

# THE REAL ESTATE DEPARTMENT FREQUENTLY ASKED QUESTIONS

## LEASING

### **I HAVE A BUILDING THAT I WOULD LIKE TO LEASE.**

The Real Estate Department will assist you in every stage of the rental process. Please contact us when parish property becomes available for lease. We keep a database of available property that is sent out to potential tenants who contact the Archdiocese. The list of available property can also be found on the Archdiocese website. The Real Estate Department receives many calls from groups seeking space for a variety of uses. All organizations that lease Archdiocesan property must be a non-profit, 501(c)(3) tax-exempt entity, and demonstrate a sufficient religious, educational or charitable use per Illinois Law or we risk losing our real estate tax exemption for that property.

Once a potential tenant is found, the Real Estate Department will work with the parish to establish the rent amount and other terms of the lease. We will then check the potential tenant's references, negotiate lease terms, have a Lease Agreement drafted by OLS, and get the appropriate signatures. Although the pastor approves all leases, they still require the signature of AOC's Chief Capital Assets Officer. A Lease Agreement that is not signed by the Chief Capital Assets Offices is not valid. A final executed copy will be sent to the parish for their records.

Once a potential tenant has viewed a space and the parish has determined that the tenant's use would be compatible with the uses of other tenants or parish uses in a building, the prospective tenant must submit a Tenant Application along with \$300 to cover the cost of the credit report ordered by the Real Estate Department for the tenant organization; \$25 for residential tenants. The Real Estate Department will ask the parish to complete a Parish Questionnaire detailing information about the space to be leased and needs of the parish that must be taken into consideration.

### **A TENANT WANTS TO MOVE INTO THE PREMISES BEFORE A LEASE IS EXECUTED.**

It is imperative that a Lease Agreement be executed by The Catholic Bishop of Chicago, the Parish, and the tenant before the tenant occupies the premises. Unlike a Lease Term Sheet, the Lease Agreement is a binding and legally enforceable document that clearly sets forth the rights and obligations of the parties. The Lease Agreement includes more provisions than in the Lease Term Sheet. The Lease includes covenants regarding tenant's use of the Premises and establishes Landlord's review and approval process for proposed alterations and additions by tenant. Most importantly, the Lease provides the Parish's rights and remedies in the event of a tenant default.

### **A TENANT CANNOT AFFORD LIABILITY INSURANCE.**

All tenants who lease Archdiocesan property must carry and maintain commercial general liability insurance (CGL) and personal property (contents) insurance at all times during the Lease Term, in amounts designated in the Lease Agreement. A certificate of liability insurance must be delivered by

tenant to the Real Estate Department prior to occupying the premises. The Certificate of Insurance must name The Catholic Bishop of Chicago as an additional insured on a primary and non-contributory basis. This means that the tenant's policy must pay first (primary) on a claim, and without seeking contribution from Landlord. Tenants do not carry property (building) insurance, which is the Archdiocese's responsibility to maintain; however, the cost for property insurance may be negotiated into your Lease Agreement.

### **A TENANT CANNOT AFFORD THE CREDIT REPORT FEE.**

As part of the tenant application process, we require a prospective tenant submit to the Real Estate Department a check in the amount of \$300 to cover the cost of the credit report ordered by the Real Estate Department for tenant's organization. The credit report is an essential tool in the Real Estate Department's due diligence to determine an organization's financial condition, payment history, and litigation history. If a prospective tenant cannot afford the \$300 credit report fee, that gives rise to a concern whether the tenant can afford to meet its rental obligations to the parish under a Lease Agreement.

### **WHO NEEDS TO PAY FOR THE CAPITAL REPAIR WORK IN A LEASE?**

The responsibility for capital repair work is a major point in lease negotiations. Before undertaking any capital project, please consult the Real Estate Department and we will help you review your Lease Agreement to determine which party is responsible for the cost of such project. It is very important for you to inform your Contract Manager in the Real Estate Department of any potential capital projects before you enter into a Lease Agreement.

### **WHEN IS IT BEST TO NOT LEASE A BUILDING?**

The Archdiocese portfolio has over 2,600 buildings. A tenant may not be a good fit for the parish for various reasons. Please consult with the Real Estate Department to discuss the viability of leasing an available building.

### **HOW DO I HANDLE A CODE VIOLATION FOR LEASED PROPERTY?**

When the parish informs the Real Estate Department of a code violation, the Real Estate Department consults the Lease Agreement to determine which party should pay for the necessary corrections. In general, the tenant is responsible for compliance with all applicable laws related to the condition of the premises during tenant's use and occupancy, including building codes.

## **SALES AND DONATIONS**

### **HOW DO I BUY AND SELL PROPERTY?**

The Real Estate Department can assist you in the planning, management and execution of property sales and purchases. The process can be quite detailed. First, the parish should consult with its local Vicar, who must approve the sale or purchase. Upon this approval, the Real Estate Department originates the purchase/sale form to manage the process. We will also order an appraisal or market

analysis to confirm property value. The Real Estate Department can assist in the negotiation process, as well as prepare and/or review the contract. Please keep in mind that all contracts and closing documents must be signed by the Director of Business Transactions, the COO or the Archbishop in order to be valid. The Archbishop's College of Consultors and finance council must approve property purchases in excess of \$25,000 or 10% of parish ordinary income, whichever is greater. The Holy See must approve property sales over \$7,500,000.

### **A PARISHONER WANTS TO DONATE A PIECE OF PROPERTY TO THE PARISH.**

It is imperative that when a parish is approached by a potential donor, the Real Estate Department be contacted so that the proper due diligence may be conducted on the property. The due diligence process includes researching property title, potential liens against the property, real estate taxes, and environmental issues. An appraisal or survey may also be deemed necessary. The parish must determine the intended use for the donated property, either to sell it or to make use of it. If it is to sell, the marketability of the property will be investigated. Please keep in mind that there is no guarantee that a property will sell within a certain timeframe. In the interim, all maintenance, utilities and taxes will be a parish expense. The Real Estate Department will consult with the parish regarding the donation and, if accepted, will facilitate the property transfer to The Catholic Bishop of Chicago.

## **TAXES**

### **WHAT DO I DO IF I RECEIVE A TAX BILL?**

If you receive a tax bill, contact the Real Estate Department immediately. The Real Estate Department tracks property tax bills for all Archdiocesan properties. We can assist with real estate tax exemptions or assessment appeals as appropriate. Please send any tax bill to the Real Estate Department as soon as it's received.

### **IS ALL PARISH PROPERTY TAX EXEMPT?**

No. All parish property IS NOT tax exempt. All property that is currently tax exempt had to be removed from the tax rolls by the Real Estate Department. A property is not automatically exempt because it is owned by a religious organization. In order for a property to be tax exempt, it must be used for a purpose which supports the religious mission. The exemption process can be quite long, in some cases taking a year to accomplish. If you believe you are paying taxes on a property that could be exempt, or have any questions, please call the Real Estate Department.

### **WHAT IF WE RECEIVE A NOTICE OF ASSESSED VALUATION?**

Every three years, the Cook County Assessor reassesses all property values by township. Every year, the Lake County Assessor sends notices with the assessed value for the coming tax year. These notices list the previous and current assessed valuations. These valuations can be appealed if we believe they are too high; however, there is a very short time period to appeal. It is important that we act quickly. If the parish receives any notices, call the Real Estate Department immediately.

## PATRIMONY ETC.

### **I NEED ITEMS FOR MY PARISH, OR I HAVE ITEMS THAT SHOULD BE REMOVED FROM MY PARISH.**

The Real Estate Department maintains a warehouse (St. Bernardine) where we store items received from local or closed parishes such as pews, statues, etc. Typically, these items are redistributed to parishes/schools/agencies within the Archdiocese of Chicago. If there is an overabundance of an item or there is no need for the item in the Archdiocese, the Archdiocese may redistribute these items to parishes in other dioceses. Under no circumstance will an item be sold. For donations or an appointment to review our current inventory, contact the Real Estate Department. We will track your requests and schedule any pickups or deliveries with our field personnel. Please allow twenty-four hours to schedule an appointment.

### **WHEN TO ORDER A SURVEY.**

The Real Estate Department can assist you in determining the scope of work and price for a survey. Depending on the type of survey needed, the process can take weeks or even months to complete. The most common reasons for ordering a survey are:

**Construction:** Parish is building a new building or expanding an existing building. Most municipalities require a survey before issuing building permits for new construction or renovations.

**Property Purchase or Sale:** Whenever property is sold, a survey is required as part of the contract with the purchaser. The same applies whenever property is purchased by a parish. When the Real Estate Department receives the survey from the seller, it is reviewed to ensure that the parish is getting everything it should, as well as to check for any easements or encroachments that could affect the property use.