

SUPREME COURT OF VIRGINIA

The Falls Church v. Protestant Episcopal Church in the United States of America, 285 Va. 651

740 S.E.2d 548 (2013) · No. Record No. 120919 · Decided April 18, 2013

SUMMARY

The Supreme Court of Virginia considered a dispute over ownership of real and personal property following The Falls Church's disaffiliation from the Protestant Episcopal Church and the Diocese of Virginia. Applying neutral principles of law, the court examined Virginia statutes, deeds, church governance documents, and the parties' course of dealings, including the effect of Virginia Code § 57-7.1 and the Episcopal Church's Dennis Canon. The court held that Code § 57-7.1 permitted denominational trusts and addressed whether the church property was subject to such a trust.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Justice Cleo E. Powell; Kinser, C.J.; Goodwyn, J.; Millette, J.; McClanahan, J.; Powell, J.; Koontz, S.J.; Lacy, S.J.
JURISDICTION	Virginia
DECIDED	April 18, 2013
DOCKET	Record No. 120919
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Falls Church appealed the circuit court's judgment awarding TEC and the Diocese proprietary interests in disputed church property and requiring conveyance of the property. TEC and the Diocese cross-appealed the circuit court's treatment of Code § 57-7.1.
STANDARD OF REVIEW	Statutory construction is reviewed de novo. The court applied neutral principles of real property and contract law to the church-property dispute and reviewed unpreserved assignments under Rule 5:25.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	The Falls Church, a/k/a The Church at the Falls v. The Protestant Episcopal Church in the Diocese of Virginia, The Protestant Episcopal Church in the United States of America, The Diocese of Virginia

TOPICS

trusts real estate statutory interpretation constitutional law remedies

PRACTICE AREAS

constitutional law real estate trusts statutory interpretation equitable remedies

QUESTIONS PRESENTED

1. Whether Virginia's neutral-principles approach constitutionally permitted the court to resolve ownership of the disputed church property.
2. Whether Code § 57-7.1 authorized denominational trusts benefiting a hierarchical church.
3. Whether the Dennis Canon created an express trust enforceable under Virginia law or, alternatively, whether the parties' relationship supported imposition of a constructive trust.
4. Whether the circuit court properly awarded the disputed real and personal property to TEC and the Diocese.
5. What date properly demarcated property acquired by The Falls Church after disaffiliation from property held for TEC and the Diocese.

HOLDINGS

1. Code § 57-7.1's plain language broadened the scope of valid church-property trusts to include property conveyed or transferred to or for the benefit of a church diocese and therefore permits denominational trusts for hierarchical churches.
2. Although the Dennis Canon did not create an effective express denominational trust when enacted in 1979 under the law then in effect, the constitution and canons of TEC and the Diocese, together with the parties' course of dealing, established the fiduciary relationship necessary for a constructive trust benefiting TEC and the Diocese.
3. The use of neutral principles of real property and contract law to resolve the dispute did not violate the First Amendment or the Virginia Constitution because the decision did not depend on inquiry into faith, doctrine, or ecclesiastical questions.
4. Contributions, donations, and membership dues made to The Falls Church were held in trust for TEC and the Diocese under Code §§ 57-7.1 and 57-10, and the congregation's discretionary control over those funds did not eliminate the trust.
5. The filing of the declaratory judgment action was not the proper demarcation date. The relevant date was when The Falls Church voted to disaffiliate, or alternatively when the Diocese declared the property abandoned; the case was remanded for the circuit court to recalculate the personal-property award using the disaffiliation vote as the demarcation point.

KEY QUOTATIONS

“The question is simply whether the court can decide the case by reference to neutral principles of law,

without reference to issues of faith and doctrine.” (at 8-9)

“When one considers the constitution and canons, specifically the adoption of the Dennis Canon, and the course of dealing between the parties, The Falls Church, TEC and the Diocese intended, agreed and expected that the property at issue would be held in trust by The Falls Church as trustee for the benefit of TEC and the Diocese.” (at 23-24)

“A necessary corollary is that once a congregation votes to disaffiliate from a hierarchical church, the hierarchical church no longer has any rights or interest in any property subsequently acquired by the congregation.” (at 31-32)

“Affirmed in part, reversed in part, and remanded.” (at 33-34)

FACTUAL BACKGROUND

The Falls Church, founded in 1732, joined the Diocese of Virginia and TEC in 1836 and operated as part of the hierarchical Episcopal church structure for many years. In December 2006, its congregation voted overwhelmingly to disaffiliate from TEC and the Diocese. TEC and the Diocese claimed interests in the congregation's real and personal property based on deeds, church constitutions and canons, the parties' course of dealing, and the Dennis Canon. The circuit court awarded property-related relief to TEC and the Diocese, including property acquired after the declaratory actions were filed.

PROCEDURAL HISTORY

After The Falls Church and six other congregations voted to disaffiliate from TEC and the Diocese, TEC and the Diocese filed declaratory judgment actions concerning ownership of real and personal property. The circuit court initially dismissed the actions as moot after granting the congregations' Code § 57-9(A) petitions, but the Supreme Court of Virginia reversed and remanded in *Protestant Episcopal Church v. Truro Church*, directing resolution under real-property and contract-law principles. Following a 22-day trial on remand, the circuit court found contractual and proprietary interests in favor of TEC and the Diocese, imposed property-related relief, and denied the congregations' counterclaims. The Supreme Court affirmed in part, reversed in part, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The circuit court was directed to reconsider the award of personal property acquired after disaffiliation using the date The Falls Church voted to disaffiliate as the proper demarcation point. The court otherwise was to enforce the conveyance of the trust property to TEC and the Diocese and maintain the remainder of its judgment.

CASES CITED

- *Protestant Episcopal Church v. Truro Church*, 280 Va. 6, 694 S.E.2d 555 (2010)
- *Green v. Lewis*, 221 Va. 547, 272 S.E.2d 181 (1980)

- *Norfolk Presbytery v. Bollinger*, 214 Va. 500, 201 S.E.2d 752 (1974)
- *Presbyterian Church in the United States v. Mary Elizabeth Blue Hull Memorial Presbyterian Church*, 393 U.S. 440 (1969)
- *Jones v. Wolf*, 443 U.S. 595 (1979)
- *Reid v. Gholson*, 229 Va. 179, 327 S.E.2d 107 (1985)
- *Trustees of Asbury United Methodist Church v. Taylor & Parrish, Inc.*, 249 Va. 144, 452 S.E.2d 847 (1995)
- *Industrial Development Authority v. Board of Supervisors*, 263 Va. 349, 559 S.E.2d 621 (2002)
- *Philip Morris USA Inc. v. Chesapeake Bay Foundation, Inc.*, 273 Va. 564, 643 S.E.2d 219 (2007)
- *Smit v. Shippers' Choice of Va., Inc.*, 277 Va. 593, 674 S.E.2d 842 (2009)
- *McGehee v. Edwards*, 268 Va. 15, 597 S.E.2d 99 (2004)
- *Leonard v. Counts*, 221 Va. 582, 272 S.E.2d 190 (1980)
- *Porter v. Shaffer*, 147 Va. 921, 133 S.E. 614 (1926)
- *Horne v. Holley*, 167 Va. 234, 188 S.E. 169 (1936)
- *Lucy v. Zehmer*, 196 Va. 493, 84 S.E.2d 516 (1955)
- *Serbian Eastern Orthodox Diocese v. Milivojevich*, 426 U.S. 696 (1976)
- *Kedroff v. St. Nicholas Cathedral*, 344 U.S. 94 (1952)
- *Unit Owners Ass'n. v. Gillman*, 223 Va. 752, 292 S.E.2d 378 (1982)
- *Davis v. Mayo*, 82 Va. 97 (1886)