

**Kentucky Annual Conference**  
**Parsonage and Housing Allowance Guidelines**  
*(Approved at 2007 Annual Conference Session)*

***Considerations for Parsonage or Housing Allowances***

The itinerant system remains today as central to the Methodism as it was in the days of the circuit riders. Nowadays, alongside itinerancy, the Church also expects clergy to become resident pastors and active members of the community in which they serve. With the practice of itinerancy and the expectation of residency United Methodist congregations are expected to provide flexible and appropriate housing for appointed clergy and their families. In order to meet these needs, to care for clergy and their families, and to call men and women to a dedicated ministry, congregations must provide reasonable living conditions either through a parsonage or a housing allowance. It is the privilege and responsibility of the members of the congregation to make every effort to provide the physical setting which will give the pastor and his or her family sufficient comfort and convenience so that the energies of the pastor may be more concentrated on their task and willing service in the Church of God.

In the last several years, a number of churches have expressed an interest in offering their appointed pastor a housing allowance instead of a parsonage. While the commission on equitable compensation is not encouraging this trend, we recognize that for some congregations and pastors this appears to be an attractive alternative to the traditional parsonage system. In some situations a parsonage may be more appropriate and in others a housing allowance may be best. Because this is a significant decision for congregations and for clergy, the commission on equitable compensation provides this information to assist in making the best decision.

**Background Information**

- Congregations with a full-time pastor must provide housing for their pastor in addition to salary and benefits. Housing may be in the form of a parsonage with paid utilities or a housing allowance. If a clergy family has an appropriate parsonage available to them and chooses instead to live in a different place, the congregation is not obligated to offer a housing allowance.
- The sale of a parsonage, like the sale of any church real estate, is subject to the procedures outlined in the Book of Discipline. Funds received from the sale of a parsonage may not be used to meet routine operational expenses. They may be used to pay down a mortgage, to help finance another facility, or to fund other capital improvements. These funds may also be invested and the earnings used in anyway the Church council decides. The congregation must present to the District committee on church location and building their rationale for selling the parsonage and their plans for handling the proceeds. The District Committee must approve this plan before the congregation's final church vote.
- Since changing from a parsonage to a housing allowance requires changing the pastor's compensation package, the final decision must be made by a Church or Charge conference with the District superintendent present.
- When providing either a parsonage or housing allowance there are specific IRS requirements for authorization and reporting which must be followed. Failure to precisely abide by IRS requirements in this matter can have negative financial consequences for both the church and the pastor.

**Congregational Steps for Consideration of a Housing Allowance**

- The pastor speaks with the district superintendent regarding desire for the church to consider a housing allowance.
- The church council forms a study team of five to seven persons including the Lay Leader, and representatives from the staff parish relations committee, the board of trustees, and the finance committee.
- The housing allowance study team should consider the following:
  - ♦ The pros and cons for their congregation to move from a parsonage to a housing allowance taking into consideration missional and financial issues.
  - ♦ The monthly cost of renting a home that meets annual conference standards within 20 miles of the church. The team should identify at least three examples of appropriate homes for rent.
  - ♦ The cost to the budget (annually and over time) if the church adopts a housing allowance instead of owning and maintaining a parsonage.
  - ♦ The pros and cons of renting versus selling the parsonage, including a discussion on how the funds would be used in keeping with the Book of Discipline.
- Based on this research, the study team would propose an annual housing allowance.
- The study team shares the proposal with the church council for discussion and questions.
- If the response of the church council agrees with the proposal to provide the pastor with a housing allowance, the proposed allowance must be approved by the district committee on church location and building and building.
- If the study team recommends selling the parsonage and the church council agrees, the plan must be approved by the district committee on church location and building.
- A copy of the proposal should be available for members of the congregation to review. There should also be a church-wide meeting where the congregation can have a chance to ask questions.
- The final step is to contact the district superintendent to set up a charge conference to vote on the housing allowance and related issues.

### ***Kentucky Annual Conference Parsonage Guidelines***

The parsonage system is a unique living situation. Those who either own their own homes or rent have a choice of where they will live and the quality of the dwelling in which they live. In the parsonage system the minister and family have no choice on where they will live or the quality of the home. The parsonage is both a private dwelling place for the pastor and family, as well as an extension of the church's ministry. The parsonage makes a strong statement about the church to the community. The parsonage has a very important influence on the happiness of a pastor and family serving a particular church. It also has a very important influence on the quality of family life.

It is a major concern that recent studies have shown that the parsonage has the lowest priority in many congregations in terms of maintenance or investment. Of equal concern are instances where the parsonage family has been negligent in their responsibility of caring for the parsonage in a reasonable manner.

It is the expectation of the Kentucky Annual Conference that every clergy person (and clergy family) will adhere to the highest of standards in the care and upkeep of church parsonages. Failure to properly maintain the parsonage will be noted in the clergy person's permanent file and may be a factor when considering future appointments. Clergy persons are expected to:

- Report any maintenance and upkeep issues to the local church trustees in a timely manner. If these items are not addressed, then the procedures of the section on the arbitration policy will be implemented.
- Work with the trustees to ensure that the appearance of the parsonage (external and internal) is a positive witness in the community.

- Before moving to a new appointment, the clergy person (family) is expected to thoroughly clean the parsonage from which they are moving and report any maintenance issues to the trustees of the local church. If the parsonage is not left in good condition by the outgoing pastor, that fact should be reported to the district superintendent.
- When moving to a charge, the incoming clergy person should work with the trustees and pastor parish relations committee to do a complete inspection of the parsonage. The results of this inspection should be reported to the district superintendent.

Following are recommendations for parsonages located within the boundaries of the Kentucky Annual Conference.

**Required Standards for all Parsonages:**

- **Annual Inspection:**
  - ♦ The chairperson of the committee on pastor-parish relations, the chairperson of the board of trustees, and the pastor shall make an annual review of the church-owned parsonage to assure proper maintenance (§ 259.16 The Book of Discipline, 2004).
- **Rooms:**
  - ♦ Kitchen
  - ♦ 3 bedrooms
  - ♦ Properly maintained bathroom(s)
  - ♦ Indoor laundry area
  - ♦ Secure storage area
- **Equipment (good quality, dependable appliances)**
  - ♦ Stove
  - ♦ Refrigerator with freezer compartment
  - ♦ Washer and dryer
  - ♦ Hot water heater of at least 40 gallons
  - ♦ Maintained smoke alarms
  - ♦ Maintained carbon monoxide detectors in homes with natural gas or propane
  - ♦ Current fire extinguishers for kitchen and all levels of home
  - ♦ Lawn mower
- **Furnishings:**
  - ♦ Quality window coverings in neutral colors that insure privacy
  - ♦ Quality floor coverings in neutral colors that are durable and easily maintained
- **Maintenance:**
  - ♦ Inspection and cleaning of ductwork as needed
  - ♦ Landscaping should be representative of the neighborhood
  - ♦ Regular schedule for both inside and outside painting
  - ♦ Timely repairs as needed
  - ♦ Regular carpet cleaning
  - ♦ Regular maintenance and cleaning of chimneys, if they exist
  - ♦ Windows maintained to be operative
  - ♦ Regular pest control inspection and provide any needed treatment
  - ♦ Annual termite inspection and provide any needed treatment
  - ♦ Suitable and maintained drive-way
  - ♦ Regular inspection for mold and any needed treatment

- **Utilities**
  - ◆ Local phone service and long distance calls applicable to the charge
  - ◆ Basic internet service at the parsonage
  - ◆ Basic cable television service or basic satellite television service
  - ◆ Electric
  - ◆ Gas, if applicable
  - ◆ Sewage
  - ◆ Water
  - ◆ Garbage

**Additional Standards for New or Replacement Parsonages:**

- Electrical wiring that meets code and is sufficient for today’s electrical needs
- Climate control: both heating and air conditioning throughout the parsonage
- One room that can be used as a bedroom by a person with a disability, one fully accessible bathroom and fully accessible laundry facilities on the ground-floor level
- **Rooms:**
  - ◆ Dining room or eating area large enough for at least 8 people
  - ◆ Kitchen
  - ◆ 3 bedrooms
  - ◆ 2 full baths
- **Equipment (good quality, dependable appliances)**
  - ◆ Dishwasher
- **Location:**
  - ◆ Should be at a distance that insures privacy for the pastor and family

**Requirements for Housing Allowance**

- To determine the housing allowance the charge should consider the monthly cost of renting a home that meets annual conference standards within 20 miles of the church. The team should identify at least three examples of appropriate homes for rent. The charge should also provide an additional amount to provide for utilities at the minimum standards for a parsonage.
- Charges should also consider their specific housing situation in their communities to determine if a higher allowance is appropriate.

**ARBITRATION POLICY**

The commission on equitable compensation has instituted the arbitration subcommittee to hear unreconciled problems regarding parsonage standards, parsonage usage or housing allowances and to recommend solutions and alternatives.

The following is a proposed policy for the arbitration subcommittee to carry out this annual conference mandate:

1. Provision for clergy housing is the responsibility of the local church.
2. Issues regarding housing should be resolved between the clergy family and the local church.

3. If housing matters cannot be resolved to the satisfaction of all involved parties, the respective district superintendent should be invited for mediation by the staff parish relations committee.
4. The arbitration subcommittee of the conference commission on equitable compensation may only be invited to arbitrate clergy housing issues at the initiative of the district superintendent. Travel expenses will be borne by the commission on equitable compensation.
5. The subcommittee shall come to the local church or charge to hear the concerns of all interested parties and offer recommendations and/or solutions that shall be mutually binding.

### **Arbitration Subcommittee**

1. The subcommittee shall be composed of at least 50% lay membership.
2. The subcommittee will meet as necessary, to review policy and to hear unreconciled problems. The subcommittee will report its recommendations and solutions to the commission on Equitable Compensation.

### **Excerpts on Parsonages from The Book of Discipline, 2004**

#### **¶ 259. Local Church, Administrative Committees, Committee on Pastor-Parish Relations**

(16) To consult on matters pertaining to pulpit supply, proposals for compensation, travel expense, vacation, health and life insurance, pension, housing (which may be a church-owned parsonage or housing allowance in lieu of parsonage if in compliance with the policy of the annual conference), and other practical matters affecting the work and families of the pastor and staff, and to make annual recommendations regarding such matters to the church council, reporting budget items to the committee on finance. The parsonage is to be mutually respected by the pastor's family as the property of the church and by the church as a place of privacy for the pastor's family. The chairperson of the committee on pastor-parish relations, the chairperson of the board of trustees, and the pastor shall make an annual review of the church-owned parsonage to assure proper maintenance.

#### **¶ 2503. Trust Clauses in Deeds**

1. Except in conveyances that require that the real property so conveyed shall revert to the grantor if and when its use as a place of divine worship has been terminated, all written instruments of conveyance by which premises are held or hereafter acquired for use as a place of divine worship or other activities for members of The United Methodist Church shall contain the following trust clause:

In trust, that said premises shall be used, kept, and maintained as a place of divine worship of the United Methodist ministry and members of The United Methodist Church; subject to the Discipline, usage, and ministerial appointments of said Church as from time to time authorized and declared by the General Conference and by the annual conference within whose bounds the said premises are situated. This provision is solely for the benefit of the grantee, and the grantor reserves no right or interest in said premises.

2. All written instruments by which premises are held or hereafter acquired as a parsonage for the use and occupancy of the ministers of The United Methodist Church shall contain the following trust clause:

In trust, that such premises shall be held, kept, and maintained as a place of residence for the use and occupancy of the ordained ministers of The United Methodist Church who may from time to time be entitled to occupy the same by appointment; subject to the Discipline and usage of said Church as from time to time authorized and declared by the General Conference and by the annual conference within

whose bounds the said premises are situated. This provision is solely for the benefit of the grantee, and the grantor reserves no right or interest in said premises.

#### **¶ 2519. Duties and Responsibilities of the District Boards of Church Location and Building**

1. Local Church Building Sites and Plans—The board of church location and building shall investigate all proposed local church building sites, ascertaining that such sites are properly located for the community to be served and adequate in size to provide space for future expansion and parking facilities. (See ¶¶ 260.1, 2543.2.)

2. If there is a district strategy committee for parish development or a metropolitan commission (¶ 632.5j) in the district, the board shall consider its recommendations in planning a strategy for continuing the service of The United Methodist Church in changing neighborhoods. If no parish development committee or commission is operative, the board shall study the duties assigned to each and seek ways to provide continuity of service in parishes where there is a change in the racial, ethnic, or cultural character of the residents, to the end that the resolutions of the General Conference involving such neighborhoods be given careful consideration. One member of the board shall also have membership on the strategy committee or on the commission.

3. The board of church location and building shall investigate all proposed local church or parsonage buildings to determine the best method to make the structure energy-efficient.

#### **¶ 2520. Standards for the Approval of Building Proposals**

1. The [district] board [of church location and building] shall review the plans of any church in the district which proposes to construct or purchase a new church or educational building or a parsonage, or remodeling of such a building if the cost will exceed 25 percent of the value of the building. Such proposal shall include a statement of the need for the proposed facilities, preliminary architectural plans, cost estimate of the project, and a financial plan for defraying such costs. Before finally approving the building project, the board shall determine that the preliminary architectural design and financial plans have been evaluated and approved by proper authorities. Where readily achievable and financially feasible, renovation plans shall provide for equal access to persons with disabilities.

2. When the local church has secured final architectural plans and specifications and a reliable and detailed estimate of the cost of the proposed undertaking as provided in ¶ 2543.7, the board shall require their submission for consideration and approval. The board shall study carefully the feasibility and financial soundness of the undertaking and ascertain whether the financial plan will provide funds necessary to ensure prompt payment of all proposed contractual obligations, and it shall report its conclusions to the church in writing.

3. A final decision of the board approving purchase, building, or remodeling shall automatically terminate after a period of one year where no action has been taken by the local church to carry out such decision.

#### **¶ 2542. Restriction on Proceeds of Mortgage or Sale**

1. No real property on which a church building or parsonage is located shall be mortgaged to provide for the current (or budget) expense of a local church, nor shall the principal proceeds of a sale of any such property be so used. This provision shall apply alike to unincorporated and incorporated local churches.<sup>9</sup>

2. A local church, whether or not incorporated, on complying with the provisions of the Discipline may mortgage its unencumbered real property as security for a loan to be made to a conference board of global

ministries or a city or district missionary society; provided that the proceeds of such loan shall be used only for aiding in the construction of a new church.

3. Exception to this restriction may be granted in specifically designated instances to allow use of equity and/or accumulated assets from the sale of property to provide for congregational redevelopment efforts including program and staff. Such exception may be granted by the annual conference, the bishop, and the cabinet upon request of the local church in consultation with congregation development staff where applicable. A clear and detailed three-to-five-year redevelopment plan that projects a self-supporting ministry must accompany the request.

**¶ 2543. Planning and Financing Requirements for Local Church Buildings**

3.b. b) After approving a purchase proposal, the charge conference shall be deemed to have authorized and directed the board of trustees to proceed with the purchase. In the case of the purchase of a parsonage, the board of trustees shall either:

- (1) purchase a parsonage that has on the ground-floor level:
  - (a) one room that can be used as a bedroom by a person with a disability;
  - (b) one fully accessible bathroom; and
  - (c) fully accessible laundry facilities