Faith Based Development & Preservation

The Church as a Catalyst for Community Renewal:
An Urban Rural Dialogue
July 12, 2018

What do you own
How Do You Own It?

- Type of ownership
  - Own in Fee Simple
  - Long-term Lease
  - Short-Term Lease
- Restrictions
  - Lease(s)
  - Lot size
  - Zoning
  - Landmark Designation
  - Governing Body
- What is the value of what you own

Where to begin?

- Form your goals
  - Mission
    - Arts
    - Housing
    - Hunger
  - Income
    - Operations
    - Endowment
    - Capital needs
- What do you own and will it support your goals?
- What are you willing/able to do to support your goals?
  - Share Space
  - Lease/Sublease
  - Sell/Move
  - Relocate temporarily
Who Should Partner with FBOs for Mission

**TYPES OF ORGANIZATIONS**
1. Arts and Culture
2. Education
3. Housing, Health and Social Service
4. Historical

**USES OF SPACE**
1. Office/Admin
2. Service
3. Performance
4. Programmatic – Housing, Hunger, Daycare

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**Options**

- **Renovate** — updating interior (and maybe exterior) to support current or similar programming.
- **Rehabilitate** — restoring the exterior (and possibly the interior) to its original status. Usually unrelated to programming.
- **Repurpose** — Renovating interior of existing building to support new programming.
- **Develop** — new construction to maximize development rights and programming potential.
Renovate

- Available to:
  - Owners and Renters (depending on lease)
- Right For:
  - Pursuing Mission and/or Income
  - Those with income able to support a loan
  - Tenants willing to pay for improvements
- Financing:
  - FBO
  - Faith Based Lender
  - Tenant
- Development partners:
  - Architect, GC and Attorney
- Example
  - St. Ann and the Holy Trinity – Partner with St. Ann’s School

Renovation

St. Ann and the Holy Trinity
St. Ann - Sharing Space *(License)*

Renovation – Transitional Housing
Rehabilitation

• Available to:
  • Owners

• Right For:
  • **Have** Income
  • Those with historic or landmarks structures
  • Those with income able to pay for or support a loan
    • 3 RFPs in NYC to support Rehabilitation

• Financing:
  • Lender - depending on purpose of rehabilitation
  • Grants (minimal, competitive and come with requirements)
  • Some Special (Rare) Zoning options for landmarked properties

• Development partners:
  • Preservation Architect, GC, Attorney, possibly Developer

• Example
  • Church is segmenting its lot to retain its sanctuary, sell the remainder and renovate its Sanctuary with the proceeds.

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St. Ann and the Holy Trinity
Repurpose

* Available to:
  * Owners and Renters (depending on lease)
* Right For:
  * Pursuing Mission and/or Income
  * Those with space to share and aptitude for sharing and partners/tenants who will use the space
* Financing:
  * Standard Lenders
  * Specialized lenders
  * Public support depending on purpose (e.g., school/affordable housing)
* Development partners:
  * Architect, GC, Attorney, Tenant/Partner, repurposing consultant
    (Partners for Sacred Places)
* Example
  * School = Affordable Housing and Boys and Girls Club
New Development

- Available To:
  - Owners of Ground Tenants
- Right For:
  - Pursuing Mission and/or Income
  - Those with underused property/property rights without landmarking
  - Those with multiple sites/ lots and/or willing to be displaced temporarily
- Financing:
  - Public or private lenders and investors depending on the project
- Development partners:
  - Architect, GC, Attorney, Developer, Owner’s Representative
- Example
  - Church is demolished and a new Church and Parish House is delivered as part of new Development (residential on top)
Development (and some Repurpose)

- What to build and how:
  - Market Rate/Affordable
  - Non-Profit Developer/For-profit Developer
  - Commercial and Community Space

Development Legal Structures

1. Ground Lease
2. Lot Split
3. Condominium
A **ground lease** is an agreement in which a tenant is permitted to develop a piece of property during the lease period, after which the land and all improvements are turned over to the property owner.
Ground Lease

- Typically ~99 years (no less than 60)
- Some leases provide for annual/monthly payments
  - Affordable Development
    - May not support monthly/annual payments
    - More typical to receive up front payment
- Some Developers don’t like
- Trickier to finance
- More legal work
- Need a Ground Lease Appraisal

Ground Lease

<table>
<thead>
<tr>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church retains ownership of underlying land all the time</td>
<td>Limits developers</td>
</tr>
<tr>
<td>Building reverts to Church upon end of the term</td>
<td>Responsibility for tenants and structure upon termination</td>
</tr>
<tr>
<td>Possibility for regular payments</td>
<td>Affordable housing income stream won’t always support regular payments</td>
</tr>
<tr>
<td></td>
<td>More complicated for funding (more legal work)</td>
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</tbody>
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Lot Split

A **lot split** is the legal division of any **lot** into two or more **lots**, for the purpose of sale, lease or financing, now or in the future.

YOUR LOT AFTER THE LOT SPLIT

- **Retained Lot**
- **Transferred Lot**
### Lot Split

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<td>Church retains ownership of lot all the time</td>
<td>Limits developers</td>
</tr>
<tr>
<td>No intermingling of systems, governance or payments</td>
<td>Compliance with zoning law</td>
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</tbody>
</table>
| Clear and distinct church | May limit development  
- will likely permit smaller development  
- will likely result in less consideration |
| Allows for staged development | Time consuming – a lot of legal work |

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### Condominium

A **condominium** is a building or complex, owned by a condominium association, containing a number of individually owned units.
Condominium

<table>
<thead>
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<th>Pro</th>
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<tbody>
<tr>
<td>Church retains ownership of condo</td>
<td>Church may not have an ownership interest during construction</td>
</tr>
<tr>
<td>Maximizes zoning potential</td>
<td>Intermingling of systems, governance and payments</td>
</tr>
<tr>
<td>Clear and distinct church property</td>
<td>Not as distinct as separate a building</td>
</tr>
<tr>
<td></td>
<td>maintenance Fees</td>
</tr>
</tbody>
</table>

NEW DEVELOPMENT Legal Structures Applied

- TLK
- St. Stephens and St. Martins
1) Total Square Footage – 93,972 (83 residential units, 1 church unit)
   i. Residential Square Footage – 79,461 (~85%)
   ii. Church Square Footage – 14,511 (~15%)

2) Total Consideration $2,900,000 (Appraised Value)
   i. $2,200,000 placed in escrow to be used as a source to build the church
   ii. $200,000 note
   iii. $400,000 in cash
   iv. $100,000 allowance for delinquent taxes
St. Stephens and St. Martins
St. Stephens and St. Martins

1) Total Square Footage – 39,389 (37 residential unit building, 1 church building)
   i. Residential Square Footage – 30,122 (~76%)
   ii. Church Square Footage – 9,267 (~24%)

2) Total Consideration $1,600,000 (Appraised Value)
   i. Contract of sale for a completed Church-valued at $1,600,000
Strategy may involve more than one option

- Renovation
- Rehabilitation
- Development
- Repurpose

Section 511 of NY NPCL (NY RCL Section 12)

- Demonstrate consideration is fair, reasonable and in the best interest of the Mission-Driven Organization
  - If the organization has debts how they will be repaid
- Must have an appraisal
- Must have evidence of value of consideration if the consideration is not cash
- Must demonstrate the certainty that the consideration will be received by the Organization.
- Must be approved by Directors and Members (if any)

Attorney General / Court Approval
WHAT TO DO AFTER THIS MEETING

1) Meet with your leadership to
   1) Set a plan and timeline
   2) Assign responsible and decision making parties to set GOALS
   3) Gather your corporate and ownership documents
   4) Review your financial needs
   5) Review your religious and programmatic needs/Goals
   6) Review what you are willing to compromise and what you are not

2) Meet with an Attorney to review what you own and possibilities

3) Don’t sign anything until you’ve done 1 and 2

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Jason Labate practices in the areas of faith-based development, not-for-profit law, affordable housing and community development, banking and finance, and general real estate law. Jason represents a wide range of for-profit, not-for-profit and public organizations in various corporate, tax-exemption and real estate matters. Jason graduated cum laude from Brooklyn Law School with a focus on economic empowerment and community development and was a Sparer Public Interest Fellow. He participated in Brooklyn Law School’s Community Development Clinic, where he advised local groups on not-for-profit corporate formation, corporate governance, and tax issues. Jason has an MPA from NYU’s Wagner School of Public Service and a BA from the University of Chicago with Honors in Public Policy.
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