Presbytery of San Francisco is to celebrate, nurture and serve our communities through our life together in Christ. With that spirit at the forefront of what we do together, this agreement is covenantal in nature. The primary purpose of the Contract will be to help CPCSF continue to focus on its mission today and into the future by creating some financial relief from the burden of the capital needs and urgencies of its property including the interim repairs of the sanctuary building, and also to allow PSF to begin to discern and to plan for the future uses of the CPCSF property. The Presbytery of San Francisco is committed to walking the journey of missional intentionality with Covenant Presbyterian Church, San Francisco, not just for the current term of the Contract, but for as long as that journey continues.

The covenantal task that CPCSF agrees to undertake is to embrace and discern its present and future mission as a congregation, defined within the understanding of Church found in the PC(USA) Book of Order:

F-1.0301 "The Church is the body of Christ. Christ gives to the Church all the gifts necessary to be his body. The Church strives to demonstrate these gifts in its life as a community in the world (1 Corinthians 12:27-28); The Church is to be a community of faith, entrusting itself to God alone, even at the risk of losing its life. The Church is to be a community of hope, rejoicing in the sure and certain knowledge that, in Christ, God is making a new creation. This new creation is a new beginning for human life and for all things. The Church lives in the present on the strength of that promised new creation. The Church is to be a community of love, where sin is forgiven, reconciliation is accomplished, and the dividing walls of hostility are torn down. The Church is to be a community of witness, pointing beyond itself through word and work to the good news of God's transforming grace in Christ Jesus its Lord."

Because the civil laws of this state (CA) require a contractual agreement to clarify certain property ownership issues under state law including property tax responsibility, liability issues, and certain commercial tenant's rights, and landlord responsibilities, the proposed agreement will also specify those responsibilities. But those civil requirements should not distract either of the parties from abiding by the spirit of and the intention of the constitution of the Presbyterian Church (USA) (PCUSA) and the covenantal nature of this agreement.

The constitution of the PC(USA) says this about property:

G-4.0201: "The property of the Presbyterian Church (USA), of its councils and entities, and of its congregations, is a tool for the accomplishment of the mission of Jesus Christ in the world."

And, G-4.0203 says

"All property held by or for a congregation or presbytery...is held in trust nevertheless for the use and benefit of the Presbyterian Church (USA)."

Both parties agree to abide by their respective and mutual responsibilities under the constitution of the PC(USA) in seeking to accomplish the mission of Jesus Christ in the world.

Key Terms to be contained in the proposed Contract:

The proposed Contract will conform to civil law and to the constitution of the PC(USA).

It will be drawn up by the parties to satisfy the need and responsibilities of both civil law and ecclesiastical law and responsibilities. The contract will provide specific arrangements for the first three years of the relationship, and will guide continual renewal of the relationship.

The framework for the contract will be the standard lease form that PSF recommends to its congregations, modified to reflect the covenantal nature of this agreement. It will include all of the terms in this "Key Terms" document and no additional substantial terms.

After this Key Terms document has been ratified by the Session and Congregation of CPCSF and by the PSF through the Finance and Property Oversight Committee (FPOC) in consultation with the Committee on Ministry, FPOC will immediately draw up the contract to submit to the CPCSF Session. The Session will call a Congregational meeting to decide whether to affirm the contract and to transfer the trusteeship of all of the real property of CPCSF to PSF, and to empower officers of the corporation of CPCSF to sign all property

related documents of title transfer. (All personal property of CPCSF, including cash and all such related funds, will be retained by CPCSF for its congregational use.)

Upon approval of the real property transfer by the Congregation of CPCSF, legal counsel for PSF will draw up the documents to transfer the title of all of the real property of CPCSF into the name of PSF. When that title document is duly executed by all parties, the entire principal of all CPCSF indebtedness to PSF, including the balance of the CPCSF mortgage owed to PSF, will be cancelled. Interest, as contracted, will be paid through the day of cancellation.

When the transfer of the property to PSF has become effective, PSF will become the landlord under civil law of all real property as follows, and CPCSF will be the renter under civil law of all real property as follows:

- The North Building--also called the Portalhurst Building
- The West Building, which is the western wing of the Sanctuary building, and which includes all of the space in the west basement of the Sanctuary building.
- The courtyards of the two buildings.
- The parking lot for the property.

The remainder of the Sanctuary building, including the sanctuary itself, and the balcony and the basement under the narthex, will not be used by anyone.

The following specific terms will apply:

1. Covenant Presbyterian Church will be the primary tenant in the specified areas, rent-free, for its existing ministry activities, including Sunday worship and fellowship, dance groups, food pantry, the To Love and Care ministry, and other activities
2. Covenant Presbyterian Church will consult with the Presbytery about other building uses if and/or when new ministry opportunities develop.
3. PSF will secure and maintain commercial property casualty and liability insurance for the property, in an amount of at least \$1M. Should any construction or repair work be commenced on the property by PSF, PSF will ensure that the Contractor's General Liability, including their loss for theft or fire, are covered by the PSF insurance policy, or by the policy of the Contractor. CPCSF will not be held liable for these insurance exposures.
4. CPCSF will secure and maintain renters' liability insurance, approved by PSF, naming PSF as an additional insured. CPCSF will provide its own insurance against any loss of any personal property of CPCSF, or loss to any

of its subtenants, and agrees not to hold PSF liable for any such loss of personal property.

5. PSF will pay all property taxes.
6. CPCSF will be responsible for all fees, business licenses, sign permits, and any other governmental expense associated with its uses at the site or by the sub-tenants.
7. CPCSF will make ordinary repairs, and minor improvements as needed up to a limit of \$1,000 per event to all aspects of the property being used by CPCSF. If such regular repairs start to exceed a reasonable number of occurrences in any given year, PSF may agree to take over some or all of those repairs and maintenance responsibilities.
8. PSF will be responsible for all major repairs to the property and for the major aspects of the plumbing, mechanical and electrical systems of the property. The choice of what work to do will be made in consultation with the Session of CPCSF. Any work done will be overseen by FPOC.
9. If PSF decides that parts of the property will need to be improved or redesigned while CPCSF is in residence at the site, CPCSF will cooperate with PSF to achieve the work of those plans in a mutually respectful manner, with PSF giving due consideration to the impact of such work on the ongoing mission and uses of the property by CPCSF.
10. CPCSF will pay for all utilities, but may request compensation from PSF for utilities used by PSF during any construction and demolition activities in any parts of the property not rented to CPCSF. CPCSF will be responsible for the janitorial and yard maintenance of the buildings and the parking lot.
11. CPCSF will be wholly responsible for the security of the property, except for the property of any Contractor working on the site at the direction of PSF, who will then secure that liability and hold CPCSF harmless for loss or theft to any such Contractor's property.
12. In consultation with PSF, CPCSF may sublet any of its rented property (and retain the income for itself), provided that all tenants secure a certificate of liability insurance in advance, in the minimum amount of \$1M, naming PSF as an "also insured". Consultation from PSF will also include the approval of the term of any sublet relative to the plans for use of the building. Any individual rentals or uses of the property, or any short-term rentals of the property of less than 60 days per calendar year, can be approved by the Session of CPCSF directly, as long as the liability insurance requirement (above) has been met. The Presbytery will assist in the re-negotiation of the lease with Bay Church

- 13.No rent will be charged to CPCSF by PSF.
- 14.PSF will donate \$15,000 to CPCSF the year when transfer of trusteeship occurs and an additional \$15,000 in the following year if administrative duties related to the new relationship with Presbytery require Covenant to engage a pastor for 30 hours per week or more.
- 15.If CPCSF must transfer its ministry to rented facilities located elsewhere while the rented property is being renovated, PSF will donate to CPCSF each year an additional amount equal to rental costs for that year. This requirement will be part of each one-year lease renewal.
- 16.The initial lease will be for the three-year period following the transfer of trusteeship of all real property of CPCSF to PSF. After that initial three-year term, arrangements shall be negotiated that are consistent with Presbytery’s immediate plans for the property and with developments in the life of Covenant Church. Both parties reserve the right to modify terms of the lease, when renewed, but only as the modifications adapt to changes in their basic needs and/or to any plans for property development that are ready to be implemented.
- 17.With the input and advice of FPOC and COM, and through a motion going to the floor of Presbytery for a formal vote, PSF agrees to establish a Task Force ~~of 8 or fewer persons~~ to explore and eventually propose a future use of the property in conversation with all of the Presbytery of SF. CPCSF will have two seats on that Task Force, elected by the Congregation.
- 18.Covenant Presbyterian Church will continue its ministry in the spirit of the first question and answer of the Westminster Shorter Catechism (updated):
“Question: What is the chief end of human beings?
Answer: Our chief end is to glorify God, and to enjoy God forever.”

This ends the Key Term Sheet. The “summary” and “sequence” are just to help readers make sense of the terms and the approval process.

SUMMARY

After the Key Term Sheet has been approved by the Session and Congregation, and by FPOC and COM, all the Key terms will immediately be incorporated, along with routine arrangements, into a contract that will detail the rights and obligations that determine the relationship between CPCSF and PSF.

When this contract has been approved by the Congregation of CPCSF and by Presbytery, CPCSF will become tenant and PSF will become landlord. At the same time, the Congregation of CPCSF will authorize the church's trustees to transfer the church's real property over to PSF and PSF will cancel CPCSF's mortgage debt.

Sequence:

- 1) Session & Congregation approve the Key Term Sheet.
- 2) FPOC and COM approve the Key Term Sheet.
- 3) FPOC draws up the Contract.
- 4) Session and the Congregation and Presbytery approve the Contract.
Congregation votes to transfer property & empowers trustees
- 5) Task force is established.
- 6) After three years the contract shall be reviewed annually with necessary modifications.

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