GUIDELINES RE: THE SALE OF RECTORIES AND THE USE OF FUNDS THEREFROM

Diocese of Toronto
Anglican Church of Canada

Preface

From time to time, parishes seek approval to sell their rectories for any variety of reasons and most, if not all of the funds are invested in the Rectory Fund for the Parish. These guidelines reflect the current practices and considerations re: the decision to sell a rectory and the use of funds from the disposition of rectories.

Strategic Intent of Owning Rectories

Rectories are held as a key component of our clergy compensation strategy.

In the secular setting, compensation is designed to attract, reward, motivate and retain employees. Clergy compensation, however, originated as a 'living', designed to free the cleric from worldly concerns. Today in the church we find these two principles intertwined.

The "housing" component is important to the compensation package. This component was originally satisfied through the parish rectory. In recent years, some parishes and their incumbents have chosen to sell the rectory and provide the incumbent a living allowance instead.

If a parish is permitted to sell its rectory, it is important that the parish invests the proceeds in a manner that provides for future clergy housing needs. Great care should be taken to retain a sufficient amount in the Rectory Fund. Given the continued rising trend in housing prices, particularly in the urban areas, a parish may find itself facing a financial strain unless it maintains a sufficient rectory fund in lieu of a rectory. That is because housing allowances are geared to local market conditions. Also, at some future date, providing a rectory may be the preferred arrangement.

Use of Funds from the Sale of a Rectory:

The following practices are followed when selling a rectory:

1. The selling of a rectory, like the selling of any property in the diocese, must be done according to Canon 6 and the procedures set out there.

2. Parishes deposit the net proceeds from the sale of the rectory into the Consolidated Trust Fund with the Diocese.

3. If the net proceeds from the sale of the rectory are in excess of the market value for the replacement of a residence, the parish may make application under Canon 6 to receive some or all of the 'surplus'.

4. The Diocesan Investment Committee sets a fixed dividend which is in effect for a two year period. Any returns generated by the fund in excess of the dividend are reflected in an increase in the unit value.

5. To help ensure that the value of the rectory fund reflects increases in the cost of housing, one half of the dividend income earned each quarter is reinvested in the capital of the fund, with the other half being paid to the parish (to use towards paying the housing allowance of the incumbent).

<u>Factors to be considered in determining the adequacy of the Rectory Fund</u>

Given the strategic intent of owning rectories which has been stated above, the proceeds from the sale of a rectory should first be invested in the parish's Rectory Fund. Therefore, the minimum amount to be invested should represent the current market value of purchasing a similar home within the parish boundaries. Any amount not invested in the Rectory Fund will, by definition, be "surplus" and subject to sharing under Canon 6.

A portion of the investment income earned in the parish's Rectory Fund is reinvested in the Rectory Fund so that capital accrues to keep pace with real estate values within the parish boundaries. At any point in time, using the capital and retained income accumulated in the Rectory Funds, the parish should be able to purchase a rectory within the parish boundaries with the amount in the Rectory Fund. Although, this is unlikely to be true in every year, it should be the target over the longer term.

A test for determining the adequacy [or surplus] in the rectory fund might use this reasoning:

1. Determine the net proceeds estimated on sale of the rectory. (A)

2. Determine the current market value of purchasing a similar home within the parish. (B)

3. Determine the housing allowance required to be paid.

4. Estimate real estate value increases. This is the amount that will need to be reinvested in the fund annually to keep pace with the housing market.

5. Determine what amount is needed in the Fund to both generate the housing allowance and provide for real estate increases, using the rate of investment income expected in the Fund. (C)

Therefore, one might consider a surplus to exist if (A) exceeds (B), and also, (A) exceeds (C).