

HOUSES OF WORSHIP AT A CROSSROADS

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HOWs are struggling



Pre-pandemic estimates of 3,750-7,500 HOWs closed per year (75-150 per week)

Assume a tripling or quadrupling of that rate; up to 100,000 HOWs to close over the next few years



HOWs are struggling..



Mainline Protestant denomination in one state:

- 20% of HOWs in critical condition; 40% in serious condition
- Median congregation size of 49;
- At operating costs of \$7/sf, a 10Ksf building would need 100 attendees 30 weeks per year contributing \$20 apiece just to operate the building
- Owns \$28K in real estate per worshiper
- True across denominations, across states



**HOWs are
struggling..**

one example

- Declining membership--<50% of Americans report attending services, down from 77% a generation ago
- Increasing real-estate operating costs—maintenance, insurance, capital repairs and replacement—more HOWs spending >50% of budget, holding >75% of assets on properties
- Increased mobility and connectability—no need to locate HOWs so that one can walk (or ride a horse) to services
- Effects of Covid-19



**HOWs are
struggling..**

why?

Retail 20-30 years ago

- Local ownership
- Mom-and-Pop stores
- Most in downtown or neighborhood commercial centers

Retail now

- Megastores (Walmart, Target)
- Online stores (Amazon, eBay)
- Specialty stores (cookies, ice hockey, left-handers)

Parallel to HOW industry?



**HOWs are
struggling..**

-And Restructuring

Emptying and empty
HOWs at a large scale
affects everyone:

- HOWs
- Denominations
- Religions
- Neighborhoods
- Municipalities



**HOWs are
struggling..**

Result

HOWs are important



HOWs are important...

- **Community landmarks**
 - **postcard view**



- **Place of worship**



- **Provider of community capital—
"economic halo effect"**

E.g : 87 rural NC UMC churches (\$735K per year)

- **Direct spending (\$186K); value of childcare programs (\$165K); value of spending by visitors (\$141K); individual impact through outreach programs, counseling, workforce development and other programs (\$117K); community-serving programs such as food pantries (\$109K); outdoor recreation and open space (\$10K)**

How can HOWs respond?



How can HOWs respond?

1. Do nothing

Easiest to do

“Kick the can down the road”

If fortunate, run out of people before running out of money

2. Adapt into shared or mixed use

Share with another congregation

Share with a mission-related organization

Share with a non-mission-related organization



How can HOWs respond?

3. Redevelop into mixed use

Most challenging

Highest and best use of property

Done on own or joint venture

4. Merge or close

Put a “for sale” sign out front

Sell to the highest bidder

Determine how to use proceeds



Faith institutions are overmatched

- Education— clergy are uneducated in real estate—spreaders of Good News not Grim Reaper
- Emotion— congregations act on emotion not facts
- Structure— some denominations are top-down, some bottom-up, many are both
- Collaboration— many HOWs are bad at it—identity, old rivals
- Staff— do not staff for managing real estate—yet a judicatory may control hundreds of millions in real estate

Communities are ill-equipped

- Zoning—biased against mixed-use
- Codes—restrictive regulations on fire safety, water, sewer, drainage, parking, signage, curb cuts, etc.
- Tax policy--want to get properties on tax rolls ASAP, allowing no time to negotiate project
- NIMBYism—“we like the quiet HOWs”
- Communication—municipalities don’t understand how HOWs operate

Building the four-legged stool .



Building the four-legged stool

- 📎 Properties
- 📎 Faith institutions
- 📎 Communities
- 📎 Resources

If one is uneven, the stool wobbles and tips

Leg 1--Properties

- The property
- Detailed description and inventory
- Good or bad condition? Needed repairs or replacement?
- Mortgages, liens, reversion clauses?
- Natural or manmade hazards?
- Graveyards?
- Need to subdivide?



Leg 1--Properties

The real-estate market

- Demand by type within market—residential, office, commercial
- Demand by type within neighborhood
- Estimated demand over time—growing or shrinking?



Leg 2--Faith institutions

The HOW

- Culture—readiness for change
- Decision making: by majority, consensus, or unanimity?
- Mission vs. money
- Use of proceeds



Leg 2--Faith institutions

The judicatory (diocese, presbytery, annual conference, etc.)

- Decision making top-down, others bottom-up, others a combination
- Rules
- Merger vs. closing
- Funds flow
- Who benefits?



Leg 3--Communities

- Zoning
- Codes (parking, curb cuts, signage, water, sewer, stormwater, fire safety, etc.)
- Neighborhood association/immediate neighbors
- Mayor/Councilmember/professional staff
- State/federal government



Leg 4–Resources

Financial

- Hard debt—mortgages, taxable or tax-exempt bond
- Soft debt—local loan funds, mortgages w/below-market rates
- Equity—low-income housing tax credits, federal historic tax credits, state tax credits, state historic tax credits
- Grants--state grants, subsidies, energy funds, loan funds and tax incentives, land donations, HOME investment partnership program, CDBG program, deferred developer fees, general partner capital, FHLBs, affordable housing programs, local grants, National Housing Trust fund, hazard mitigation grants, foundations

Leg 4–Resources

Financial (cont.)

- For pre-development
- For development
- For operations

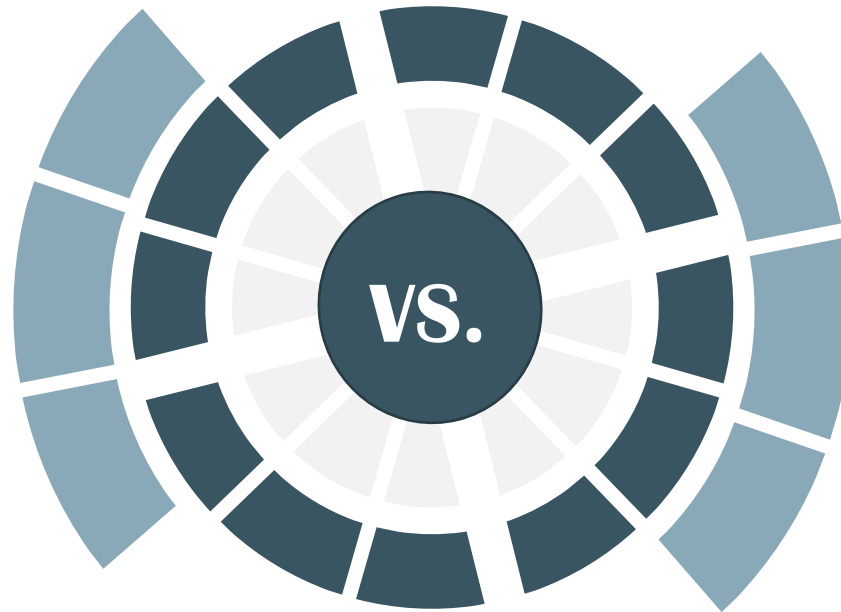
Human resources

- Developers
- Funders
- Consultants

Hot vs. cold real-estate market

Hot

- First UMC, Seattle—sold for \$30M
- First Presbyterian, Tampa—sold for \$10M
- Washington DC—10 churches with ongoing housing development



Cold

- Rome GA—pop. 30K—15 HOWs—most struggling--in 4x6-block area
- Ottumwa IA—pop. 25K—half of Downtown churches closed, more on the way
- Palmyra NY—pop. 3K—God's Corners—four churches on four corners; one closed, one non-denominational, all struggling

More challenging if...

- Property is rundown or compromised
- Real-estate market is cold
- Property is historic
- Use is mission-related
- Municipality has regulatory mindset
- Neighbors are litigious

Help is available

- National and local secular and faith-based not-for-profits
- Consultants—faith-based and secular
- For-profit developers
- Form your own not-for-profit (long, steep learning curve)

Expertise required

- Real estate
- Religion
- Urban planning
- Finance
- Social work
- Translation
- Consensus building
- Project management

Consulting assistance

- Collect and analyze data and perceptions
- Reach *out* to parties
- Reach *in* to client
- Formulate realistic scenarios
- Implement

Needed changes for HOWs

New business

- Faith institutions need to get into the real-estate business
- Like U.S. railroad companies that discovered their real estate was perhaps as valuable as their core business

Needed changes for HOWs

New model — from Dr. Thomas E. Frank, Asheville

- From private to public
- From single use to mixed use
- From unchanging to dynamic

Needed changes for HOWs

New question — from Rev. Graham Singh, Montreal
From WWJD to WWJJD--What would Jane Jacobs do?

- Mixed use
- Walkability/penetrability
 - Old buildings
 - High density



Reference materials

Books

- Dr. Robert E. Simons, *Retired, Rehabbed, Reborn*
- Partners for Sacred Places, *Transitioning Older and Historic Sacred Places*
- Dr. Thomas E. Frank, *Historic Houses of Worship in Peril*
- Rev. Dr. Donna Schaper, *Remove the Pews*
- David E. Kresta, *Jesus on Main Street*
- Mark Elsdon, *We Aren't Broke*
- Dominic Dutra, *Closing Costs*



Reference materials

Other sources

- HUD case studies
- Enterprise Community Partners, Developing Affordable Housing and Community Facilities in Partnership with Faith Communities
- American Institute of Architects, Interfaith Design Knowledge Community



Reference materials

Search Reinhard church redevelopment

- Public Management
- Governing
- Main Street America
- National Civic Review
- Congress for the New Urbanism
- Lewis Center for Church Leadership
- Faith & Leadership
- Religion Unplugged
- United Methodist News

THANK YOU

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8 steps a municipality can take

1. Compile an inventory of the properties of houses of worship in the municipality.
2. Develop a willingness to assist small but growing houses of worship.
3. Develop a property-tax strategy that encourages appropriate redevelopment.
4. Develop a zoning strategy that encourages appropriate development.

8 steps a municipality can take

5. Assist with alternate places for social-services delivery.
6. Serve as facilitator or mediator between houses of worship and developers.
7. Develop access to grants, loans, and other incentives, especially for low-income and affordable housing.
8. Be reasonable and clear on regulations for uses involving food, childcare, and public health.