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PATHS TO PROJECT DEVELOPMENT

Converting Surplus Church Property into Affordable Housing

Catholic Charities USA (CCUSA) is committed to addressing America's critical affordable housing shortage by increasing and preserving affordable housing stock. Providing affordable housing is one of CCUSA's strategic priorities and a key support area for its membership. This document offers project profiles and best practices from member agencies that have successfully converted surplus church property into quality affordable housing projects for low-income households.

CCUSA would like to thank Catholic Charities of the Archdiocese of Chicago, Catholic Charities of Western Washington (Seattle), and the Foundation for Senior Living in Phoenix for submitting profile examples contained herein.

The Win- Win

Converting surplus church property can occur with little or no 'out of pocket' funds and can result in valuable and highly appraised affordable housing projects. These projects often add value to parishes and the diocese and provide quality housing to low-income households. There are many types of surplus church properties, including but not limited to: closed churches, schools, vacant convents, donated land, and bequeathed structures.

Finding alternative uses for surplus church property, including conversion to affordable housing, is not a new concept. There are many creative ways to convert surplus property into affordable housing properties to serve all. Much like the different locations and real estate markets where Catholic Charities agencies operate, housing projects differ (seniors, special needs, families, etc.), transactions vary (tax credits, HUD, USDA) and the final products are unique (high rise, garden style, etc.), but the results are the same: quality affordable housing for the long term.



Village at St. Peter's Senior Housing groundbreaking ceremony at site of a vacant convent - Pleasantville, NJ

There is no 'one way' or 'best way' to convert surplus church property into affordable housing properties. Each project conversion presents its own opportunities and challenges. This document profiles successful examples of converted vacant schools, vacant convents, or unutilized acreage where quality affordable housing units and projects now exist. Each one may utilize different processes, projects and locations, yet the outcome is the same: quality affordable housing projects that add value to the households they serve and the communities where they are located.

No Site Control - No Project

First and foremost, without site control, the project is merely a good idea. Most funding sources will not accept an application without proof of site control. Therefore, site control is required at the beginning of the project. The site control requirement gives CCUSA member agencies with access to surplus property tremendous competitive advantage because site control does not always have to involve large sums of money. Surplus church property can provide flexibility when it comes to acquisition costs.

For example, some members use 'Option Agreements' contingent on receipt of project financing. If the project is funded, the agreed-upon acquisition price is included in and paid at construction loan closing. If the application is not awarded funding, the option dissolves and the original owner retains the property. While awaiting a funding decision, the original owner still maintains the property and the purchaser has no 'carrying' (maintenance, liability, etc.) costs. Depending on the income of the population the project seeks to serve, acquisition price is key to a successful project. Therefore, a developer must have site control at the beginning of the process.

A Supportive (Arch) Bishop

The support of the (arch) bishop for converting surplus church property into affordable housing is critical to project success. When a bishop gives his support to the development or redevelopment of surplus church property into quality affordable housing, the project can move forward with other pre-development tasks.

Identify the 'mission' reasons for the project, the people, and the community the project will serve. Also convey the fiscal and ancillary benefits to the diocese, the laity and the community. For example, a vacant convent can become a multi-million dollar affordable housing project. This type of development could mitigate ongoing maintenance or liability costs to the diocese. One compelling reason to advocate to the bishop is that conveying a surplus church property from one diocesan corporation to another keeps the property in the 'diocesan' family.

Conveying surplus church property to an outside entity means ownership and future use is no longer under diocesan control. Bishops understand the social justice value of affordable housing but may need convincing on why the Catholic Charities or diocesan housing agency is the right one to take on the project. Make the case for capacity, experience, and the long-range value of affordable housing projects.

Show the bishop how part of the developer fee can support other Catholic Charities functions, including wrap-around social services for residents and other clients. Most important is to clearly identify all risks of real estate development with transparency, while also outlining a risk mitigation strategy.

Project Feasibility

Examine the surplus church property site to ensure it is appropriate for the proposed project type. For example, in developing an affordable housing project, you may want to assure there is accessible shopping and nearby public transportation.

Verifying the need for the project will surely reveal potential benefactors who are also church members or parish or diocesan employees. It helps to inform the bishop of the business terms, risks and rewards as well if necessary. All real estate development brings a certain amount of risks so explaining a mitigation strategy is important.

Regarding rewards, projects sometimes not only serve a valuable social purpose, they produce proceeds such as acquisition, property management, and developer fees. Those project developer fees are typically earned unencumbered and can be used for any purpose. If the agency intends to operate a reasonably sized portfolio, it should advocate investing developer fees back into the housing operation.

“Parish Based” Acquisitions

Surplus property connected to parishes can offer unique advantages. Sometimes, the parish has an active Parish Social Ministry, which provides neighborhood credibility and trust.

A ‘Parish-based’ affordable housing development strategy brings the support of the local priest, parishioners, etc. to the community and approval process. Agencies should examine parish and church-owned surplus properties to gauge project suitability and perform informal market analysis. Applications for project funding provide insight into the scoring criteria, such as proximity to transportation, services etc. Some dioceses have real estate departments that can also provide valuable information about surplus church property.



Demolition of vacant St. Peter’s convent makes way for affordable housing - Pleasantville, NJ



Completed ‘Village at St. Peter’s’ affordable senior housing project - Pleasantville, NJ

Negotiating with the Surplus Property Parish Owner

Remain sensitive to those who may have strong feelings regarding a closed church or school. Engage them in the process, particularly with project naming and to some extent, project design, color selections and decorating. Acquisition price can also become a sensitive matter, as price affects housing affordability. Be sure to help the seller understand how the purchase price impacts the project and the population it serves.

'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 have the acquisition (sales) price paid at the closing of the construction loan. This is one way the property sales price is paid out of project financing.

In many jurisdictions, the option agreement constitutes site control, a requirement of many funding applications. The option agreement allows the buyer to avoid carrying costs until the property is actually sold. Carrying costs include items such as ground and building maintenance, liability insurance and security. The contingency allows the buyer time to perform the pre-development work required by fund applications.

Conclusions

This guide presents examples of successful 'surplus church property to affordable housing' conversions. Each project is unique and the recommendations offered by the member agency developers are meant to help others navigate the challenges of project development from site identification, acquisition, fund assemblage and completion. Surplus church property comes from many sources, including parishes, religious orders or the diocese. The goal is to provide quality long-lasting affordable housing projects that add value to the communities they serve. This guide is a dynamic document featuring project profiles submitted by member agencies.

Additional profiles will be included as members continue to preserve current projects and add units with new projects.



'The Sisters Haven' family permanent supportive housing at the site of the former Holy Names convent - Spokane, WA



Sister Donna Markham OP, PhD, President & CEO Catholic Charities USA, speaks at the 'Sisters Haven' project dedication - Spokane, WA

CASE STUDIES

Catholic Charities of the Archdiocese of Chicago Housing Services

Catholic Charities of the Archdiocese of Chicago Housing Services (CCAC-Housing) is among the city's largest providers of affordable housing for seniors and veterans as well as shelters for homeless individuals and families. CCAC-Housing has converted various church properties into affordable housing projects.

Approach

With a commitment from the Archbishop of Chicago, CCAC-Housing was able to renovate some of the vacant or underutilized church property into a variety of projects, including: shelters, senior housing and veterans housing. When a parish or school is closed, converting property into affordable housing furthers the mission use of church property – providing much needed affordable housing for an identified population.

CCAC executive director, Monsignor Michael Boland led the redevelopment of surplus church property into affordable housing, and where possible, included CCAC supportive programs and services in the project budget.

Summary

All projects, demolition, new construction or rehabilitations present challenges. Renovations can be costly and difficult, particularly if parishioners want to keep the building exterior for historical or emotional reasons. Parish project partnerships on the site of fully functioning parishes can be a blessing and a challenge. Some parishes prefer long-term leases versus an outright sale although this is not viable in every case.



Land near St. Peter Claver church converted to 'St. Peter Claver' senior housing - Chicago, IL

Recommendations

- Find a strong diocesan intermediary. CCAC-Housing had the support of Monsignor Boland.
- Put value back into church property and reinvigorate disintegrating buildings through affordable housing conversion.
- Learn the neighborhood and its feelings for the proposed housing project.
- Generate funds for the diocese or parish through acquisition fees.
- Remain good partners with the parishes even if you don't reach a deal.
- Know the housing market in your archdiocese/diocese and the need for the type of housing you are developing.
- Bring neighborhood improvements while adding affordable housing stock to the market through new affordable housing projects. Senior projects also do not add to the school tax base.

Repurposing church property is helpful to some parishes since it provides acquisition fees. Most of the buildings are apartments for independent seniors, a housing model that seems to have worked well for CCAC. One recent project, St. Peter Claver senior housing, has 70 one-bedroom apartments for independent seniors behind St. Peter Claver church.

Another surplus church property conversion project by CCAC-Housing, is the Bishop Conway Residence (formerly Courtland Manor). Bishop Conway Residence is an affordable supportive living model that offers housing with services to seniors age 65 years and older. It was a vacant convent that was converted into the first supportive-living facility owned and operated by CCAC-Housing.

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Catholic Charities of Western Washington (Seattle) - Catholic Housing Services (CHS)

Established in 1979, Catholic Housing Services of Western Washington, (CHS) develops, owns and manages affordable housing programs for low-income families and individuals.

In 2009, the Archdiocesan Housing Authority changed its name to Catholic Housing Services of Western Washington (CHS). The new name identifies its Catholic tradition, and reflects the critical role of supportive services in CHS housing programs. CHS became the developer and manager of affordable permanent housing with supportive services throughout Western Washington.

Through its Community Development Center, CHS develops housing and supports community development activities for a variety of community-based organizations and advocates for social change to end poverty and its disproportionate impact on communities of color. CHS owns or manages approximately 2,100 housing units at 50 properties through Western Washington.

Approach

CHS works with the diocese or individual parishes on affordable housing projects that utilize surplus church property. Most of our property acquisition negotiations are done with the diocese. In this case, a long-term parishioner advocated for the project. Knowing a key parishioner brings trust and access to the decision makers.



'Guadalupe Homes' for formerly homeless families on parish-owned vacant land - Tacoma, WA

CHS purchased the property located on the St. Leo's site in Tacoma. for a deep discount from the Jesuits and the diocese. The discount was offered because the diocese, in alignment with the CHS mission, desired it to enhance the feasibility of the project. St. Leo was an active urban parish that always had social ministries so this project with CHS had a 'mission alignment.'

CHS developed two acres of vacant parish-owned land into Guadalupe Homes, providing quality housing for 50 formerly homeless families. The project contains 38 units designed for families, and an additional 12 units for couples and individuals who earn 30 percent or less of the area median income (AMI). CHS acquired the site in 2007 and completed the project in 2009.

The project cost \$10.6 million. Tacoma "G" St. Family Housing is the single asset entity that owns the project, and Catholic Community Services of Western Washington is the general partner and manager/developer.

Residents have access to neighborhood organizations, including St. Leo Catholic Parish, the CCS Tahoma Family Center, the Neighborhood Clinic, Nativity House (which includes a day center, overnight shelter, and 50 units of permanent supportive housing for formerly homeless individuals) and the Food Connection. The property sits across the street from the church and parishioners are involved in its success. The urban parish historically maintained an active social ministry, so this project fit neatly into their activities.

Summary

Converting surplus church property has all of the challenges of any real estate development project, including attachment issues of former parishioners, students etc. Conversion gives an opportunity to highlight the history from past uses and provide future benefits. In the project profiled here, selling land to CHS earned proceeds that allowed the parish to build a family center.

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Foundation for Senior Living Arizona

In 1974, the Foundation for Senior Living (FSL) was established by the Roman Catholic Diocese of Phoenix as a nonprofit organization to provide affordable housing and social services to seniors and those with disabilities. FSL operates senior housing projects, behavioral group homes and other related services.

Approach

The project grew out of an ongoing relationship with the Bishop of Tucson and the diocesan real estate manager. The sellers were the Tucson Diocese, owner of the Marist College, and the Catholic Foundation for the Tucson Diocese, who sold the nearby administration building. The project was acquired in September 2015 and the project was completed Christmas Day, 2018.

The Marist College affordable senior housing project comprises the restoration and repurposing of the 100-year-old Marist College. In addition, the project demolished the former administration building for the Tucson Diocese and constructed a new 7-story, 75-unit senior apartment home building in its place.

Summary

Sometimes, surplus church property is located deep within the community and near major bus lines and, in the case of the Marist, right next to a light rail station. One of the most important factors to FSL as a developer is to locate our residents near or along mass transportation. The Marist College is a \$1 per year, 75-year lease of land and building and FSL purchased the diocesan administrative building for \$2.5 million.



Construction and rehabilitation on Marist College - Tucson, AZ

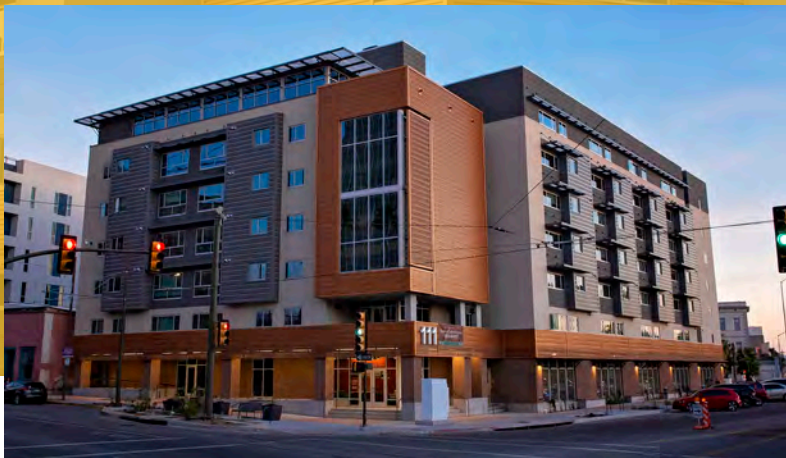


The transformation of Marist College into affordable housing - Tucson, AZ

Although the Diocese of Tucson did an amazing job of keeping the building upright and protected from the elements, the diocese had an entire cathedral campus to expand and modernize. The community needed to step forward and save the Marist. The Diocese of Tucson was most generous and leased the Marist College to FSL for \$1.

The cost of land is high and most sellers require an immediate closing. Seller patience is priceless. FSL can pay fair market price for land and buildings but the special value surplus church properties provide is a patient seller. It can take several years to go from initial discussions and planning to a fully funded project and closing. A church or diocese that understands the process and supports the project with patience is a gift in itself.

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Street view of the new Marist College senior housing property - Tucson AZ



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