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FROM LIABILITY TO LEGACY: A CHURCH'S GUIDE TO REPURPOSING EXCESS PROPERTY

Evaluating, exploring, and
executing your next move

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WHY THIS GUIDE EXISTS

Many congregations are sitting on more real estate than they actively use. A closed education wing, an empty parsonage, an overgrown back lot, or a second building left over from a merger. These spaces don't stop costing money just because no one is using them. Insurance, utilities, deferred maintenance, and property taxes on non-exempt portions keep accruing whether the space is serving the congregation's mission or not.

At the same time, that same property can become one of a congregation's most valuable tools: a source of rental income, a partnership with a ministry or service provider that shares your values, or a way to fund the mission that matters most to your congregation without touching the operating budget.

This guide walks through a three step framework, Evaluate, Explore, Execute, for turning excess church property from a liability into an asset, and expands on the legal issues that tend to surprise congregations along the way

STEP 1: EVALUATE

Before exploring options, get a clear eyed picture of what you have and what it's costing you.

Take Inventory

- What space or land is sitting unused or underused: classrooms, a parsonage, a gymnasium, undeveloped acreage?
- Which parts of the property are used for worship or exempt religious purposes, and which are not?
- Are there restrictions in the deed, a denominational trust clause, or a donor restriction that limits what can be done with the property?

Know What It's Costing You

- Insurance, utilities, and security on space that generates no revenue and serves no ministry
- Deferred maintenance and the capital repairs a vacant building will eventually require
- Property tax exposure on any portion no longer used for an exempt religious purpose
- Opportunity cost: what the congregation could do with the income or renewed space instead

Decide What Success Looks Like

- Are you looking for income, a mission aligned partnership, or simply to stop the bleeding?
- Is the goal to keep the property long term or eventually sell it

STEP 2: EXPLORE YOUR OPTIONS

Once you understand what you have, there is usually more than one path forward. The right fit depends on your congregation's mission, its governance structure, and how much control you want to retain.

Lease to a Mission Aligned Tenant

A daycare, tutoring program, counseling practice, or another congregation can occupy unused space under a lease, generating steady income while keeping the use compatible with your mission.

Partner With a Service Provider

Senior living operators, homeless shelters, and community health organizations are often looking for exactly the kind of space a church has. A ground lease or joint venture can generate long term income without the congregation taking on operating responsibility.

Lease for Infrastructure or Renewable Energy

Cell tower leases and solar or renewable energy agreements can turn a rooftop or an unused field into a dependable revenue stream with minimal disruption to congregational life.

Sell the Excess Portion

Where a parcel is genuinely surplus, such as vacant land never intended for future ministry use, a sale can convert a carrying cost directly into funds for the congregation's mission.

Redevelop in Partnership With a Developer

Excess land near a church campus is often attractive for affordable housing or mixed use development. A ground lease or joint venture can let the congregation participate in the upside while a partner handles construction and management.

Transfer or Donate to Another Ministry

When a use no longer fits the congregation's plans, transferring property to a denominational body or another nonprofit can fulfill a mission purpose even without a financial return.

STEP 3: EXECUTE

This is where most projects succeed or stall. A good idea needs the right team and the right structure to actually close.

Build the Right Team

- An attorney experienced in both real estate and religious institutions. The two don't always overlap
- A qualified appraiser to establish fair market value
- Denominational or diocesan representatives, if your governing structure requires their approval

Protect the Congregation's Tax Exempt Status

Leasing space to a for profit tenant or a use unrelated to your religious mission can jeopardize the property tax exemption on that portion of the property, and in some cases raise unrelated business income tax questions. This needs to be structured correctly from the start, not fixed after the lease is signed.

Understand Your Protections Under RLUIPA

As a religious institution, your congregation has protections under the Religious Land Use and Institutionalized Persons Act (RLUIPA) against discriminatory or unduly burdensome local land use restrictions. These protections can matter if a municipality resists a new or repurposed use of your property.

Choose the Right Deal Structure

- Lease vs. ground lease vs. sale vs. joint venture: each has different tax, control, and liability implications
- Make sure the agreement reflects and protects the congregation's religious mission and values, not just the financial terms

Get the Necessary Approvals

- Congregational vote or trustee board approval, as your governing documents require
- Denominational or presbytery/diocesan sign off, where applicable
- Local permits and approvals for any change of use or construction

COMMON PITFALLS TO AVOID

- Signing a lease before confirming the effect on property tax exemption
- Skipping denominational or trustee approval, creating a deal that can later be challenged or unwound
- Underestimating future ministry needs and giving up space the congregation will want back in ten years
- Assuming a handshake understanding with a tenant or partner will hold up without a written agreement
- Waiting until a zoning or use dispute arises to learn what legal protections were available from the start

CONCLUSION

Excess church property is only a liability for as long as it sits unaddressed. With the right evaluation, the right partner or plan, and a legal structure built to protect both your finances and your mission, that same property can become a lasting asset for your congregation.

We hope this guide gives your congregation a helpful starting point. Every property and every congregation's governing structure is different, and we would encourage you to reach out if you would like help thinking through your own property's potential. If you are interested in setting up a consultation, call our office at **(313) 859-6000** or email me at **ddalton@daltontomich.com**.

Sincerely,
Dan Dalton

ABOUT THE AUTHOR

A co-founder of Detroit-based Dalton & Tomich, PLC, Daniel Dalton has developed a national reputation as a tenacious and strategic litigator representing clients in the areas of land use and zoning litigation. He has a special focus on religious denominational splits and property disputes, representing religious institutions throughout the country in cases related to the Religious Land Use and Institutionalized Persons Act (RLUIPA), and litigating cases involving local churches seeking to separate from their mainline denominations while retaining their property using denominational trust clauses.