Conference for Catholic Facility Management
G460

# Historic Diocesan & Religious Institute Churches and Buildings – Who Wants Them, What Will Happen to Them

**MIA1701**

Speakers:


John Cicero, CRE
Casey Kemper, CRE
William McCarthy, CRE
Kathleen Rose, CRE


April 24, 2017

Credit(s) earned on completion of this course will be reported to AIA CES for AIA members.

Certificates of Completion for both AIA members and non-AIA members are available upon request.

This course is registered with AIA CES for continuing professional education. As such, it does not include content that may be deemed or construed to be an approval or endorsement by the AIA of any material of construction or any method or manner of handling, using, distributing, or dealing in any material or product.

==========

Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.

# Copyright Materials

This presentation is protected by US and International Copyright laws. Reproduction, distribution, display and use of the presentation without written permission of the speakers is prohibited.

CCFM
CONFERENCE FOR CATHOLIC FACILITY MANAGEMENT
*God is in the details.*

CRE®
THE COUNSELORS OF REAL ESTATE®

©The Counselors of Real Estate 2017
Conference for Catholic Facility Management

CONTINUING EDUCATION AIA

# Course Description

Change is ongoing - from demographic shifts to expanding technology - and often requires Church officials to assess the viability of Diocese, parish and Religious Institute properties. In this session, real estate advisors who have experience working with the Catholic Church, and The Counselors of Real Estate ("CRE") public service initiative--The CRE Consulting Corps--discuss the fate of older and historic churches and related buildings, and suggest approaches to maximize assets: what you should know to make better decisions before calling a real estate broker. Panelists will discuss adaptive reuse, realistic expectations, identifying potential buyers and more.

# Learning Objectives

At the end of this course, participants will:

1. Be able to identify best practices for asset management, and understand when selling is a viable option – or is not, including how to make buy/sell/hold decisions.
2. Have an understanding about how to assess church properties to determine which are candidates for adaptive reuse.
3. Understand how to find prospective buyers for the particular Church property.
4. Know how to utilize Canon Law in the decision process
5. Have examples of successful adaptive re-use of Church properties.

# Who are The Counselors of Real Estate?

- Non-profit professional association
- Real estate ADVISORS
- Experienced – variety of real estate specialties
- Adherence to high standards of professional conduct
- Objective, practical approaches to solving real estate problems
- We give back – The CRE Consulting Corps

# The CRE Consulting Corps

Public service initiative – teams help solve real estate challenges

- Non-profit organizations
- Educational institutions
- Religious organizations
- Municipalities/governments

- *Objective*
- *Cost-Effective*
- *Time-Efficient*

# Session Outline

- How do you Define Historic?
- Excess Assets – How to Determine
- Two Case Studies
- Cannon Law & its impact on Decisions
- Reuse – Who will use Them and How?

# How do you Define Historic?

*"TO BE ELIGIBLE FOR LISTING IN THE NATIONAL REGISTER OF HISTORIC PLACES, A BUILDING MUST USUALLY BE **FIFTY YEARS** OLD, THOUGH IN SOME EXCEPTIONAL CASES, BUILDINGS LESS THAN **FIFTY YEARS** OLD HAVE BEEN LISTED."*

~ NATIONAL REGISTER OF HISTORIC PLACES

CONTINUING EDUCATION AIA

# Historic Designation

- Historic by Age
  - 1738 Cathedral of San Fernando
    Oldest church in Texas. Oldest RC Cathedral in contiguous United States.

  - 1565 Cathedral of Basilica of St. Augustine
    Oldest parish in continuous existence in the United States of America. Established as San Agustin de La Florida, by Spanish conqueror Don Pedro Menendez de Aviles.

CONTINUING EDUCATION AIA

# Historic Designation

- More recent churches and buildings:
  - Tied to local history
  - Emotional attachment
  - Public and media pressure

# So What Do You Do?

Adaptive Re-use begins with an understanding of the property's:

# Highest and Best Use

- Physically Possible
- Legally Permissible
- Financially Feasible
- Maximally Productive

# Physically Possible

- Is it in good physical condition? Can it continue to be used as a house of worship?

- Can the structure of the building physically accommodate a vertical expansion?

# Physically Possible

- Do the “bones” of the building lend themselves to a conversion? Consider ceiling height, floor plate size, etc.

- Does soil quality permit development?

# Legally Permissible

- What uses does the underlying zoning permit?
  - Residential?
  - Commercial?
  - Community Facility?

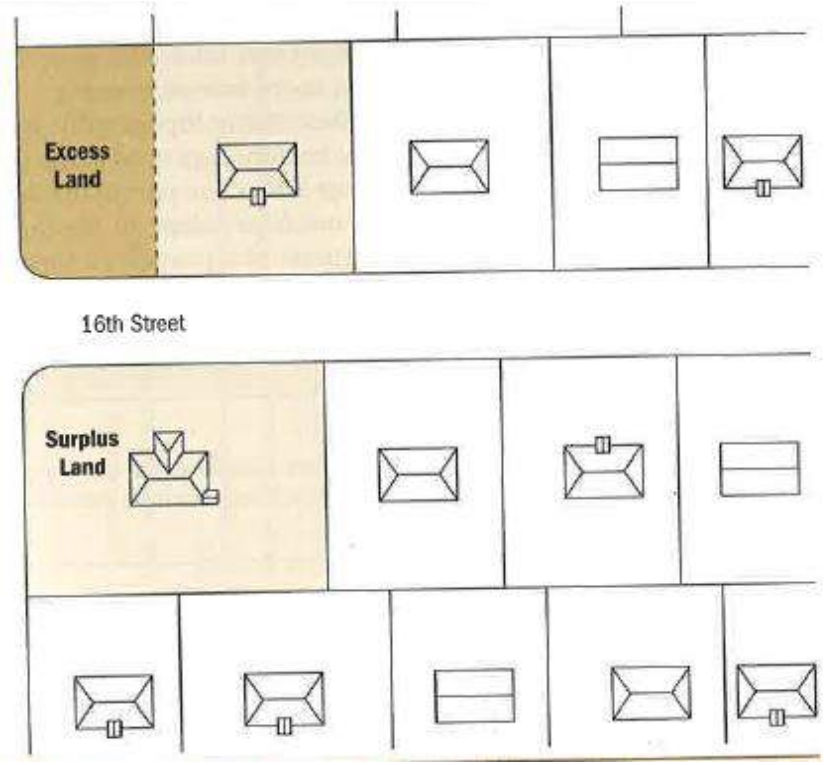
- Are there any deed restrictions?

# Legally Permissible

- If this is a landmarked building, or a building in an historic district, would the Landmarks Preservation Commission permit expansion, alteration, etc.?
- Is there excess land?

# Excess Land vs. Surplus Land

- If it can be sold off, it is excess land.
- Surplus land may or may not contribute value.



# Financially Feasible

- Will the alternative use result in a value that exceeds construction costs?

- Will the value upon completion/conversion result in an investment return (profit)?

# Maximally Productive

Of all the financially feasible uses: which will result in the greatest investment return?

# Maximally Productive

- Highest and Best Use analysis is all about maximizing profit and the value of a real estate asset.
- It does not consider goals that are mission-driven:
  - create or preserve affordable housing
  - maintain a church presence in a community
  - provide community services

# Buy, Sell or Hold?

## Considerations

- Demographic shifts
- Decrease or increase in members or enrollment
- Functionally obsolete
- Revenue constraints
- Competition (schools)
- Image/Reputation

## Evaluate Benefit

- Flexibility
- Cost efficiency
- Improve user experience
- Upgrade technology
- Consolidate services
- Increase revenue
- Plan for future

No two situations are identical

# Case Studies

Diocese of Charleston

Holy Wisdom Monastery

# Diocese of Charleston

## CRE Consulting Corps Assignment

# Diocese of Charleston

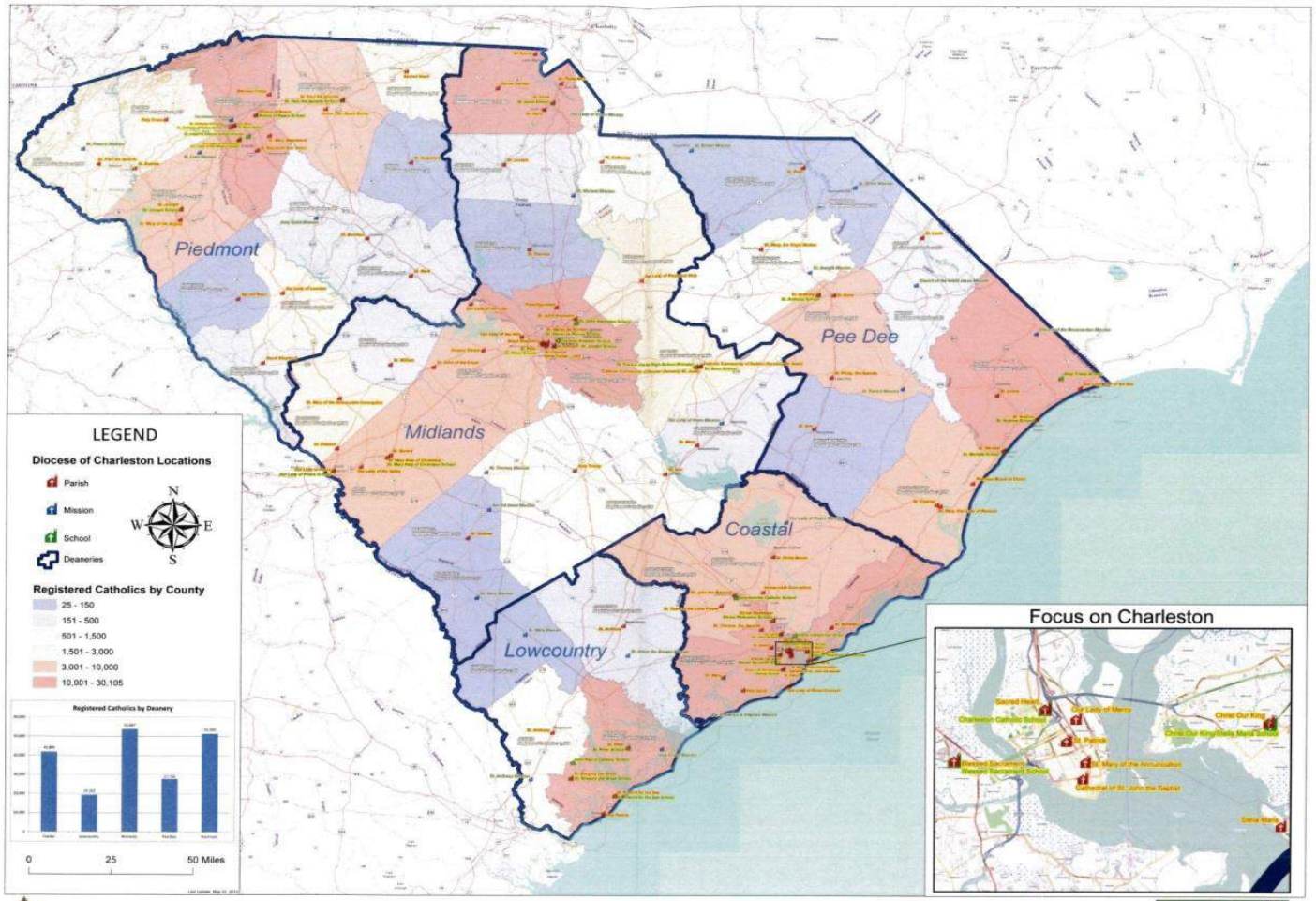
# Diocese of Charleston

Objective

To manage growth and allocate resources to enhance and sustain a vibrant Diocese

**Financial** **Human** **Physical**

# Diocese of Charleston

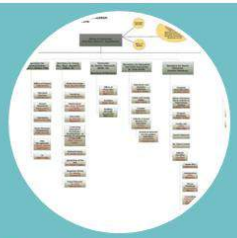



Diocese of Charleston: Parish, Mission and School Locations

# Diocese of Charleston

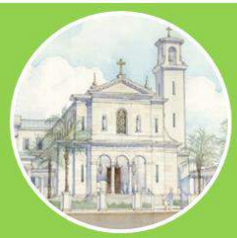
# Recommendations

- Redevelop Cathedral parish parcel as new Chancery
- Retain existing downtown Chancery (e.g. conference center; priest retirement home)
- Sale of “future” Chancery sites (60 of 100 acres could net about $2 million)



Create an enabling **structure** to achieve the mission

Identify & maximize **existing assets**



Facilitate **growth** & expansion

CONTINUING EDUCATION AIA

# Create an enabling structure to achieve the mission

| | |
|---|---|
| 1. Establish a professional real estate department | • To strategically plan for growth<br>• To strategically manage existing assets |
| 2. Establish personnel, policies, procedures and initiatives | • To maintain existing assets<br>• To expand and/or develop new facilities |
| 3. Professionally manage department and assets | • Engage and empower qualified professionals<br>• Establish best practices, benchmarks, timelines and outcomes. |

CONTINUING EDUCATION AIA

# Identify & maximize existing assets

| | |
|---|---|
| 1. Organize & consolidate a comprehensive property data file | • Structural & land (legal & reports)<br>• Furniture, fixtures, equipment & temporal/spiritual collections |
| 2. Plan for ongoing asset protection | • Property condition report/risk management<br>• Capital Expenditure plan/budget |
| 3. Create an Asset Business Plan for the entire portfolio | • Identify priorities<br>• Determine buy/hold/improve/sell for each asset within the plan |

CONTINUING EDUCATION AIA

# Facilitate growth & expansion

| | |
|---|---|
| **1. Evaluate Deanery structure** | • Today there are 5 – realign to 7+/-<br>• Create strong Deans |
| **2. Evaluate & enable human resources to support growth** | • Presbyterate demographics related to age & tenure<br>• Staff salary/compensation versus skill sets & contribution |
| **3. Develop resources & policies for expansion and construction project management** | • Develop capacity to better manage existing properties<br>• Enhance capacity for managing growth |

CONTINUING EDUCATION AIA

# Diocese of Charleston
# CRE Consulting Corps Team

# Holy Wisdom Monastery

## CRE Consulting Corps Assignment

# Holy Wisdom Monastery

# Holy Wisdom Monastery

- Experiencing cash flow issues
- Funds insufficient to pay debt service, operating expenses
- Investment returns – relatively small
- Large mortgage
- 147-acres

# Holy Wisdom Monastery

Holdings Included:

- Monastery building
- Retreat/guest house
- Hermitage
- Older single family home + 2 others in a local subdivision
- Maintenance building
- Restored lake, prairie, gardens, orchards

# Holy Wisdom Monastery

## Objectives

- Address current direction and financial plan -- was leading to financial cliff
- Develop a plan to assure the sustainability of HWM and its mission
- Preserve the land

# Holy Wisdom Monastery

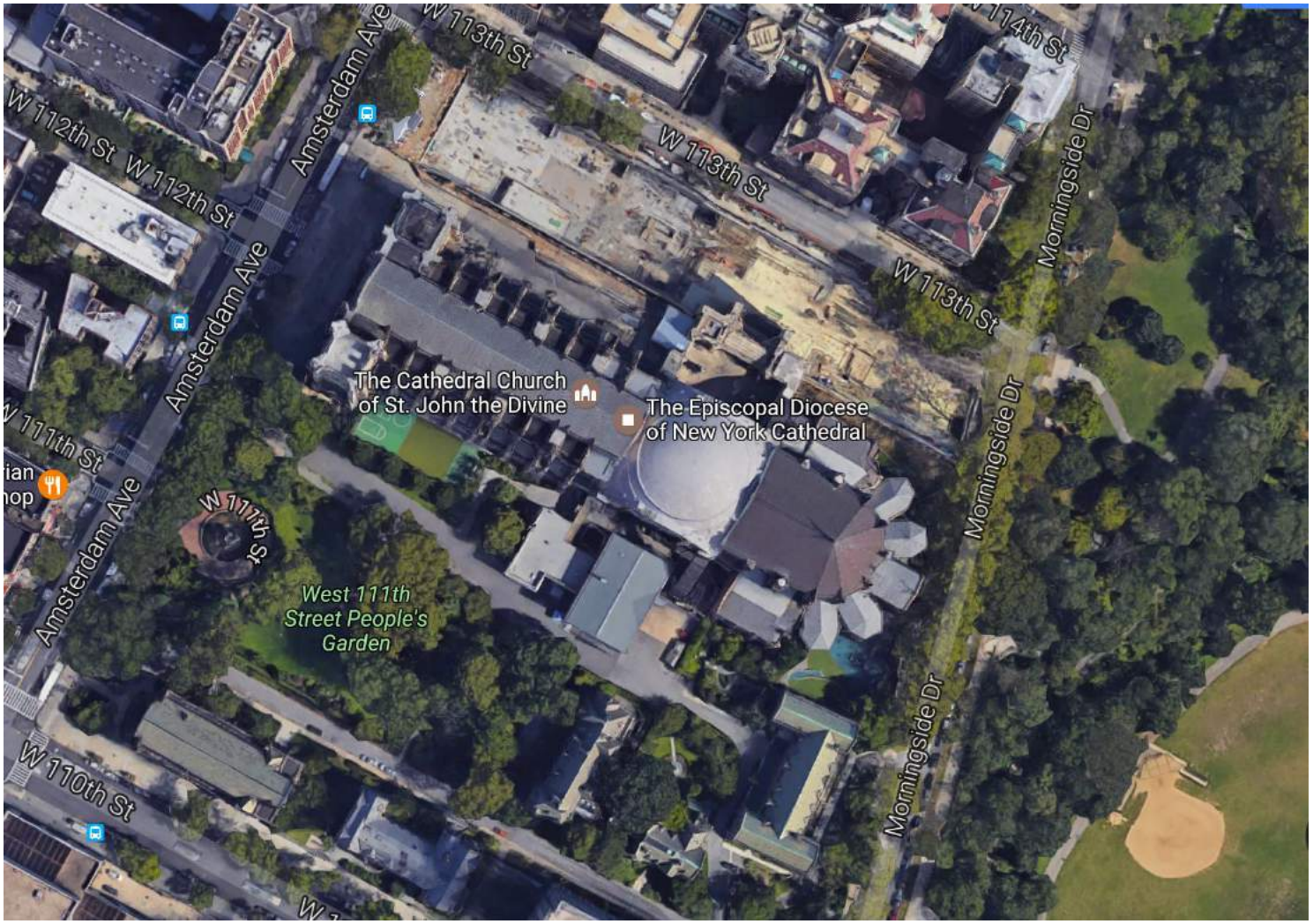
## Recommendations

- Develop a strategic plan for land and buildings
- Adopt a governance and management structure
- Increase fundraising
- Preserve the land
- Sell liquid assets

# Holy Wisdom Monastery
# CRE Consulting Corps Team

# Examples: Adaptive Re-Use
# Churches and
# Church Properties

# Cathedral of Saint John the Divine, Morningside Heights



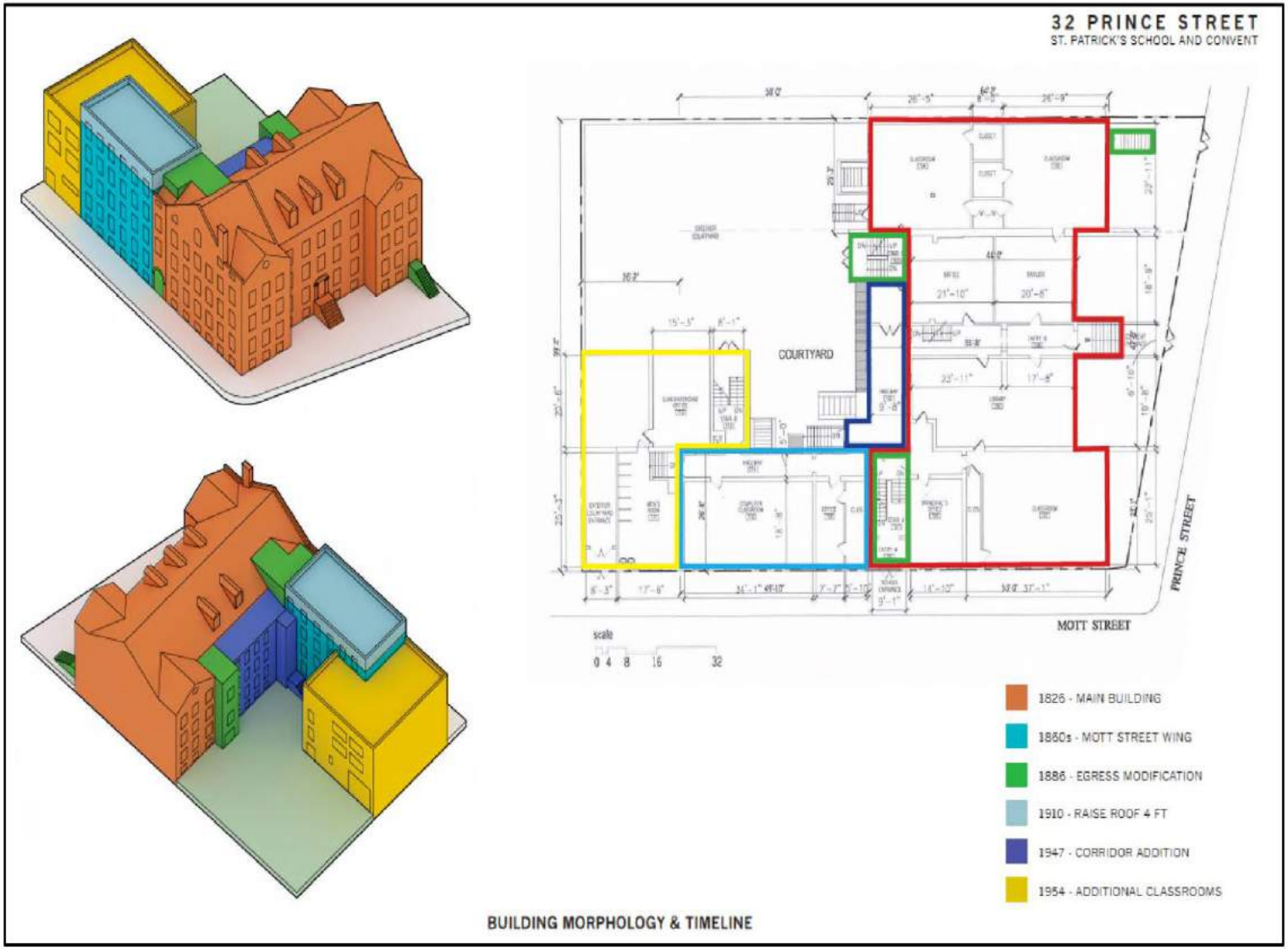
# Cathedral of Saint John the Divine, Morningside Heights

# 32 Prince Street, New York
# (Old St. Patrick's Cathedral School and Convent)

A LANDMARK PRESERVATION COMMISSION APPROVED
RESIDENTIAL CONVERSION AND RE-DEVELOPMENT

CONTINUING EDUCATION AIA

# 32 Prince Street, New York
# (Old St. Patrick's Cathedral School and Convent)




CONTINUING EDUCATION AIA

# PS 186, West 145th Street, Harlem

99 Clinton Street, Brooklyn

## 5 99 Clinton Street

There's one co-op on the market now in this converted Brooklyn Heights church. The apartment in question is a 2BR, 2.5BA asking $880,000. Which seems awfully low, but the maintenance is $1,360/month.

317 East 8th Street, New York

## 12 317 East 8th Street

This synagogue building was converted into a townhouse in 2005. The 3BR, 2.5BA property has three terraces, Brazilian hardwood cherry floors, and windows that are replicas of the original synagogue windows. The property is for rent at a (reduced) $20,000/month.

# More Examples

## New Life for Old Church Properties

# Variety of Reuse Options

| Property | Type | Results/Plans |
|---|---|---|
| St. Boniface, Philadelphia | Church/Building | Townhomes, neighborhood redevelopment |
| Holy Name, Chicago | Parking Lot | Condo towers, park |
| Holy Redeemer, Madison, WI | School Building | Univ. of Wisconsin student housing |
| Holy Trinity, Boston | Church Building | Condos |
| Mt. Zion Methodist Church, Clitheroe, England | Church Building | Mosque |

CONTINUING EDUCATION AIA

# Variety of Reuse Options

| Property | Type | Results/Plans |
|---|---|---|
| Cathedral of Holy Cross, Boston | Parking Lot | 99-year lease; mixed-use rental & retail |
| St. Ambrose, St. Louis | Convent Building | New science lab for school |
| Episcopal Church, Lakoda, ND | Church Building | Vacation get-away home |
| Church of the Holy Trinity, Syracuse, NY | Church Building | Mosque |
| Santa Barbara Church (vacant), Llanera, Spain | Church Building | Indoor Skateboard Facility and Center |

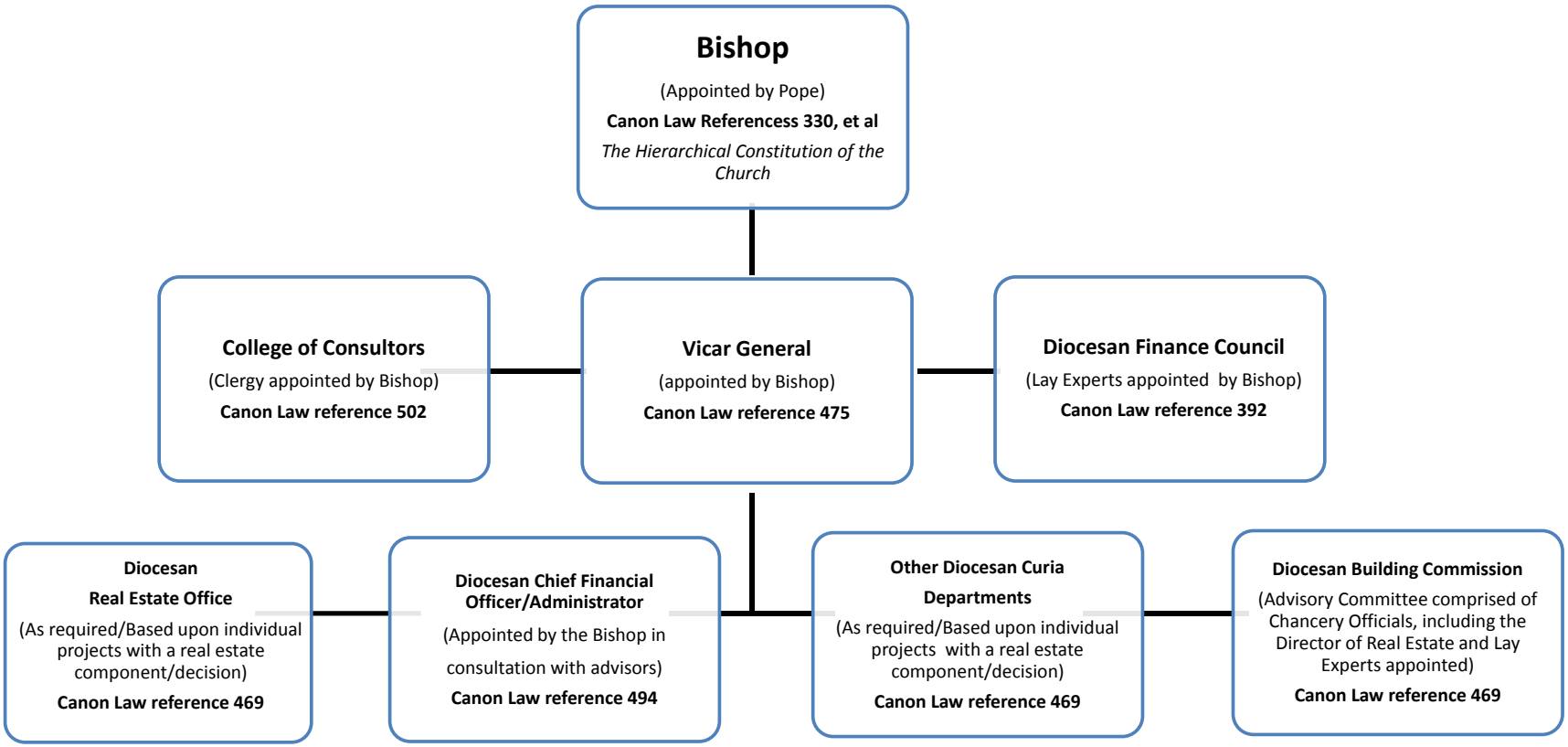
CONTINUING EDUCATION AIA

# Variety of Reuse Options

| Propertyy | Type | Results/Plans |
|---|---|---|
| St. Adalbert's Church, Pilsen, Chicago | Church Building | Music school |
| Evangelical Church, Logan Square, Chicago | Church Building | Elite circus arts school and wire act training facility |

# Canon Law and Catholic Real Estate

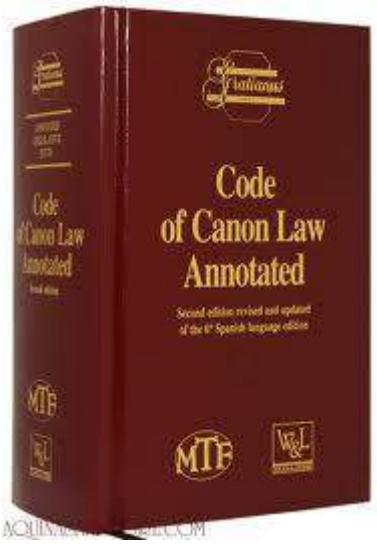
# The Hierarchical Structure of the Catholic Church




This basic organization is meant to provide continuity in data collection and analysis; policy recommendation; decision making; resulting action plans; and ongoing and efficient administration – all in compliance with Canon Law.

# The Roman Catholic Church: Canon Law and Real Estate

**The Church is required to operate under both lay and Canon Law. This compounds the legal demands and requirements - and time.**




**This is the Second Edition (1983) of the Church's codified Canon Law in its current form. The volume is over 2,000 pages in length. A Diocese's real estate advisors must know its impact on all Church real estate matters.**

# Catholic Church Real Estate: The Temporal and Spiritual Mandate

With regards to the Church's business and real estate affairs, the basic guiding principle and belief of the Catholic Church is that it has the right to acquire and administer material possessions which she uses to further the Mission she has received from the Lord.

As outlined in Canon Law 1254, the Church has the right "**to pursue its proper purposes, the Catholic Church by innate right is able to acquire, retain, administer, and alienate temporal goods independently from civil power.**"

# The Unique Nature and Structure of Catholic Real Estate Use & Administration

- Governed by both **LAY AND CANON LAW**.
- Used to serve the **SPIRITUAL MISSION** of the Church.
- As with all real estate there are **TEMPORAL** considerations.
- The **OWNERSHIP STRUCTURE(S)** of Catholic real estate can be complicated.
- The principle of **SUBSIDIARITY** must be understood and respected.
- Real estate is a Foundation of the Church's **PATRIMONY** from generation to generation. If the Church's mission is forever, how does this effect real estate decisions.
- All real estate deliberations and decisions must reflect these Temporal and Spiritual considerations and safeguard the Church's Patrimony and Mission.

# The Alienation of Church Property

Alienation means the transfer, conveyance, gift or sale of Temporal goods belonging to the stable Patrimony of a juridical person (Diocese, parish) or another person. Alienation is any act by which the patrimonial situation of a juridical person can be jeopardized (**Canon 1295**).

Examples of Extraordinary Administration:

- The sale of church land and buildings
- Purchasing of real estate
- Entering into long-term loans or mortgages
- Entering into long-term leases
- Issuing bonds and debentures
- Transfer of corporate ownership to lay boards

***Always establish who is the owner and on title?***

*What are the maximum dollars before Holy See approval required?*

# Administering Catholic Real Estate

1. You must know and correctly **apply both Canon and Temporal Law** in all real estate decisions.

2. Ensure that the Bishop, Ecclesiastical leadership, Diocesan Finance Council and Diocesan Building Commission **and informed and involved throughout. Shared knowledge usually leads to consensus.**

3. You must know your Diocese explicitly. **Know your Diocese's SWOT.**

4. **Canon Law will effect to some degree all Buy-Hold-Sell decisions**.

5. **Canon Law Real Estate requirements and protocols may not be well known**, or uniformly applied in your Diocese by some parties. Address this. Reinforce through policy papers and study sessions.

6. Skilled experts must apply proven real estate metrics and fundamentals in timely and systematic real estate decision making. **It is Real Estate!**

7. You must have all the relevant and current objective facts and figures. **Do your own due diligence. No assumptions.**

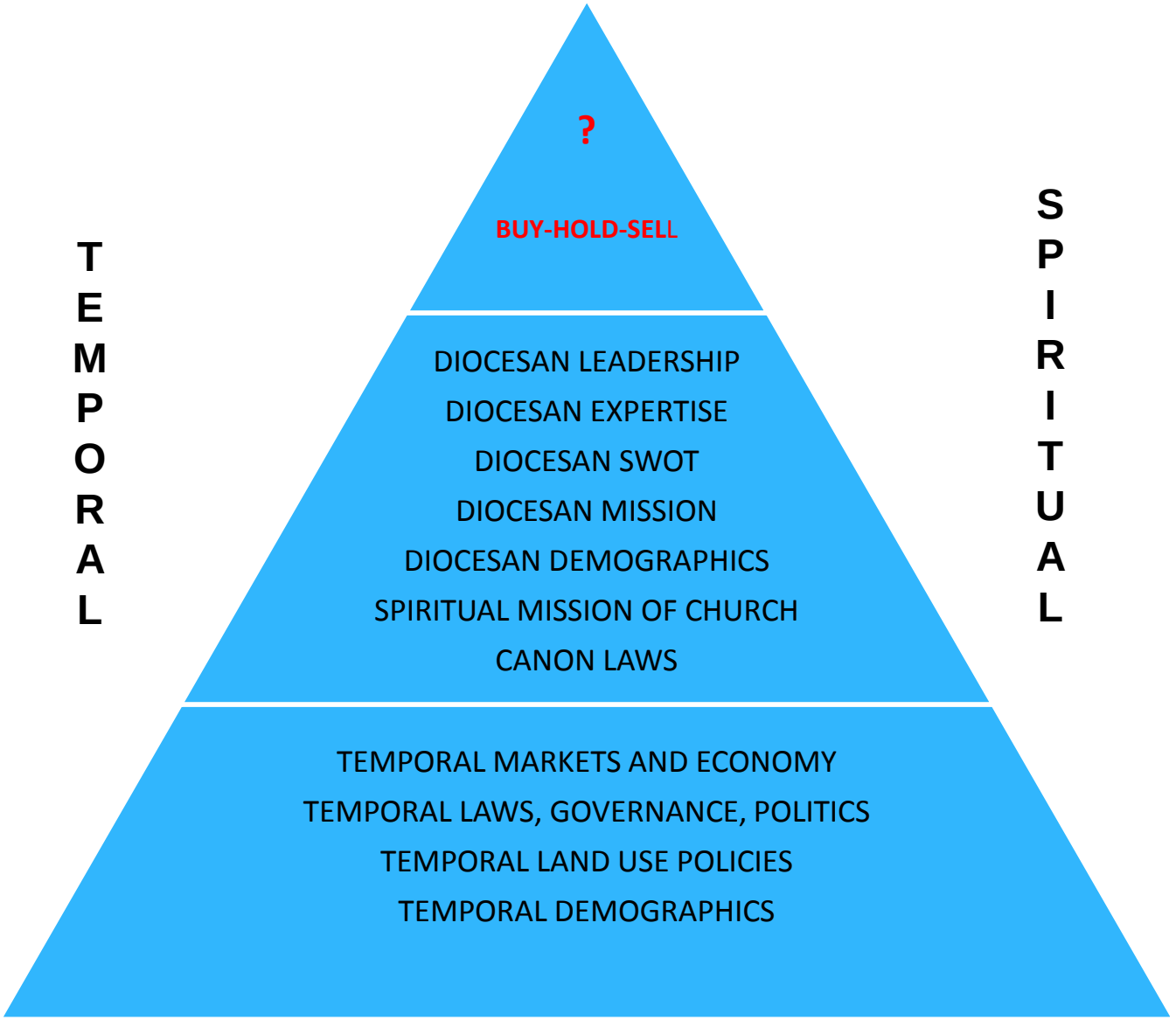
8. **Be prepared to explain Canon Law requirements and limitations to outside third parties.** It will impact transactions. Plan for this.

9. Structure all your real estate actions, negotiations and documentation to reflect both Canon and Lay Law. **Create and use quality documents.**

10. **Ensure you have a proactive timeframe to achieve your criteria. YOU NEED TIME!**

11. **You always plan for the long term. This is why the sequence is BUY-HOLD-SELL.**

# TIME HORIZON



# There are no quick answers: Be sure to get the expertise you need

- Assess your needs
- Consider if the expertise you need is available locally
- Consider asking for help from CRE – specialist recommendations or The Consulting Corps

This concludes The American Institute of Architects Continuing Education Systems Course

# Questions?

Conference for Catholic
Facility Management
(CCFM)
**Andy Guljas**
(317) 525-7176

The Counselors of Real Estate
(CRE)
430 North Michigan Avenue
Chicago, Illinois 60611
(312) 329-8427
www.cre.org