

CRAIN'S NEW YORK BUSINESS

March 18, 2019 12:00 AM UPDATED 4 HOURS AGO

Houses of worship grappling with Harlem's development boom

Peter S. Green



Rev. Harper sees little hope of saving his church's building, but he's determined to leverage the property to fulfill its mission.

The Rev. Darnell Harper stood in the darkened theater that for nearly 70 years has been the home of his Harlem church, the New Covenant Temple, and stretched a finger to the heavens. More specifically, to a mottled plaster ceiling marked with water stains and pocked with holes. "We've repaired the roof four or five times already, and the same thing happens," Harper said. "It is definitely a building that is breaking down."

Like dozens of church leaders across Upper Manhattan, Harper is wrestling with an earthly dilemma: As Harlem real estate values skyrocket, shrinking congregations and crumbling buildings are putting tremendous financial pressure on local churches. Do they stay, sell or

look for some middle path to cash in on their newly valuable property while preserving their missions of faith and community service?

The 70-member congregation at New Covenant Temple fills only a few pews in the orchestra section of what was once the Washington Theater, a 1,432-seat vaudeville stage and cinema at West 149th Street and Amsterdam Avenue. It was built in 1910 and designed by Thomas Lamb, architect for about 50 New York theaters in the early 20th century. Filling the orchestra and the balcony with worshipers, Harper said, "is not within my growth plans."

New demands

Harlem's population ballooned from 109,000 in 2000 to 143,500 in 2016 as its demographics shifted from 77% black to 57% black. During the same period, local church attendance plunged—and developers came calling.

"Churches need to find ways to persist without having the income they used to have," says Jason Labate, a lawyer with Goldstein Hall, which specializes in low-income housing development and has worked with a number of Harlem churches. "They are asset-rich and cash-poor, and they are frequently trying to leverage that asset into some space that's not falling down around them."

Churches were a vital part of Harlem's emergence as the cradle of African-American culture, anchoring the black community to the neighborhood, which runs roughly from West 110th Street to West 155th Street. "They were more than just places of worship," said Michael Henry Adams, a self-taught neighborhood historian and a vocal advocate for its architectural preservation. "The churches were a major element of the metamorphosis of Harlem. They were a combination of employment agency, settlement house, dating service and credit union.

"Today there's not a church in Harlem that isn't more valuable as a stack of condos."

Simon McGown, a real estate broker and architect, has counted about 350 properties owned by houses of worship from West 96th Street to West 155th Street, encompassing some 5 million square feet of development rights. "That's 5,600 two-bedroom apartments," McGown said. Throughout Manhattan, Borough President Gale Brewer's office logged 913 parcels classified as religious facilities, plus 106 that were sold between 2013 and 2018. Some 650 of those buildings are neither protected landmarks nor in historic districts, and 196 are in neighborhoods zoned for mid- to high-density housing, making them prime prospects for development.

In central Harlem, only 22% of buildings are landmarked or in preservation districts, compared with 77% of Greenwich Village.

The increasing scarcity of developable land in Manhattan has led more builders to look at churches, many of which own not only their sanctuary but also adjacent empty lots and residential buildings. And the property has been surging in value: The average price of land in Harlem has nearly tripled from \$85 per buildable square foot in 2010 to \$237 last year, still a bargain compared with the \$634 for Manhattan as a whole, according to real estate firm Cushman & Wakefield.

"There are a lot of predatory developers out there looking to take advantage of churches," said McGown, whose firm, Koinonia Advisors, helps churches secure the full value of their property in a deal that works for them. "Most pastors go to seminary," he said. "They don't get any training in this at all."

One successful development has been the Church of the Master at West 122nd Street and Morningside Avenue. In 2008 the Presbyterian congregation tore down its collapsing 1893 Victorian home, renovated an adjoining building and leased the ground under the former church to a developer, who built apartments. The congregation hired an attorney, an architect and a construction manager to assist. "The developers were not necessarily looking out for our interest, but we had people on our side who were," said church elder Rory Scott, who helped oversee the undertaking.

The ground lease was the key, Scott said: "That was the main factor in our success, because the land became a continuous source of income." With that money, the church sustains itself and its social programs, despite a shrinking and aging congregation.

"Ground leases are the gold standard," Labate said. When churches sell their land or become partners with developers, "there's a risk that the developer will go bankrupt, that the general contractor will walk off or that there's not enough money to deliver what was promised."

Sales of churches need to be reviewed by both the state Supreme Court and the state attorney general's charities bureau. Labate credited Assistant Attorney General Linda Heinberg with working to ensure churches avoid "steeplejacking"—unscrupulous ministers or developers taking advantage of naive church leaders.

Still, Harlem is rife with examples of churches that have lost their sanctuary—and even their entire congregation—through development deals gone wrong.

St. Stephen Community African Methodist Episcopal Church, at West 116th Street and Frederick Douglass Boulevard, has been locked in an eight-year legal dispute with developers over an unfinished church space.

"The ceiling collapsed, the sound system is not wired properly, the stadium seating uses the wrong gauge steel, the steps are uneven, the sewage system runs under the church and odors keep emanating, and the air conditioning is broken," said the Rev. C. Carlton Woodward, the church's spiritual leader. His congregation has shrunk from 400 members to 55. About 30 people have been showing up for Sunday services. Meanwhile, the 72 condo units built by the developers in the 2005 deal were sold for as much as \$1.2 million each.

The church does own two storefronts in the new development, but legal bills and the declining membership mean Woodward might sell those spaces to keep his ministry alive. "No one really understands what we went through," he said. "We were one of the first in Harlem" to redevelop. "I just didn't know too much at the beginning."

Pastor Tyrone Holmes and his mother, the Rev. Shirley Sutton, saw their small evangelical church on East 125th Street disappear after a failed 2006 venture. The pastors had transferred the church's deed to developers Saadia and Maria Shapiro, who went bankrupt. The property passed through several hands before a 75-unit apartment building was constructed on the site. In 2014, after 54 years, the church closed and its congregants dispersed, but it did receive \$1 million in a settlement with the developers.

On East 118th Street, a small Spanish-language Pentecostal church sold to developers for \$132,000 and promises of a new sanctuary. But arguments over the site and the addition of new investors have left the church waiting three years while services are held in a Lexington Avenue storefront. The 50-foot-wide lot the church sits on and the adjoining 24-foot-wide parsonage are slated to be replaced with a 30-unit market-rate apartment building including a sanctuary and a residence for the pastor. Developer Guido Subotovsky said construction will start this summer.

Subotovsky also is nearing completion of an 11-story luxury condo tower and a new sanctuary at the site of the St. Luke's Baptist Church at Morningside Avenue and West 123rd Street.

"Churches are not typically in the real estate business," he said. "You have to be sensitive to the fact that it is not just financial; it's emotional for the church. And they only have one shot at it."

Growing pains

After the sanctuary ceiling fell at the Metropolitan Community United Methodist Church on East 126th Street, trustees agreed to sell the property to save the church. But some parishioners and trustees said the pastor, the Rev. Richard Hayes, has gone far beyond what they agreed to, applying for a permit to tear down the sanctuary and parish house and replace them with a new building for worship and the church's social programs. The developer, Subotovsky, plans to build apartments on the church site.

Neighbors have joined church members in seeking to halt the demolition. They say the church, built in 1871, has valuable air rights and property surrounding it that could be sold and developed to save the original structure.

But Hayes, who is a professor at Hofstra University's business school, said the congregation approved the sale, noting it would cost \$7 million to \$10 million to fix the church buildings, where maintenance has been deferred for more than half a century. "Is it good stewardship to pour millions of dollars into a building?" he asked.

Besides, Hayes said, the congregation is too small to support such a large house of worship. Only tearing it down will allow the church to continue its mission. "The goal is to build a new facility that enables us to do new and enhanced ministries," he said.

Adams, the historian and preservation advocate, has been organizing parishioners opposed to tearing down the church. His solution is for the city to designate churches as landmarks and then allow them to sell air rights to more than just immediate neighbors. That formula was used in the recent Midtown East rezoning and in 1998, when Broadway theaters were allowed to transfer air rights to nearby office-tower projects.

"I don't think I'm a magician who can change people's hearts from being tempted by love of money," Adams said. "But I hope I can change the dynamic, where it's love of money from another source—and not so destructive."

Back at New Covenant, Harper said he doesn't believe he can save the church's building, but he is sanguine about saving its mission. He'd like to lease the land under the church to a developer of affordable housing who would build rental apartments, ground-floor commercial space and a sanctuary for about 300 worshipers. That would guarantee the church remains active in Harlem, even as gentrification pushes out many longtime residents.

"Things are already in motion for Harlem to change," he said. "You can't hold it back."

Source URL: <https://www.crainsnewyork.com/features/houses-worship-grappling-harlems-development-boom>