

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/churches-redeveloping-properties-to-give-them-new-life-1443519001>

REAL ESTATE

Churches Redeveloping Properties to Give Them New Life

Teaming with real-estate firms to create revenue-producing mixed-use spaces



An artist's rendering of a 64-story mixed-use building to be erected next to Marble Collegiate Church in Manhattan under a joint venture between the Collegiate Churches of New York and HFZ Capital Group. PHOTO: SAFDIE ARCHITECTS

By **ROBYN A. FRIEDMAN**

Sept. 29, 2015 5:30 a.m. ET

Enter the word “church” in the keyword search box on commercial real estate listing site LoopNet and hundreds of properties will pop up for sale, from historic churches in rural areas to mega-churches in urban ones.

Many churches have little choice but to sell because they’re in or near foreclosure, often because they’re struggling with declining membership and high maintenance costs. Other churches, however, are flourishing and selling their current facilities to move to larger ones elsewhere.

Increasingly, as church leaders become more sophisticated, a third path has arisen: Teaming up with real-estate companies to redevelop their property to include mixed uses on the land. That strategy can increase revenue for the congregation while preserving the church facility.

Two weeks ago, The Collegiate Churches of New York announced it has teamed up with HFZ Capital Group, a New York-based real-estate investment and development company, to develop a mixed-use building on West 30th Street in Manhattan on land adjacent to, and previously owned by, the landmark Marble Collegiate Church.

The new 64-story building will include administrative and programming spaces for the congregation, retail space and condominiums.

INTRODUCING
MANSION GLOBAL

DISCOVER YOUR NEXT PROPERTY

MANSION GLOBAL IS INDEPENDENT OF THE WALL STREET JOURNAL

Casey Kemper, executive vice president at Collegiate, which has five city-wide ministries and four churches, said churches are increasingly partnering with developers

to build facilities that better suit their needs. “They get cash, and they get a better facility,” said Mr. Kemper.

He added that as more people opt to move into urban areas, churches located there are benefiting. “There’s a trend throughout the country of urbanization,” he said. “So those religious properties that are well-located in urban areas are attractive to developers.”

Neither Collegiate nor HFZ would disclose terms of their transaction, but brokers familiar with the deal estimated the value at about \$40 million, which may or may not include additional development rights purchased from the church. Proceeds from the transaction will support both the restoration of the historic church and other church programs, according to Collegiate.

“Many other developers had tried for years to do a deal with the church,” said Ziel Feldman, HFZ’s founder and chairman. “We came in with a great land cost and find the site to be fantastic. The church itself is easy to work with, and the physical structure is a beautiful cornerstone for building.”

The Collegiate-HFZ deal was one among a growing number of church deals across the U.S. According to CoStar Group Inc., a provider of commercial real estate data, there were a record 1,502 sales of religious-affiliated properties in 2014, up from 889 in 2010. Dollar volume increased from \$578.9 million in 2010 to \$1.3 billion in 2014.

New York-based Brookland Capital LLC has acquired five churches in the last 18 months, according to Boaz Gilad, the firm’s co-owner. Mr. Gilad said that he doesn’t specifically target church properties but that since the firm is so active in Brooklyn, he becomes aware of churches that are moving to other areas due to growth and demographic shifts. “We’re looking for great deals,” he said.

In August, Brookland purchased St. Luke’s Evangelical Lutheran Church on Washington Avenue in Brooklyn for \$8.8 million and plans to build apartments and townhouses on the site, retaining the existing structure, which was built in 1894.

“This is a unique, beautiful old church,” Mr. Gilad said. “New York buyers are looking for something interesting and will pay a premium for a product that is not cookie-cutter. If I can maintain the feeling of history, I will be able to sell it at better prices and faster.”

Metropolitan New York Synod-Evangelical Lutheran Church in America sold the church because it needed about \$10 million in repairs, according to Rev. Marc Herbst, the church’s chief of staff, who added that the congregation had dwindled to about a dozen people. “Any reasonable person would certainly recognize an investment for that community just wouldn’t be very feasible,” he said. Mr. Herbst said that the proceeds from the sale would be reinvested in other existing ministries.

Richard Eaddy, a senior managing director at Savills Studley in New York, who brokered the deal, said the seller received 10 bids, from other churches as well as developers, but that Brookland Capital’s was the highest.

Although churches in large urban areas are seeing much of the activity, properties in smaller communities are seeing multiple bidders, too. Consider the recent sale/lease-back of Life Fellowship Ministries in Allen, Texas, a suburb of Dallas. The 14,000-square-foot church was sold to Golden Qi Holdings LLC, which intends to operate a daycare facility at the site, for \$1.5 million.

Life Fellowship, which seats 250, was too small for the congregation, which had grown from about 80 members five years ago to 850 today, according to Chris Lindberg, senior pastor. Mr. Lindberg said the church is building a larger facility about five miles away but needed a place to worship during construction. The sale to Golden Qi was a win/win for both parties, he said. Life Fellowship prepaid rent for a year at the rate of \$3,300 per

month, giving the daycare operation cash upfront and the opportunity to grow from exposure to the young families with children who belong to the church.

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.