

Section 10

LEASING PROPERTY

Whether the property is a commercial or residential entity, ask yourselves how leasing this property will contribute to the life and growth of the congregation and advance God's mission.

Leases are involved when a congregation:

- needs to rent additional property for its use, or
- decides to lease out a property, or part of it, for income.

In order to lease a property for a term of longer than 7 years (including rights to renew), you must have approval from:

- Synod
- MCPC

All Leases (including lease renewals) are drawn up by the BOA's lawyer and must be forwarded to the Connexional Office to arrange signing by BOA member/s.

The lease must be in the name of The Board of Administration of the Methodist Church of New Zealand as the landlord and signed by one or more Board members, not by the parish.

The lease document (Deed of Lease) must be in writing and preferably be prepared by BOA's lawyer.

The Deed of Lease must include:

- Board of Administration of the Methodist Church of NZ as Lessee (if you are renting additional property) or Lessor (if you are renting out your existing property)
- the legal description of the property
- the term of the lease
- the amount of rental and terms
- any renewal rights and obligations
- a clause limiting the liability of the Church to the property being leased (refer below)
- an inventory of chattels
- it may include a bond payment (if required).

If the lease is a residential tenancy, you must also ensure you understand and abide by your obligations under the Residential Tenancies Act. Copies are widely available, together with standard tenancy agreements, at Post Shops or online at www.tenancy.govt.nz.

MCPC's approval is not required for a residential tenancy or a commercial tenancy with a term of less than seven years (including the right to renew terms).

Limitation of Liability and Substances Clause

This clause is required because the Board of Administration of the Methodist Church of NZ legally own a lot of property on behalf of The Methodist Church of New Zealand. It is important that liability is restricted to the actual property involved.

The Clause should read something like this:

“The liability of The Methodist Church of New Zealand as (tenant, landlord, lessee or lessor as appropriate) under the terms of this Deed of Lease shall be limited to the property as set out in the schedule (attached) and shall not constitute a debt payable by The Board of Administration of the Methodist Church of New Zealand.”

This clause may vary on a case by case basis as recommended by the BOA’s lawyer when they review the draft Deed of Lease.

Unlawful Substances

For all leases entered into by the Church, the following clause is to be included:

“The Tenant expressly acknowledges and agrees it is an essential term of the lease that the Tenant’s invitees at the property will not bring onto or manufacture at the property methamphetamine (P).

If damage to the property occurs as a result of the Tenant’s breach of this clause, the Tenant will be responsible for all costs required to return the property to the condition the property was in at the commencement of the lease and to the satisfaction of the Landlord. The Tenant expressly acknowledges that the Landlord has not insured the property against damage caused by methamphetamine contamination, and the Tenant will meet the cost of making good any such damage.”

It is the congregation’s responsibility to ensure any conditions attached to leases are fulfilled. The Parish Council must give the required notice to renew a lease that has a “right of renewal” clause.

Smoke Alarm and Insulation Requirements for Tenanted Residential Properties

If a parish is renting out a residential property, e.g. a former parsonage, it must comply with the legislation requiring the installation of smoke alarms and insulation.

- Smoke alarms must be installed in all tenanted residential properties. It is the landlord’s responsibility to ensure that smoke alarms are in good working order and meet the Residential Tenancies Act requirements. Tenants are required to replace expired batteries and advise the landlord of any problems with the alarms.

Smoke alarms must be installed:

- within three metres of each bedroom door or in every room where a person sleeps
- in each level or story of a multi-storey or multilevel home
- in all rental homes, boarding houses, rental caravans, and self-contained sleep-outs.

All new smoke alarms must:

- be photoelectric
- have a battery life of at least eight years, or be hardwired
- installed according to the manufacturer’s instructions
- meet international standards.

Further information is available at <https://www.tenancy.govt.nz/maintenance-and-inspections/smoke-alarms/>

Insulation Statements are now compulsory with all new tenancy agreements. Insulation is compulsory in all rental homes from 1 July 2019. Ceiling and underfloor insulation is compulsory in all rental homes from 1 July 2019. A landlord who fails to comply with the regulations will be committing an unlawful act and may be liable for a penalty of up to \$4,000.

- From 1 July 2019, ceiling and underfloor insulation is compulsory in all rental homes where it is reasonably practicable to install. It must comply with the regulations and be safely installed.
- Landlords may be eligible for help from their local council. A number of councils allow homeowners to add the cost of insulation to their rates and pay it back over about nine years.

Further information is available at <https://www.tenancy.govt.nz/maintenance-and-inspections/insulation-in-rental-properties/insulation-requirements-under-the-rta/>

Insurance of leased property

- Leasing part of your property may affect your insurance coverage.
- It may be prudent to also require the lessee to carry their own insurance, e.g. public liability.
- Ask the Insurance and Property Manager for advice.

Lease Agreements

The Connexional Office will hold an original Deed of Lease electronically signed by all parties, and the parish will hold a copy for its records.

It is the responsibility of the parish to abide by the conditions of the lease, manage rent reviews and know when lease renewals and lease expiries are due.