

Of Prophets and Profits: Reuse and Redevelopment of U.S. Houses of Worship

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Outline



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- Overview
- Difficulties
- Promise
- Four legs of the stool
- Examples
- Future needs

Overview

HOWs are in free fall



- Denomination to denomination
- Coast to coast
- We're at the beginning

Overview

Perfect storm



- Decline in religious membership
- Increase in property costs
- Improved mobility and connectability
- Covid-19 pandemic

Overview

Examples



- NJ United Methodists—20% in critical, 40% in serious condition
- Ottumwa IA Main Street—5 churches closed, 3 more on the way
- Gary IN—250+ empty churches

Overview

Good news/bad news



- Bad news: empty HOWs
- Good news: open opportunities
- Savvy ones get ahead of the curve
- Different situations in hot and cold real-estate markets

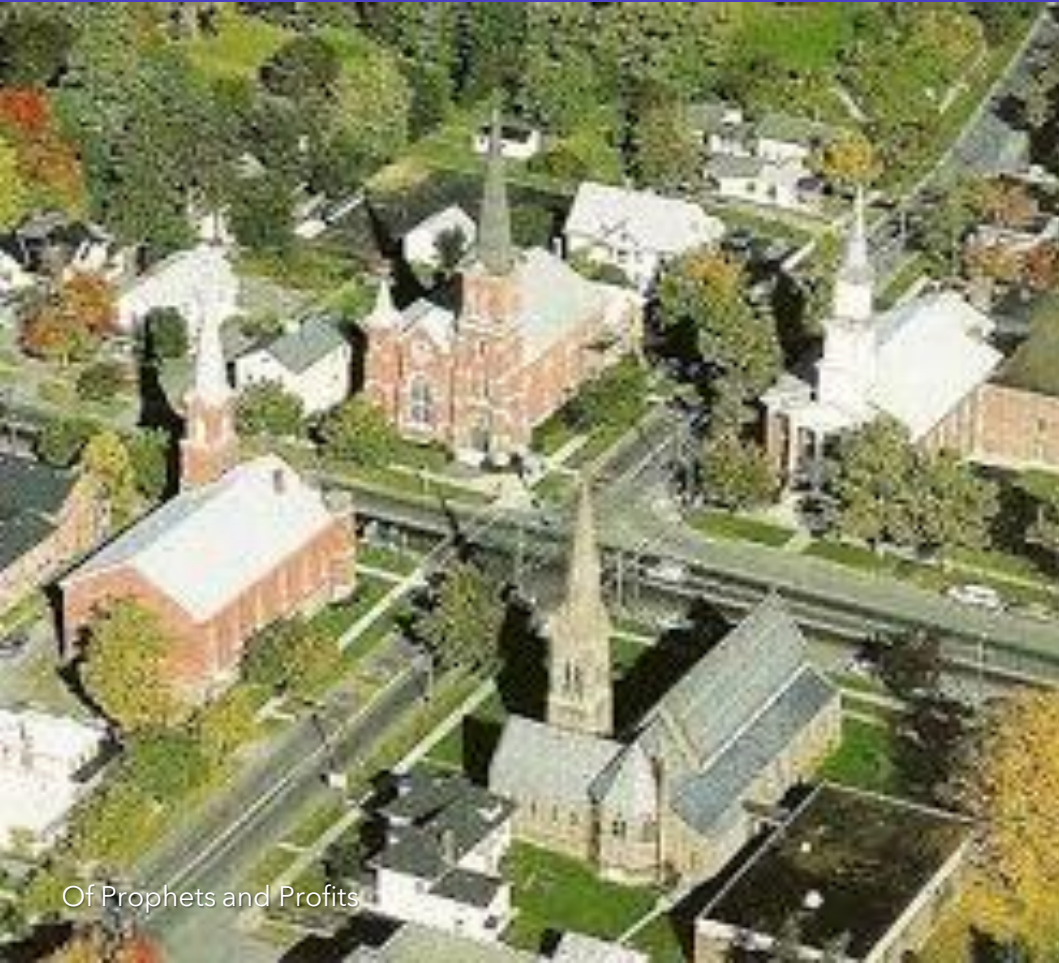
Difficulties Houses of worship



- Lack of data
- No real estate background
- Emotion, not logic; Good Shepherd, not Grim Reaper
- Convoluted decision making
- Need to relocate human services

Difficulties

Communities



- Outdated, aggressively enforced zoning, building code, and preservation ordinances
- Inflexible, aggressively enforced property-tax determinations
- Neighborhood NIMBYs

Difficulties

Real-estate industry

- Impatient with HOWs
- Focused on hot markets
- Out to maximize short-term profits

Promise

Houses of worship

- Lots of excess properties
- Purported community focus

Communities

- Desperate for affordable housing
- Beginning to embrace model legislation

Real-estate industry

- Embrace of mixed use
- Growing capability of not-for-profit developers

Four legs of the stool



Four legs of the stool

Leg 1—Property and property market

- Description--needed repairs or replacement?
- Mortgages, liens, reversion clauses?
- Natural or manmade hazards?
- Graveyard? Need to subdivide?
- Demand by type and over time

Leg 2—HOW and judicatory

- Readiness for change
- Rules of engagement
- Decisions: Church or judicatory?
Lay or clergy?
- “Follow the money”
- Mission vs. money?
- Merger vs. closing?
- Church survivability

Four legs of the stool

Leg 3—Neighborhood and municipality

- Zoning
- Building codes
- Preservation ordinances
- Tax policies
- Master plan
- Next-door neighbors and neighborhood association
- Mayor, Councilmembers, professional staff

Leg 4—Resources—financial and human

- Money--for pre-development
- Money--for development—hard debt, soft debt, equity, grants
- Money--for operations
- People—developers, financiers, attorneys, architects, builders

Good examples

Reuse



- St. Paul's United Methodist, Brick NJ— parish hall into pickleball courts
- Iowa City First Mennonite—football parking
- Silver Spring MD Viers Mill Baptist-- three immigrant congregations

Good examples Redevelopment



- Alexandria VA Church of the Resurrection—113 affordable apartments and a church
- Louisville St. Peter's United Church of Christ--Village @ West Jefferson, 30K sf commercial development and a church
- Charlotte Sharon United Methodist—\$200M mixed-use redevelopment with office, residential, retail, and a church

Good examples Sales



- Tampa First Presbyterian—\$5M
- Seattle First United Methodist--\$32M
- Miami First United Methodist--\$55M

Future needs



- Understand the huge scope of the problem
- Convince HOWs to get into the real-estate business
- Break out a new mixed-use HOW model
- Adopt flexible zoning, building-code, and property-tax policies
- Provide local, state and federal incentives

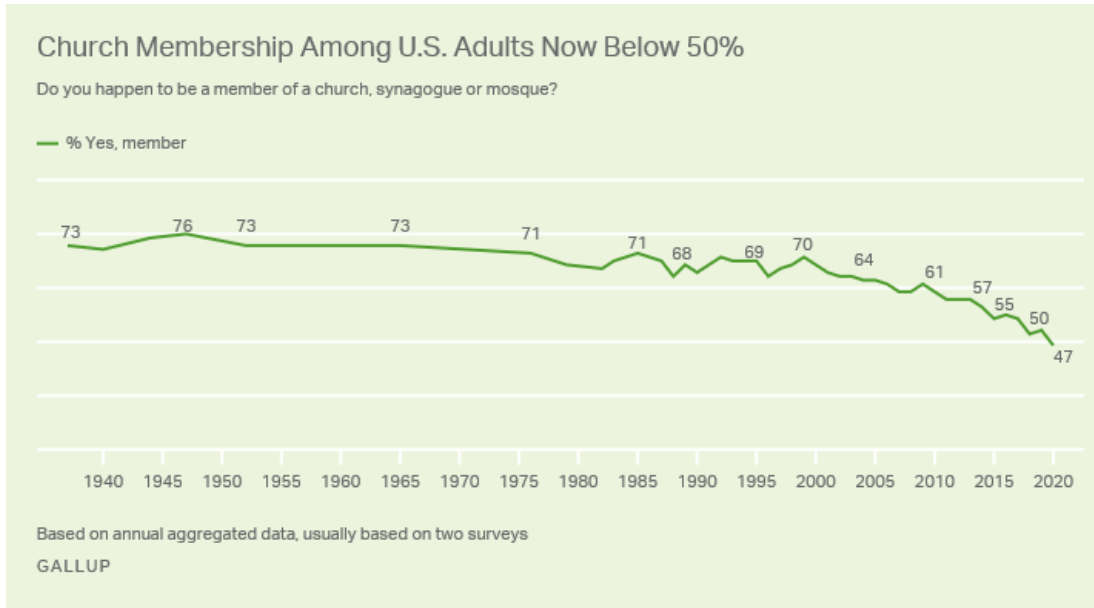
Prophets and Profits: Reusing and Redeveloping Houses of Worship



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October 25, 2023
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The Challenges We Face— Social and Cultural

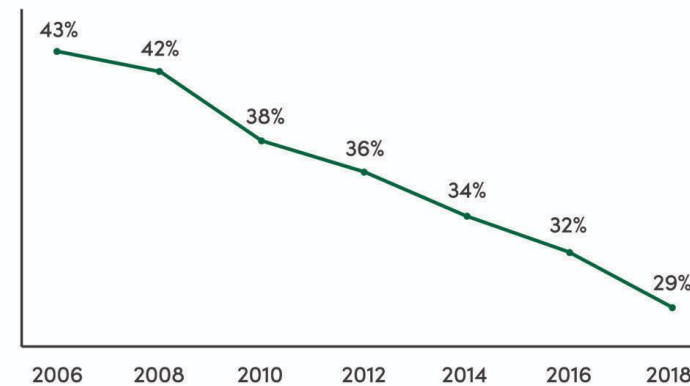
Declining membership



Declining giving

Fewer Americans are giving to religious causes

Percentage of American households who made donations specifically for religious purposes or spiritual development



Lifeway research

Source: Indiana University's Lilly Family School of Philanthropy
<https://generosityforlife.org/generosity-data/fact-sheets/>

The Challenges We Face— Physical Structural

Aging buildings



Deferred Maintenance



Abandoned buildings



Yet these are symptoms

- Loss of mission
- Misguided by institutional and internal focus
- Diversion and distraction from what really matters

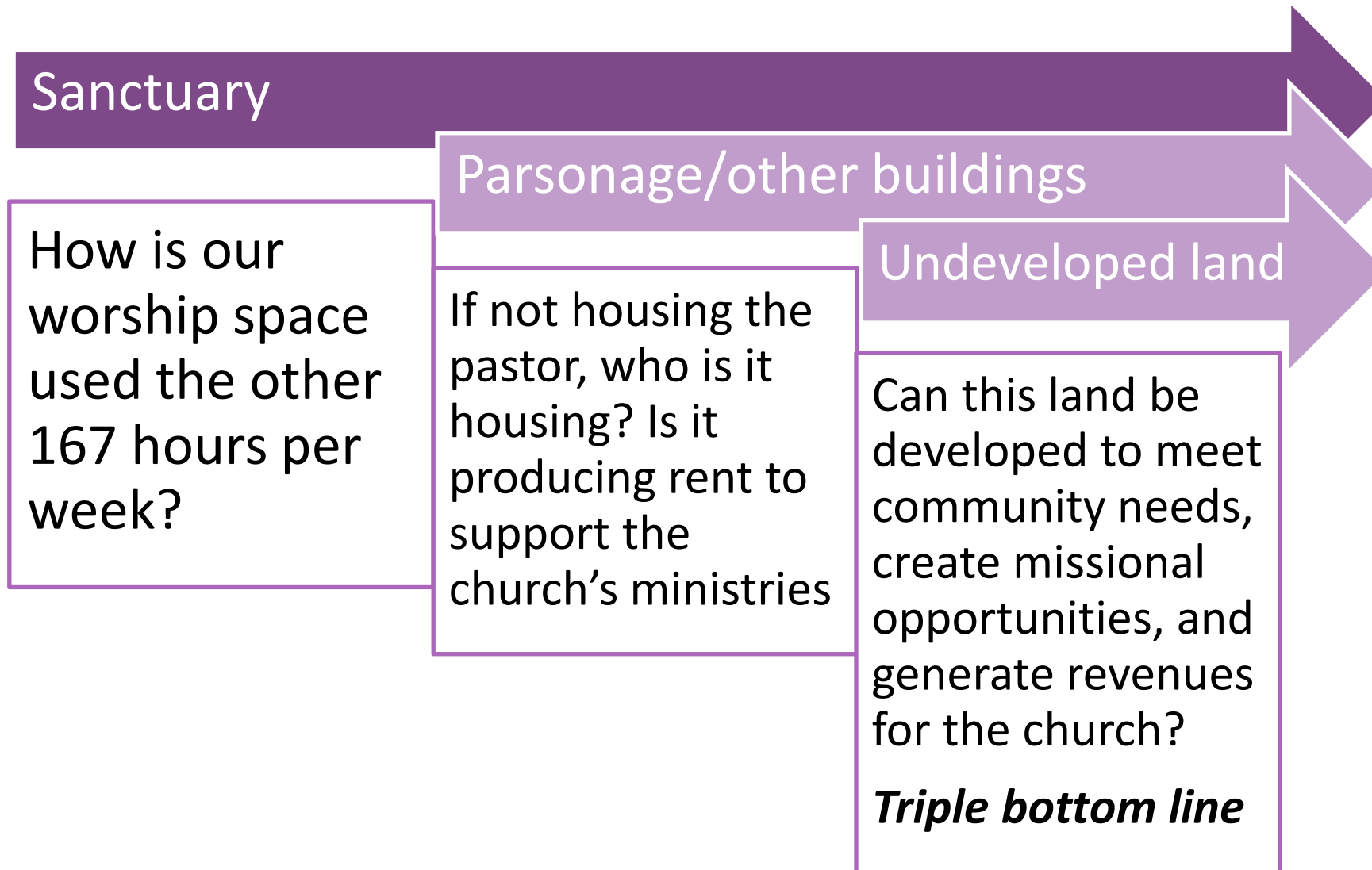
Committed to Revitalizing Mission through Affordable Housing

- Seeing All the People
- Deepening Discipleship
- Living and Loving Like Jesus
- Multiplying Impact
- Including our housing insecure neighbors
- Introduce our new neighbors to Christ
- Ministry with those at the margins
- Multiply our property and financial assets

Re-Imagine Ministry by Including Church Property Assets

- Does our property serve our mission?
- Are we being faithful stewards of our church's assets? (Mt 25)
- Are we being wise as serpents yet innocent as doves (Mt 10:16)
- Does our property become an idol?
- Growing our talents or squandering them ("money pit" church buildings?)
- Jesus tells us to be as shrewd as the children of this age (Lu 16:8)

Are we utilizing our property assets wisely?



Challenges faced by churches

- 1. Lack of capacity (financial and experience) to undertake development**
- 2. Zoning—primarily zoned as residential, as part of larger residential communities**
- 3. Organizational—not organized as a nonprofit, community development corporation**
- 4. Internal denominational/institutional regulations**

Challenges and Responses

- 1. Lack of capacity (financial and experience) to undertake development**
 - Risk to mission and loss of control
 - Develop/acquire expertise—expense of hiring development consultant, training programs (e.g. FBDI by Enterprise Community Partners)
 - Raise funds—grants, local and state funding
 - Partner with development companies
 - **GU Collaboration—MPRE Feasibility studies**

Challenges and Responses

2. Zoning—primarily zoned as residential, as part of larger residential communities

- Apply for zoning changes—expensive and time-consuming
- Specials exemptions—for seniors or special needs affordable housing
- Change policies—zoning text amendments (Montgomery County model, working with FBO)

Challenges and Responses

3. Organizational—not organized as a nonprofit, community development corporation

- Create Community Development Corporation—legal expense, lack of know-how, limited board capacity
- Capacity building to manage organizational requirements and fundraising and programming
- Ongoing legal challenge—not mixing money & mission

Challenges and Responses

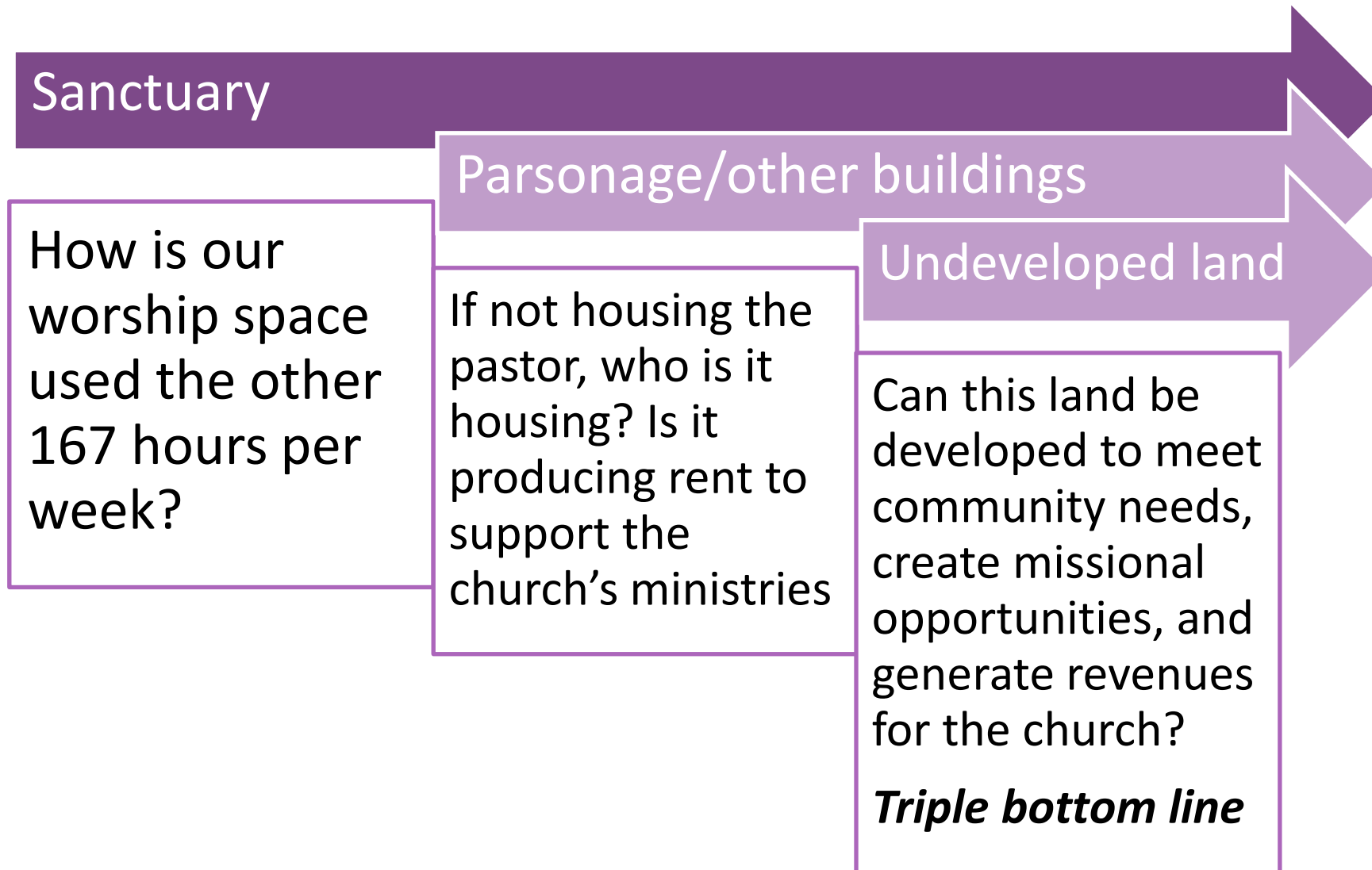
4. Internal denominational/institutional regulations

- “Trust clause” for denominational churches entails oversight and policy requirements
- Unwieldy policies not designed for development
- Administered by lay volunteers with limited experience or expertise
- **Develop a *Handbook* of templates and forms and model agreements**

Other Ways Planning Agencies Can Help

- Create “faith-based” outreach committees to help raise awareness and educate about potential for development
- Utilize property tax database to identify HOW-owned land in your county and approach institutional leadership to consider partnering for affordable housing development
- Earmark resources to fund pre-predevelopment work needed by nonprofits to undertake 100% affordable housing development

Are we utilizing our property assets wisely?



Affordable Housing Committee has focused on the latter two

2) Renovating parsonages as affordable housing:

- Dedicated resources—revolving loan fund
- Property renovated by AHC and church trustees
- Rented to family at “affordable” rent (below market or through voucher program)
- Rents split—returned to fund and church budget
- Paid “forward” as well as paid back—multiplying our talents
- Real “hands on” opportunity available!

**Two
Successful
Parsonage
Projects**

Ager Rd. UMC →

Journey UMC



Affordable Housing Committee has focused on the latter two

3) Supporting development of affordable housing:

- Special relationship with GU MPRE program to undertake feasibility studies (easy application)
- Development of *Handbook* to comply with *Book of Discipline* (ToC—31 items!)
- Work with DBCLB to develop policies
- Terry Fund resources used to secure legal counsel
- Covenant agreement between church and AHC as consultant (3% to pay back and to pay forward)

Simple Application form for Feasibility Study

Baltimore Washington Annual Conference United Methodist Church Ministry of Affordable Housing

4. Application for Property Feasibility Study

Form 1: Application for Property Feasibility Study

Directions: In order to assess whether a feasibility study is possible for your church's property, we will need some basic information from you. Please complete this form with the requested information. (Required responses are marked with an *.) Upon completion, please return this form to Rev. Sam Marullo via email at: sam.marullo@gmail.com.

Name of Church*	[Name]
Address* (please include full street address, city, state and zip of property to be studied)	
Senior Pastor's name and contact information*	[Name] [email] [cell phone]
Trustee board chair's name and contact information*	[Name] [email] [cell phone]
Vision and mission*	[Vision] What type of development do you hope to see happen on this property? E.g. affordable housing for seniors, special needs housing, mixed commercial and residential (including affordable housing), family affordable, etc. [Mission] How will this development help your church to fulfill its mission?
Brief description of property*	[Is the site open space, underutilized parking lot, existing facility, or something else?]
Size	[Do you know the size of the property, in square feet or acres?]
Value of the land	[Do you know its market value? Its assessed value?]
Zoning	[Do you know if the property is zoned residential, commercial, mixed-use?]
Site history	[Is there anything about the site's history that we should know about? E.g. is there a cemetery on the site? Was it previously used for some other purpose? Were there previous efforts to develop the site that never came to fruition?]

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Baltimore Washington Annual Conference United Methodist Church Ministry of Affordable Housing

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24. Building renderings
25. Monthly reports/updates from project manager
26. Creation of nonprofit organization LLC for project land ownership
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29. Execution of Ground Lease
30. Annual review of Financials
31. Right of First Refusal – End of Year 15
32. Decision to Refinance or Renew LIHTC

Housing is **NOT** the Only Option

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Typical Church Real Estate Deal



Adaptive Reuse can happen
BEFORE the building collapses,
and give the congregation time to
plan a more strategic solution

Fellowship Hall to Yoga Studio



\$50-\$75,000

Church Kitchen to Commissary Kitchen



\$15-\$30,000

Parsonage to Office Space



\$25-\$50,000

Sunday School to Day Care



\$20-\$60,000

Social Enterprise for Congregations

- Provides a much-needed budget boost
- Gives time and space for long term strategic planning
- Can increase Congregational & Community Engagement
- Should be examined for feasibility prior to implementation
- Best when fully aligned with congregation's "vibe"



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