



Working to Reduce Poverty in America



PATHS TO PROJECT DEVELOPMENT

Converting Surplus Church Property into Affordable Housing

SECOND EDITION - SEPTEMBER 2022

Introduction

Catholic Charities agencies throughout the United States and its territories are committed to responding to America's housing crisis in their communities, including by increasing and preserving affordable housing stock. As the voluntary national membership organization for Catholic Charities agencies, Catholic Charities USA (CCUSA) provides a broad range of support, including technical expertise and consultation; facilitating peer to peer connections; making introductions to potential local, regional and national collaborators; and, if funds are available, providing targeted grants and other financial assistance.

In this second edition of the CCUSA "Converting Surplus Church Property into Affordable Housing" guide, we examine two new project profiles and their different approaches to successful site acquisition. The first profile features a "joint venture" conversion completed by two Catholic Charities agencies and two dioceses. The second examines the conversion of underutilized real church property to affordable housing in a way that broadens the definition of surplus church property.

CCUSA would like to thank Catholic Charities Eastern Washington (Spokane), Rob McCann, CEO; Catholic Charities of the Archdiocese of Newark, John Westervelt, CEO; and Catholic Charities of the Diocese of Metuchen, Julio Coto, executive director.

Surplus Church Property Can Be a Competitive Advantage

Without site control, a project remains simply a good idea, as project funding sources will not commit dollars to it. However, in some areas of the U.S., the Catholic Church owns considerable property that currently is unused. CCUSA member agencies with access to surplus church property may have a significant competitive advantage over other nonprofit affordable housing projects because the diocese may be more flexible than other landowners, and site control does not always have to involve large sums of money. Surplus church property can provide flexibility when it comes to acquisition costs.

Project Support and Your (Arch)Bishop

The support of the (arch)bishop for converting surplus church property into affordable housing is critical to the acquisition process and project success. Be sure to clearly identify all risks of real estate development while also outlining a risk mitigation strategy.

Keep the Mission First and Foremost

Identify the mission and keep it central to site acquisition and project development. Finding a good use for surplus church property can sometimes be a financial benefit to the (arch)diocese, parish or religious order, but it always helps your target populations: seniors, veterans, people experiencing homelessness, etc.

Keep Church Property Ownership in the Family

Conveying surplus church property to an outside entity means ownership and future use are no longer under (arch)diocesan control. But a compelling reason to do so is that it

keeps the property in the (arch)diocesan “family,” including Catholic Charities or another (arch)diocesan entity. You may want to communicate with your (arch)diocesan tribunal officials to discuss your local (arch)bishop’s requirements concerning the “alienation of property” (see Canons 1290-1298 in the Code of Canon Law).

Keep the Financial Benefit in the Family

If the project financing can pay a fair acquisition fee and still serve the desired population at an affordable housing cost, it is win for everyone, as it conveys the fiscal and ancillary benefits to the (arch)diocese, the laity and the community. For example, a vacant convent can become a multimillion-dollar affordable housing project. This will mitigate ongoing maintenance or liability costs to the (arch)diocese or parish and can add appraised value to other nearby (arch)diocesan/parish properties. Show your (arch)bishop how part of the developer fee can support other Catholic Charities functions, including wraparound social services for project residents and other clients. (Note that some developer fees may be restricted in time/use by the deal.)

No Money Down — The Option Agreement

Church surplus property offers the member agency (or related housing corporation) a built-in contingency strategy. Try to use a “property purchase option agreement” that is contingent upon successful attainment of all project funding. If total project funding is secured, the option agreement should stipulate the acquisition (sales) price be paid at the closing of the construction loan or other agreed-upon time out of project financing. If funding is not awarded, the option dissolves and the original owner retains the property.

In many jurisdictions, the option agreement constitutes site control, a requirement of many funding applications. Contact your project financing entity to determine if an option agreement is acceptable evidence of site control. The option agreement allows the buyer to avoid carrying costs — such as grounds and building maintenance, liability insurance and security — until the property is actually sold. The contingency allows the buyer time to perform the pre-development work required by fund applications. Depending on the income of the population the project seeks to serve, acquisition price is key to a successful project.

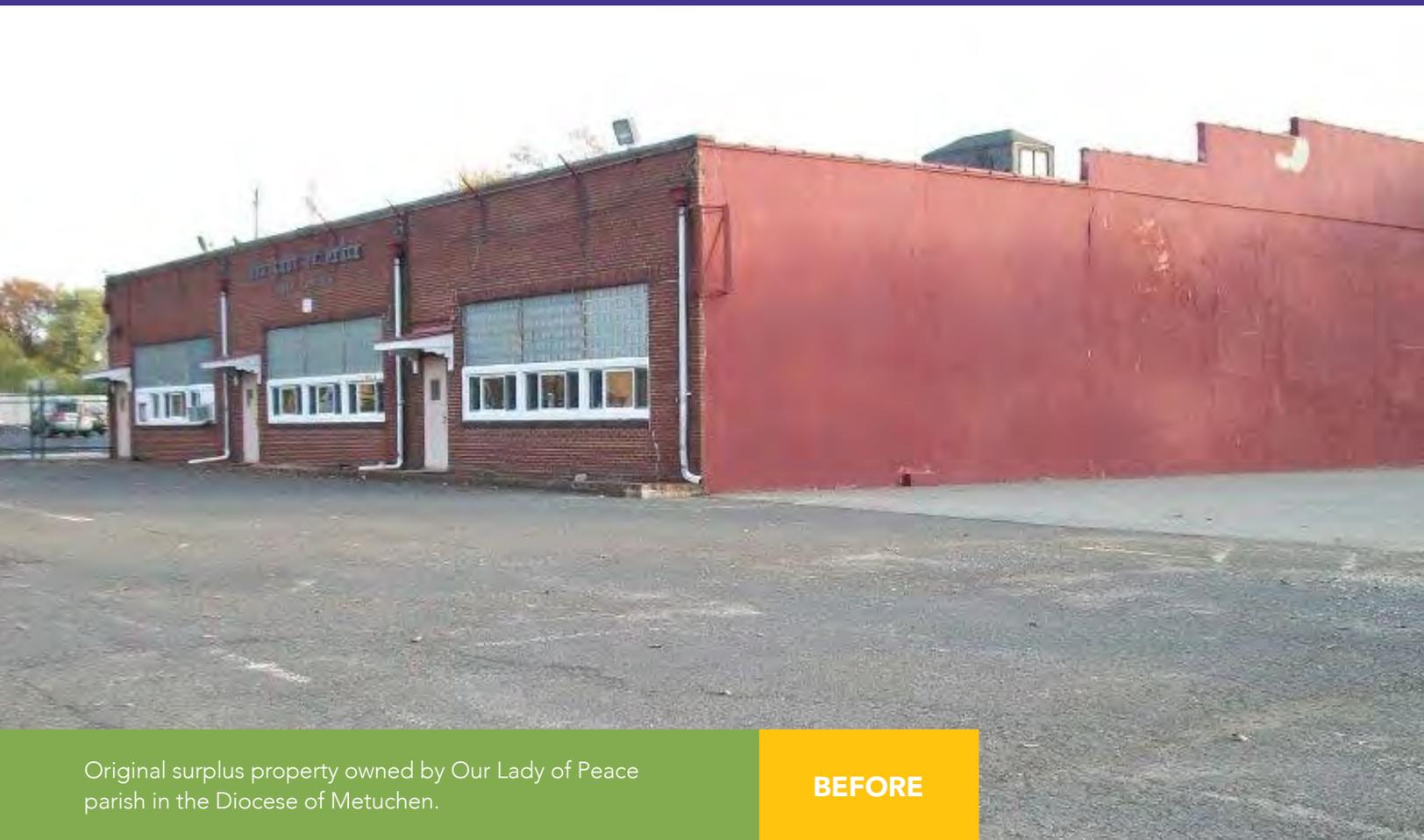
Conclusion

Surplus church property comes from many sources, including parishes, religious orders or the (arch)diocese. The goal is to provide quality, long-lasting affordable housing projects that add value to the communities they serve.

PROJECT PROFILE

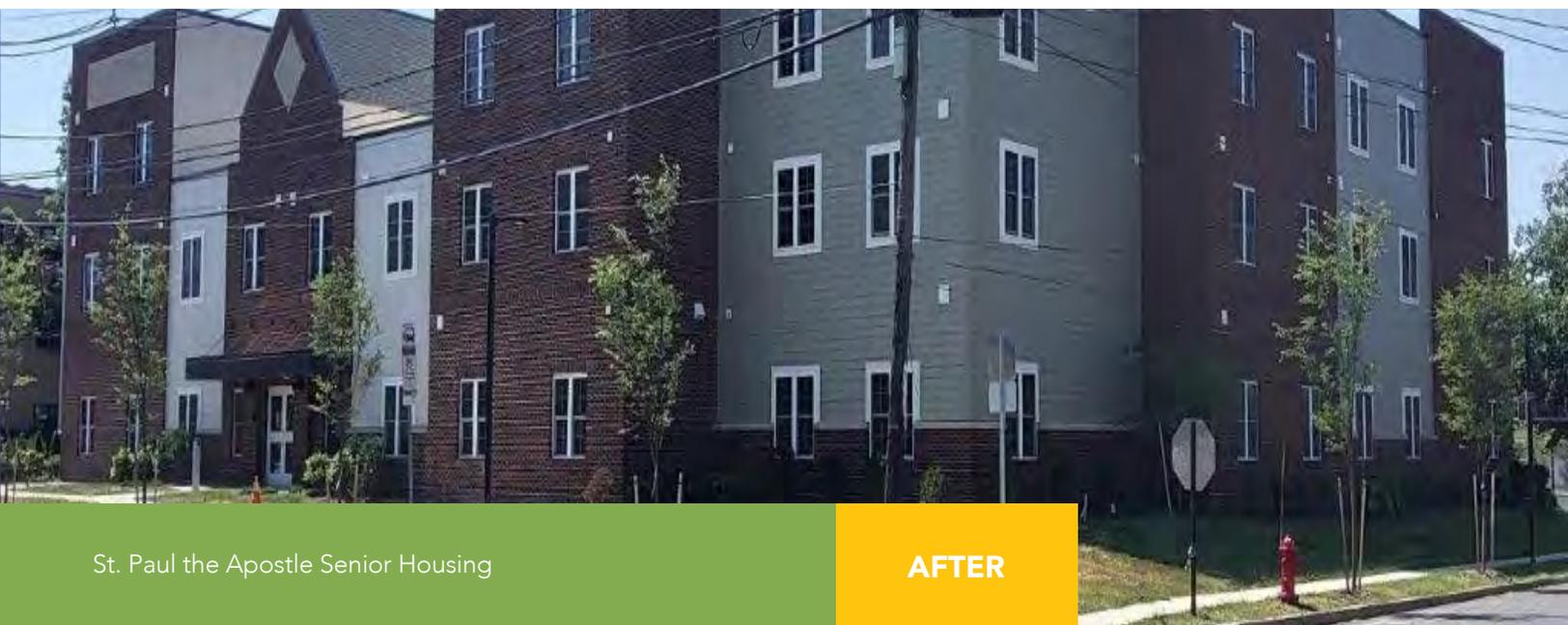
Catholic Charities of the Archdiocese of Newark and Catholic Charities of the Diocese of Metuchen Senior Housing Partnership

In New Jersey, for every 100 extremely low-income renter households, there are only 33 units of available and affordable rental housing. Both Catholic Charities of the Archdiocese of Newark and Catholic Charities Diocese of Metuchen are committed to advocating for a solution to this crisis and to providing permanent housing to those who are struggling to make ends meet.



Original surplus property owned by Our Lady of Peace parish in the Diocese of Metuchen.

BEFORE



St. Paul the Apostle Senior Housing

AFTER

Approach

The 42-unit St. Paul the Apostle Senior Residence project was a joint effort between the Diocese of Metuchen and the Archdiocese of Newark that opened in July 2021. This project was not only a conversion of parish surplus church property, it also involved a diocese-to-archdiocese project partnership. The site was previously a ground lot with a vacant church building owned by Our Lady of Peace parish that was demolished during construction. It sits in the Diocese of Metuchen in Edison, New Jersey.

Domus Corporation, the housing development arm of Catholic Charities Newark, partnered with Metuchen Community Services, the development arm of Catholic Charities Metuchen, on a 50/50 co-development agreement. The executive directors discussed the project and then brought it to the ordinaries, who endorsed it. The project generated an acquisition fee for Our Lady of Peace, and the project is now owned by a single-asset Metuchen Diocese corporation.

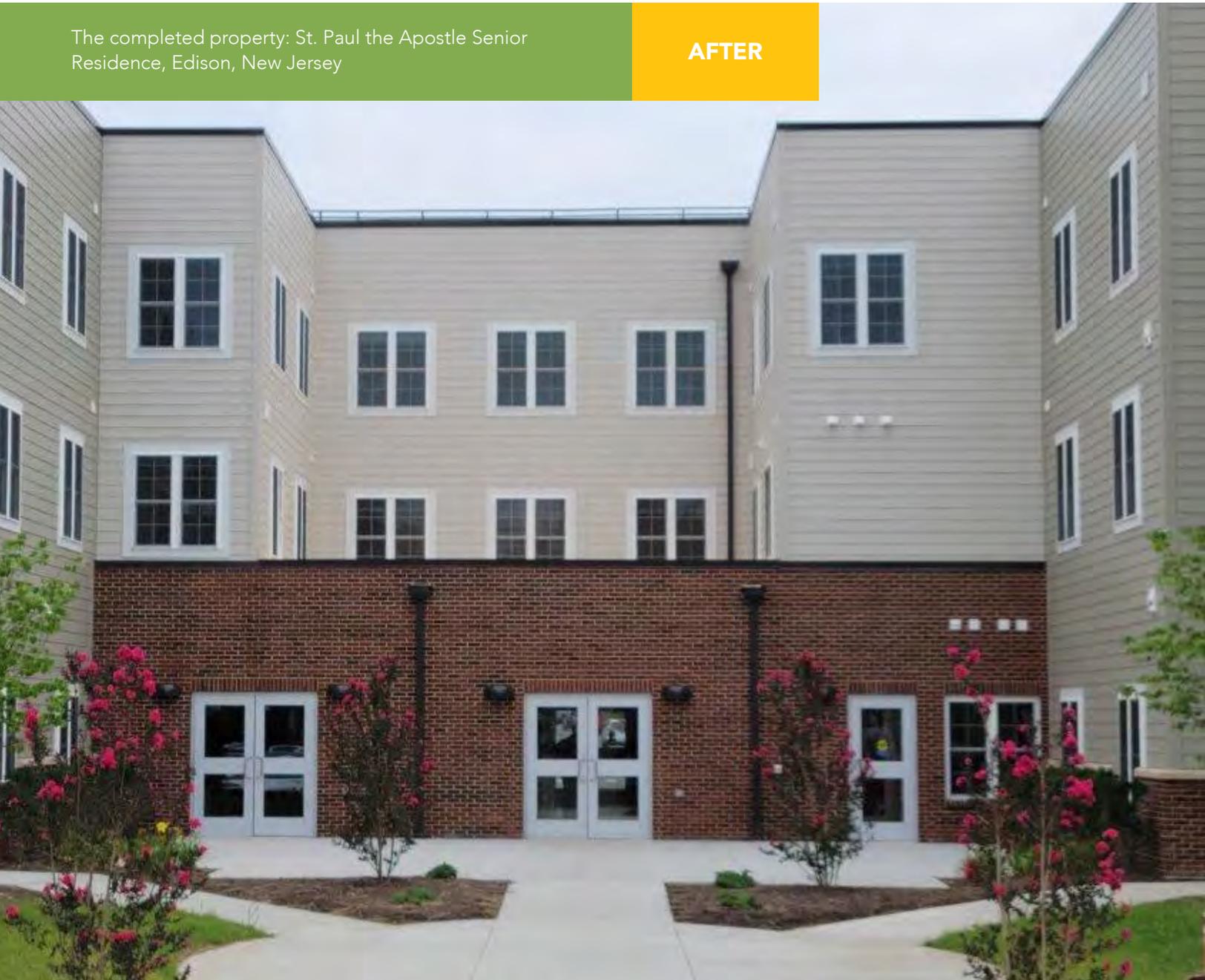
The fact that both Catholic Charities agencies operate in New Jersey facilitated the process, since they work under the same funding, regulatory and other requirements. St. Paul the Apostle is a mixed income, age-restricted Low-Income Housing Tax Credit property with 16 units for senior households whose income does not exceed 60% of area median income (AMI); 21 units for senior households whose income does not exceed 50% of AMI; and five units for those whose income does not exceed 30% of AMI. Eleven units were set aside for unhoused seniors whose rents are supported by state project-based rental subsidies.

Summary

The project was successful in part because the executive directors of both the Newark and Metuchen Catholic Charities demonstrated the importance of the mission to serve low-income seniors. They made upgrades to the community that benefitted Our Lady of Peace parish and both Catholic Charities organizations. More importantly, seniors who may have been priced out of the area can remain there in quality affordable housing. The tax credit equity investor was Enterprise Community Partners. Catholic Charities Metuchen oversees St. Paul the Apostle Senior Residence, providing service coordination to a wide variety of support services from local community organizations.

The completed property: St. Paul the Apostle Senior Residence, Edison, New Jersey

AFTER



Recommendations

- Explain to the (arch)bishop(s) and the parish priest that the property will remain under the ownership of an (arch)diocesan-related corporation. If it is sold to an entity such as CVS Health, for instance — which was one proposal — the property is no longer owned by and, more importantly, its usage is no longer controlled by, the (arch)diocese.
- Explain the ways in which the parish will benefit from a fair site acquisition fee while the project and the new (arch)diocesan corporation, which maintains ownership, will serve low-income residents.
- Be sure to communicate to all project partners that affordable housing projects take time and that going from concept to completion can take five years or more. This project initially applied for the HUD-202 program and was eventually funded through the Low-Income Housing Tax Credit program.

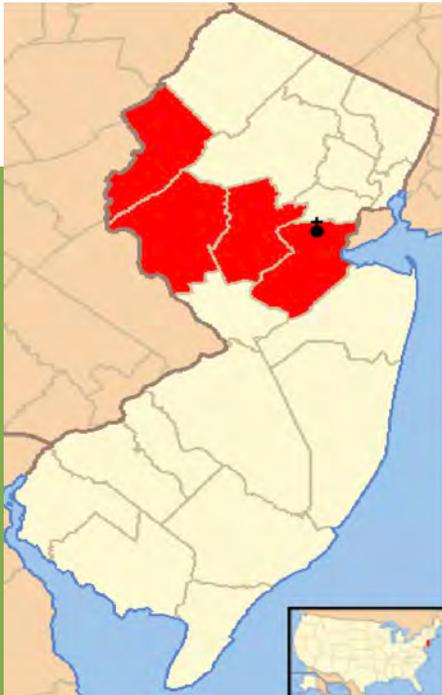
Submitted by:

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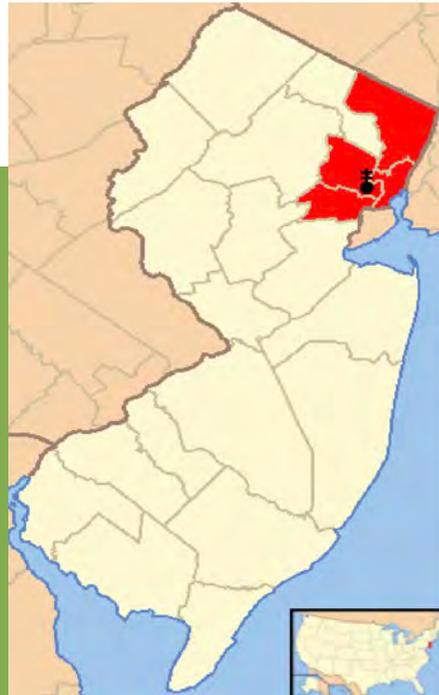
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Diocese of Metuchen, New Jersey



Archdiocese of Newark, New Jersey

PROJECT PROFILE

Catholic Charities Eastern Washington

Catholic Charities Housing started with a handful of senior housing projects in 1975. By 2000, there were 12 properties and a total of 648 units — mostly senior living — in the portfolio. In 2005, Catholic Charities built its own in-house property management and development company so as to develop, build and manage all of its units and control quality, overall community feel and cost efficiencies.

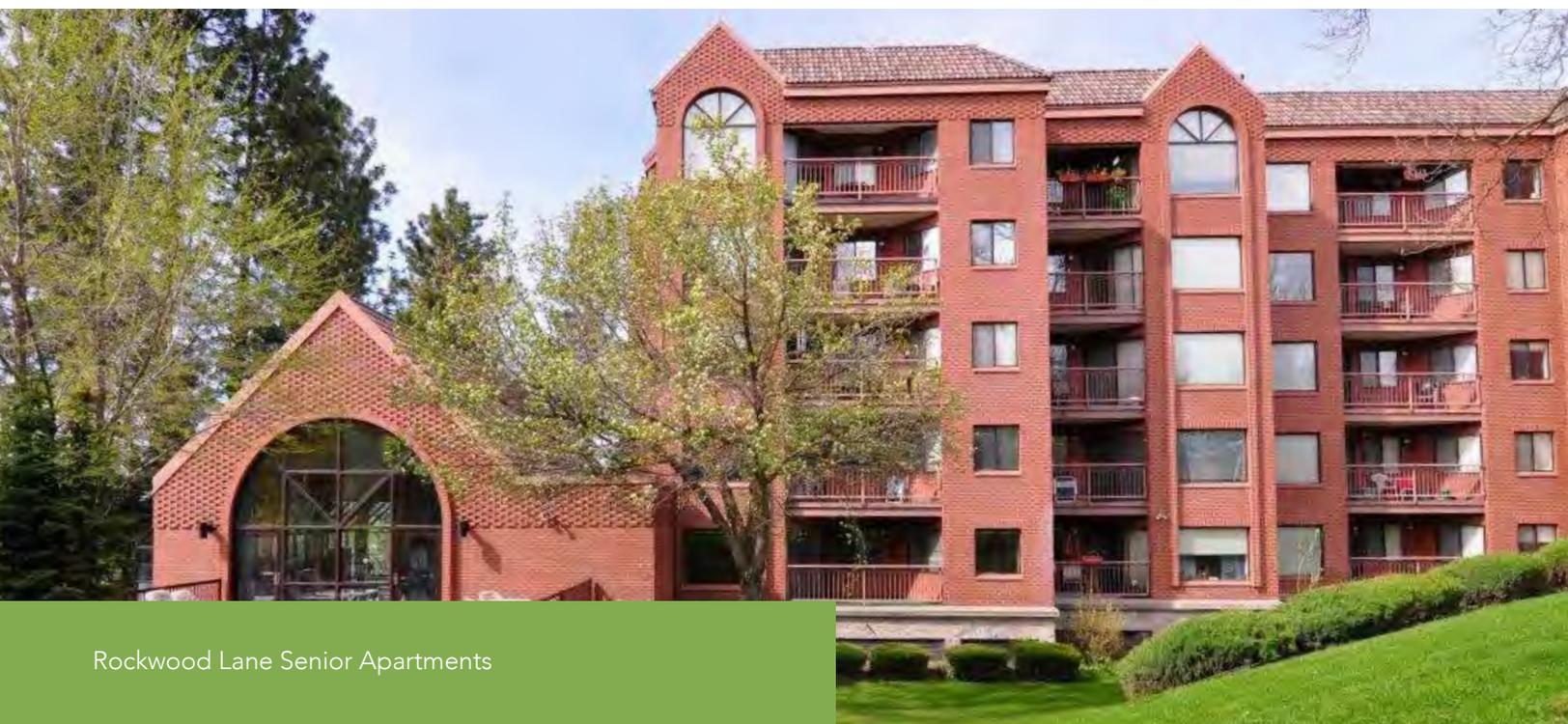
Today, there are 61 properties and a total of 2,557 units, including farmworker projects, family projects and projects for persons with disabilities. In the past 10 years alone, Catholic Charities has added 17 new tax credit housing projects for persons and families experiencing homelessness, at a total cost of more than \$220 million.

In recent years, Catholic Charities Housing has flourished into a quasi-venture philanthropy arm of Catholic Charities. Net operating income (NOI) from property management, asset management and new development activities has allowed its housing portfolio to send anywhere from \$2 million to \$3 million per year to help fund Catholic Charities programs such as homeless shelters, maternity support programs, senior services, food security programs and residential inpatient substance use disorder (SUD) care. Dollars gained from housing activities have made other unfunded Catholic Charities programs more sustainable.

Catholic Charities Housing and its staff operate on one very simple idea based on one simple question: “Would I put my mother in this apartment?” If the answer is yes, they know they are doing it the right way.



Sisters Haven Housing for Formerly Homeless Families



Rockwood Lane Senior Apartments

Approach

Recently, Catholic Charities Housing expanded its thinking of what is considered surplus church property by working with the Sisters of the Holy Names to convert their Holy Names Convent into a program called Rising Strong, a residential in-patient SUD treatment program for entire families to move into as a diversion to CPS (Child Protective Services) removal of children from their parents. Thirty to 40 families live at the convent at Rising Strong and participate in a 10-month program, receiving behavioral health counseling, GED classes, vocational training and life skills classes onsite until they graduate into multiple Catholic Charities permanent supportive housing (PSH) projects. Those projects have been built around the convent on its 73-acre site.

Catholic Charities Housing acquired land from the Sisters of the Holy Names for less than the for-profit developers were bidding, in part because the proposal included elements the sisters valued more than monetary resources. The sisters were clearly looking for the new steward of their property to be mission-aligned towards their desire to serve the community. Catholic Charities Housing agreed to put more than half of the 73 acres into a nature conservancy, which was important to the spiritual ecology of the sisters' charism. Catholic Charities Housing also committed to immediately hire all of the convent's current staff so that the sisters, who are sunseting their work in the community, would not have to lay off any of their amazing employees.

Additionally, the proposal included a promise that the onsite chapel would always remain an active Catholic chapel; that it would be used regularly for Catholic Mass; and that the sisters would have access, forever, to the chapel for anniversary celebrations, retirements, funerals, etc., whenever they wanted, however often they wanted. Catholic Charities Housing also promised to keep, in perpetuity, all of the religious artwork and artifacts installed in and around the convent. These conditions were of paramount importance to the sisters and helped Catholic Charities Housing become the winning bidder.

Working with Dioceses

Catholic Charities Housing works very closely with parishes and other diocesan and Catholic Church entities. Many of our housing projects are built directly on or adjacent to Catholic parishes, schools and other Catholic entities. For example:

- Mike Foye and Garden Court Apartments for seniors were built on St Patrick's parish land across the street from the parish.
- O'Malley Senior Apartments were built on St. Aloysius Gonzaga's parish school land next door to a K-8 Catholic school.
- Rockwood Lane Senior Apartments were built on Sacred Heart parish land.
- Sister's Haven homeless family housing was built on a 73-acre site of Sisters of the Holy Names Convent, which was sold to Catholic Charities in 2017.
- Fahy Gardens senior housing was built on St. Joseph's parish land.
- Gonzaga Haven homeless family housing was built next door to Gonzaga Preparatory School.
- Cathedral Plaza senior housing apartment tower was built on the campus of the Cathedral of Our Lady of Lourdes.
- Mother Teresa Haven homeless family housing is being built on the Sisters of the Holy Names site.
- St. Anne's Children Center and St. Margaret's Shelter were both built on land gifted by Providence health care (local Catholic health system).



Gonzaga Haven Housing for Formerly Homeless Families

BEFORE

Summary

Acquiring property that is already part of the Catholic world has been an extremely advantageous methodology for Catholic Charities Eastern Washington. The parish connections have been key to ongoing volunteerism and fundraising, while land acquisitions from other Catholic entities (convents, schools, etc.) have created lifelong partnerships and meaningful collaborations.

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Cover photo: Gonzaga Haven Spokane, WA