

Preserving Historic Churches: A Guide to Identifying and Evaluating Opportunities for Shared Use of Religious Properties

with three case studies

*AME Union Church
Union Baptist Church
Wesley AME Zion Church*



Prepared for:
Preservation Alliance of Greater Philadelphia

Prepared by:
**Urban Partners
&
Kelly / Maiello Architects & Planners**

January 2013

Quick Reference Contact Information

Preservation Alliance for Greater Philadelphia

1608 Walnut Street, Suite 1300
Philadelphia, PA 19103

This handbook is available online at

www.preservationalliance.com/publications

For additional information or assistance call 215 546 1146 ext 6

Acknowledgments

Preserving Historic Churches: A Guide to Identifying and Evaluating Opportunities for Shared Use of Religious Properties has been prepared by the Preservation Alliance for Greater Philadelphia, which is solely responsible for its content. Every effort has been made to ensure that the information contained in the publication is accurate.

This publication is supported by a grant from the Pennsylvania Historical and Museum Commission.

The Preservation Alliance for Greater Philadelphia is a non-profit organization whose mission is to actively promote the appreciation, protection, and appropriate use and development of the Philadelphia region's historic buildings, communities and landscapes. For more information on the Preservation Alliance visit our website at **www.preservationalliance.com**

INTRODUCTION

Many religious congregations in urban areas are experiencing declining membership and, as a result, a decline in income available to maintain their properties. In Philadelphia, many religious buildings have been closed, some have been sold to new owners for non-religious purposes, some have been sold to developers and demolished to allow for other development on the site.

Congregations that want to maintain their properties face the challenges of buildings that may now be too large for their needs or whose historic character presents special challenges for maintenance and upkeep.

Partners for Sacred Places, a non-profit organization that specializes in providing assistance to religious congregations to help preserve historic religious buildings, has developed an effective training program that encourages congregations to explore the potential of shared use of their buildings or leasing space to other organizations. Many organizations have benefited from the *New Dollars New Partners* training program. However, some organizations have been uncertain about evaluating the potential of their religious building for shared or leased space and how to identify prospective tenants that might generate new income to maintain the religious structure.

This guide has been developed by the Preservation Alliance of Greater Philadelphia to assist congregations that wish to explore shared uses or leasing portions of their properties. It contains a step-by-step process for assessing building conditions, exploring potential tenants, and estimating the market value of surplus real estate – illustrated by three case studies of specific churches in Philadelphia whose congregations wanted to explore the possibility of leasing space to other organizations as a means of generating income. The guide and case studies were developed for the Preservation Alliance by Urban Partners and Kelly/Maiello Architects.

The facilities owned by religious congregations typically include some or all of these elements:

- A large sanctuary usually with seating capacity greatly exceeding the current congregation size.
- A fellowship hall, usually at the basement level, often with kitchen and restroom facilities.
- A third gathering area sufficient to accommodate 75 to 100 persons. In some cases, this third gathering area has been adapted to house regular worship services.
- A variety of offices and meeting rooms.
- A parking lot.
- Other outdoor space.

In many cases, the congregation may no longer need some or all of these spaces for its own use. Surplus physical capacity can be used to attract other organizations as tenants and produce additional revenue to meet maintenance and restoration needs in a variety of ways:

- Through occasional rental of space for service or cultural activities.
- Through dedication of space for long-term rental (at least annual) to service organizations, cultural groups, professional firms, and other compatible users.
- Through sale of property for redevelopment.

This guide focuses primarily on the second alternative – long term rental of surplus space, with secondary mention of the possible sale of properties no longer needed by the congregation. Part One describes a step-by-step process for congregations to follow and Part Two illustrates that process with three case studies.

PART ONE: A STEP-BY-STEP PROCESS FOR EVALUATING THE POTENTIAL FOR LEASING SPACE IN RELIGIOUS BUILDINGS

Introduction

This guide has been designed to assist religious congregations that are interested in seeking long-term tenants to share or lease portions of their religious buildings rather than on organizations that may seek to use space in a religious building occasionally and can do so without any modifications to the space or building.

The guide describes a step-by-step process from assessing of building conditions to identifying potential tenants. Most of the steps in this process can be carried out by congregations on their own. However, in some instances, the assistance of professional advisors, such as architects or real estate brokers, may be helpful. Often these services can be found among members of the congregation or from professionals in the neighborhood in which the religious building is located. In some instances, services can be obtained from non-profit organizations. Suggestions of non-profit organizations that provide such assistance are noted in guide.

Step 1: Examining the Idea of Shared Space

The first step in the process of evaluating space and identifying potential tenants is for the congregation as a whole to consider the implications of sharing space with another organization. This includes both the physical impact on its own use of the religious building as well as the psychological impact of sharing space. Members of the congregation should be encouraged to be clear about the constraints the congregation might have on both the type of tenants that would be acceptable and the spaces that would be appropriate to be used by another organization. Among the issues to consider are such things as:

- Are there any types of tenants that the congregation feels would conflict with its religious mission?
- Are there any times of the week or year, such as Sunday morning or special holy days, when having another tenant in the building would conflict with the congregation's own use.
- Are there any spaces, such as the main sanctuary, that the congregation would not want to have used by another organization?
- How much money would the congregation hope to raise from leasing space in its building?
- Are there any other general considerations or concerns that members of the congregation have about sharing or leasing space with another organization?

Once having discussed these issues, the congregation should appoint a "space planning committee" to carry out the rest of the process.

Step 2: Examine the Existing Spaces and Their Current Use

The second step in the process is to determine what spaces might be suitable for use by others and to document the character of those spaces. This requires a thorough room by room assessment of the building which identifies all spaces in the building or buildings and describes each space in terms of size, current use, and current physical condition. It would be highly desirable to have architectural floor plans of the building or buildings to which information about existing spaces could be related. It would also be worth noting if there have been any recent professional evaluations of the building such as a engineering report or a contractors estimate for repairs.

The following table is a sample of the type of information that should be collected and how it might be organized:

Table 1: Sample Building Conditions / Usage Table

Name of Room	Location	Size	Max Capacity	Current Usage	Physical Condition
Main Sanctuary	2 nd Floor	5,000 SF	800 People	Special events only (i.e. weddings and revival meetings)	Fair – some water damage due to roof leak
Fellowship Hall/Kitchen	Basement	2,000 SF	120 People	Sunday mornings, Wednesday evenings	Good – outdated kitchen equipment
Pastor's Office	1 st Floor	200 SF	-	Pastor's office hours (Tues – Fri) and Sunday mornings	Fair – stained glass windows have failed
Parking Lot	40 th + Elm St	8,000 SF	20 cars	Parking for 10 cars on Sunday mornings, Wednesday evenings	Poor – asphalt needs to be resurfaced.

In addition to examining the spaces within the building, a general assessment should also be made of the exterior of the building with a particular focus on the entrances to the building. Some of the issues to consider are:

- Are there separate entrances that the congregation and tenants might use?
- Are entrances handicap accessible?
- Is there parking or open space on the site?

Based on the issues discussed with the congregation as a whole in step one, the planning committee might make a preliminary ranking of the spaces in the building to indicate which ones could most easily be made available for use by another organization and which ones the congregation would want to retain for its own exclusive use.

Step 3: Neighborhood Context

The most suitable candidates for potential tenants are likely to be organizations that are already in the vicinity of the building or organizations that could provide services that the neighborhood needs. Therefore, the next step in the process is to assess the situation in the surrounding neighborhood with respect to existing services and neighborhood needs. The purpose of this step is to get a general understanding of potential needs of the community, not to try to identify specific tenants.

The first part in this process might be to determine who lives in the neighborhood, what the characteristics of the population are and how the population of the neighborhood has been changing. A good source of information about population characteristics and trends is the US Census. The Census provides data on the number of people in the neighborhood, change in the number of people over the past decade, amount of homeownership, income of residents and similar data. The sources for Census data are indicated in **Table 2**.

Table 2: Resources for Neighborhood Background Research

Resource Name	Web Address	Information Available
U.S. Census Bureau	www.factfinder2.census.gov	Most reliable demographic data, including: <ul style="list-style-type: none">- Population changes over the last decade.- Changes in total housing unit, housing vacancy rate, homeownership rate
City-Data	www.city-data.com	Census-based demographic data, including: <ul style="list-style-type: none">- Race, income, education, etc.- Average housing prices (rental and for-sale). Other social indicators, including: <ul style="list-style-type: none">- Local public school profiles.
Neighborhood Information System (NIS)	www.cml.upenn.edu/nbase	Census-based demographic data, including: <ul style="list-style-type: none">- Race, income, education, etc. Other social indicators, including: <ul style="list-style-type: none">- Property ownership, sales history, tax assessment- Utility assistance and shutoff records.

Another way to gather information about the neighborhood is to interview people who live or work in the neighborhood. This might include:

- A local real estate broker who could describe conditions in the housing market, the demand for commercial space or who might know of organizations seeking space in the area.
- Parents in the area that have children of pre-school age or organizations that operate pre-school facilities in the area that might need additional space.
- A local community development corporation that might have a general knowledge of development opportunities and interest in the neighborhood.
- The neighborhood community association might be a source of ideas about uses or activities that are lacking in the neighborhood and that would be of benefit to the community.
- A non-profit organization focused exclusively on the preservation of religious properties like Partners for Sacred Places, which may have information on other congregations that have been successful in leasing space in their religious building.

Step 4: Building Use Concepts

The fourth step in the process is for the planning committee to conduct a “brainstorming” discussion based on the information that has been gathered in steps 2 and 3. Initially, this discussion should encourage participants to suggest a broad range of ideas, including ones that might not seem immediately practical. For example, many smaller performing arts organizations are finding religious buildings to be suitable homes for theatrical and musical performances. Suggesting shared use with an arts or cultural organization may be worthwhile during a brainstorming session.

The broad list of ideas should be examined in terms of which spaces would be most suitable for these uses to help determine which might be the most practical solutions.

After this initial broad brainstorming discussion, space use concepts should be developed for three or four general ideas that may range from the most practical to ones that seem difficult but might still be worth investigating further. For example:

- Lease a portion of the building as a day care center.
- Lease the basement of the church to a neighborhood non-profit organization for office space.
- Sell the parsonage for residential development.

Organizations with multiple buildings – such as a congregation with a church, rectory or parish house, and a school building — may need to engage in a more elaborate process. One source of assistance for a larger planning effort of this type is the Community Design Collaborative, which organizes teams of professional consultants to assist organizations in planning and developing design and development concepts.

Step 5: Identifying Potential Space Users

Once the preferred space uses have been identified, the next step in the process is to try to determine if there are potential tenants that fit those concepts and how much such tenants could afford to pay for leased space. For each of the uses identified, specific organizations that might be appropriate tenants should be identified – either ones with facilities already in the area or ones that are located in adjacent neighborhoods or organizations that have a citywide interest. Each potential tenant should be contacted by phone and interviewed to determine their potential interest, how much they might be able to pay and to determine any specific physical space requirements. Even if an organization is not interested useful information about the size and rental price of their existing facility and any special requirements they have would still be helpful to obtain. **Table 3** shown on the following page indicates the type of information and how it might be organized to evaluate potential tenants.

Table 3: Sample Potential Space User Correspondence Record

Name of Organization	Type of Organization	Current Location	Phone Number	Contact Person	Interested	Notes
XYZ Charter School	Charter school	2 nd and Elm	215-555-5555	John Smith	Yes	Interested in main sanctuary for occasional meetings and performances.
ABC Learning Center	Preschool	4 th and Elm	215-999-9999	Jane Smith	Yes	Interested in renting the basement for daycare. Need space for approximately 40 children. Space must meet building code requirements.
AAA Theater Company	Community Theater Company	N/A	215-222-2222	Rob Roberts	Yes	Interested in main sanctuary for weekdays for rehearsals and occasional Saturday performances.
Small Kids Childcare	Daycare	2 nd and Elm	215-777-7777	Roberta Roberts	No	Need space that can accommodate at least 200 children.

If a congregation is exploring the possibility of renting space for apartments or office use, the going rental rate for comparable space must be determined. Information about comparable rents in the area can be obtained from sources such as: Apartments.com; Rent.com; and Craigslist.com. This is a type of use where it would also be beneficial to interview local real estate agents to get their thoughts on the need for apartments or office space, prevailing rents in the area and the suitability of space within the church for such uses.

If a congregation owns multiple properties and is contemplating the sale of one property (e.g. a parish house or surplus parking lot) analyzing the recent sale prices of comparable properties will yield the best estimates of potential sale value. For instance, if the parish house is a 4-bedroom rowhouse with a total of 1,800 SF in living space, the first step in establishing the current value is to produce a list of properties of comparable size, and building type within the same neighborhood that have been sold recently. Data of recent property sales can be obtained from zillow.com and trulia.com (see **Table 4** for a sample analysis of comparable properties).

Table 4: Sample List of Comparable Property Sales

Address	Home Type	Total Bedrooms	Sale Date	Sale Price	Total Living Space (SF)	Sale Price Per SF
111 N. Ash Street	3-Story Rowhouse	4 Bedroom	9/15/2012	\$305,000	1,750	\$174
299 S. Ash Street	3-Story Rowhouse	5 Bedroom	10/21/2012	\$295,000	2,100	\$140
999 Elm Street	3-Story Rowhouse	4 Bedroom	10/14/2012	\$250,000	1,800	\$139
986 Elm Street	3-Story Rowhouse	4 Bedroom	8/30/2012	\$245,000	1,800	\$136
123 Maple Avenue	2-Story Rowhouse	3 Bedroom	9/1/2012	\$195,000	1,750	\$111
Average Sale Price/SF:						\$140

The evaluation of potential tenants and/or likely sale prices of surplus properties will help to determine which of the alternative space concepts might be the most feasible and is therefore worth exploring in further detail.

Step 6: Suitability of Space for Most Practical Users and Modifications Required

Once the feasibility of space use concepts has been tested through interviews with potential tenants, the next step is to evaluate how well the most likely uses fit the space available and to determine what, if any, modifications would be required to accommodate those uses. The first part of this process is to identify any modifications or renovations that might be required to fit alternative potential tenants. This might include items related to the building as a whole that have been deferred in the past due to lack of funds such as:

- Upgrading mechanical systems to improve electricity, plumbing or heating and air conditioning.

- Updating a kitchen.
- Replacing doors or windows.
- Repairing the roof.

Other modifications may be those required for the needs of specific tenants including such things as handicapped accessible entrances, bathroom facilities for younger children, storage spaces, and etc.

Once the modifications have been identified, it will be necessary to determine the cost of making the necessary changes. This is the point where assistance from an architect or a building contractor may be necessary. An architect could help explore ways to organize space to fit potential tenants and the modifications needed to attract them. An architect or a building contractor could provide cost estimates of the recommended modifications or renovations.

If the congregation does not have funds to retain an architect, free design services may often be obtained through the Community Design Collaborative. In addition, the Preservation Alliance is often able to arrange for some pro bono architectural services for historic church buildings. Building contractors are often willing to provide a cost estimate if they think they may get preferential treatment for a job. However, such estimates will only be as good as the architectural space plans and specifications provided.

Step 7: Financial Analysis

The final step in the process is to evaluate the financial implications of the space use concepts and most likely potential tenants. This analysis basically consists of comparing the income that will be received from the tenant over a period of time with the costs that will be incurred in modifying the space to fit the tenant's needs and the sources of funds available to the congregation to make such modifications. Remember—any improvements that are needed to attract a tenant will have to be made before the tenant moves in and starts paying rent. Consideration should also be given to whether a new tenant will increase operating costs for the congregation or whether those costs can be passed on to the tenant.

The financial analysis step is also one where the congregation would benefit from professional assistance. Such assistance might be obtained from a real estate broker in the neighborhood, from a local community development corporation or again, from the Community Design Collaborative or Preservation Alliance. **Table 6** illustrates the basic components of this financial analysis.

Table 6: Sample Financial Analysis for Potential Rental Space

Revenue		Expenses		Net Income		Payback Period	
Rental Income		Building Renovations		Rental income	\$24,000	Building renovations	\$50,000
Space #1 (\$600/mo)	\$9,600	Doors & windows	\$10,000	(less) increased		Annual net	
Space #2 (\$1200/mo)	\$14,400	Kitchen equipment	\$25,000	holding costs	(\$4,000)	income	\$20,000
TOTAL	\$24,000	HVAC Unit	\$15,000	Net Income	\$20,000	Payback Period	2.5 yrs
		TOTAL	\$50,000			(# years needed to recoup renovation costs)	
		Increase Holding Costs					
		Water/sewer bill	\$2,500				
		Janitorial	\$1,500				
			\$4,000				

The financial analysis will suggest which of the alternative space use concepts and potential tenants is likely to be most financial feasibility and the degree to which sharing or leasing space will provide new revenue to the congregation. It is possible that a congregation may discover that the improvements or modifications needed to attract tenants cost more than the income that can be obtained. However, assuming that the results of the analysis are positive, the final step in the process is to negotiate with potential tenants and to enter into a lease agreement.

Step 8: Negotiations

There are two ways to try to secure and to negotiate with a specific tenant. One approach is to hire a professional real estate agent to list the space, advertise its availability and negotiate with prospective tenants on behalf of the congregation. A second approach is for the congregation to designate a member or the space planning committee to contact organizations whose interest was identified during the Neighborhood Context step (**Step 3**) and explore real deals with those that had expressed interest. It may also be more appropriate for representatives of the congregation to approach non-profit or community organizations in the area who might be potential tenants.

CONCLUSION

Although the process may seem complicated at first reading, most of the steps can be carried out by members of a religious congregation. The case studies in the following section indicate how these steps were applied to three religious buildings and will help to clarify the process described in Steps 1 through 8. As noted, several steps would benefit from professional assistance. It would also be useful for congregations interested in following this process to consult with the Preservation Alliance before beginning to review the various steps in the process and obtain guidance on how to carry them out.

PART TWO: CASE STUDIES

- *Case Study 1: AME Union Church*
- *Case Study 2: Union Baptist Church*
- *Case Study 3: Wesley AME Zion Church*

CASE STUDY 1: AME UNION CHURCH

Introduction

A consultant team consisting of Urban Partners and Kelly/Maiello Architects & Planners was retained by the Preservation Alliance of Greater Philadelphia to assist the AME Union Church explore additional revenues to support the maintenance of its historic building located on the 1600 block of W. Jefferson Street.

The AME Union Church was first organized as Union Mission in 1816, when the congregation acquired a small lot and erected a frame structure at Fairmount Avenue below 5th street in Philadelphia. Aligning with the newly formed African Methodist Episcopal Church in 1817, Union Mission was renamed the African Methodist Episcopal (AME) Union Church.

In 1884, AME Union moved from the 5th and Fairmount location to a larger church building and parsonage at 16th and Fairmount Street. AME Union moved to its present location, 1600-18 West Jefferson Street on May 11, 1952. Notable church members include Attorney Sadie T.M. Alexander, the late State Senator Herbert Arlene, Sr., former NAACP president Alphonso Deal, and community activist Robert Alexander.

Figure 1: Recent Photographs of AME Union Church



Looking west on 16th Street



West elevation with vacant lots



View of sanctuary looking west



View of sanctuary looking east

Step 1: Examining the Idea of Shared Space

To assist the congregation examine various opportunities to increase revenue streams to help defray the cost of building upkeep, the Preservation Alliance engaged the leadership of the AME Union Church to participate in this case study. A meeting was held on April 17, 2012 to discuss current usage of the building and preliminary ideas for additional space utilization. In attendance at this meeting were Trustee Carl Ivey of AME Union, members of the consultant team, and the Neighborhood Preservation Program Coordinator from the Preservation Alliance.

Step 2: Examine the Existing Spaces and Their Current Use

Guided by Trustee Carl Ivey, consultant team observed the church building in detail. **Table 1** shown below summarizes the current building conditions and usage for the four properties that are owned by AME Union:

Table 1: Building Conditions / Usage Table

Address	Room	Current Usage	Physical Condition
1432 N. 16 th Street (Main Church Building)	Second level	Main sanctuary	Fair – some ceiling damage from loose flashing
	Ground level	Activity hall/small chapel, conference room, and credit union offices	Good
	Basement level	Fellowship hall, kitchen	Good
	Side yard	Open area between the main building and Beckett Garden Apartments to the south	Good
1614 W. Jefferson Street	Annex building	Church admin office, along with classrooms/meeting rooms. The building is three-stories and 2,589 SF.	Fair
1616 W. Jefferson Street	Vacant lot	Owned by Union Residential Development Corporation (1,625 SF)	Fair
1618 W. Jefferson Street	Vacant lot	Owned by Union Residential Development Corporation (1,625 SF)	Fair

See Appendix 1A for existing floor plan

Step 3: Neighborhood Context

The neighborhood surrounding AME Union has undergone transformative changes in the last decade. The church properties listed above are located in Census Tract 140 and to the north of Jefferson Street lies Census Tract 147. According to the 2000 Census, the combined vacancy rate for the two census tracts was 32%. Ten years later in 2010, the vacancy rate had dropped to 18%. Furthermore, the housing tenure has changed as well, going from a renter occupancy rate of 77% to 81%.¹

In addition to the City's policy of continuing to invest heavily in new residential projects in North Philadelphia, a large portion of the changes related to vacancy and tenure can be attributed to the housing demand from Temple University students. The neighborhood has seen increasing numbers of Temple students seeking off-campus housing that's within short walking distance to campus. As a result, developers have acquired most of the vacant residential parcels to be converted into apartments for Temple students.

As of this report, Temple University is in the process of developing a new 24-story residential tower at the corner of Broad Street and Cecil B. Moore Avenue, which will house approximately 1,600 students. The shifting of that many students, presumably, from off-campus housing to on-campus housing is projected to have some ripple effect on the neighborhood housing market. If the demand for off-campus drops significantly, the price of real estate can experience a commensurate drop.

¹ Census data can be downloaded from the U.S. Census Bureau (<http://factfinder2.census.gov>).

Located just south of the church is the 131-unit Beckett Garden Apartments, which is restricted to low-to-moderate income households. AME Union had a role in developing the complex in 1969, but a separate non-profit entity (the Union Church Non-Profit Housing and Development Corporation) has retained ownership of Beckett Garden.

Lastly, a non-profit community development corporation called Community Ventures is planning to build an 11-unit project on Master Street across from Beckett Garden. This project will be for-sale to low-to-moderate income households.

Step 4: Building Use Concepts

Based on the information gathered in Steps 2 and 3, the consultant team brainstormed the following two concepts for additional space utilization:

➤ Concept #1: Use the fellowship hall and/or basement level for daycare.

During the research process, the consultant team has learned that the management group that owns the Beckett Garden complex is reapplying for low income housing tax credits through the Pennsylvania Housing Finance Agency. If successful at securing the tax credits, Beckett Garden will be redesigned with an on-site community center that will serve the residents of the complex, as well as the community at large.

Reportedly, the community center will not house a daycare operation, although that concept was considered during the planning stages. In light of that, operating a daycare (and/or programming other complimentary services) within AME Union can significantly benefit the local community. Therefore, working collaboratively with Beckett Garden in some manner is recommended.

Shown in **Table 2** are daycare centers and preschools currently operating near AME Union:

Table 2: Daycare and Preschool Operators near AME Union²

Name of Organization	Type of Organization	Current Location
Victory Christian Preschool	Preschool	2341 Ridge Avenue
Urban Pioneers	Daycare	17th & Montgomery
Mother's Touch	Daycare	19th & Cecil B. Moore
Shake Rattle and Roll	Daycare	Broad and Girard
Community Pre School & Nursery	Preschool & Daycare	Broad and Girard
Children's Choice Daycare	Daycare	21st and Ridge

Source: Urban Partners

➤ Concept #2: Reconvert 1614 W. Jefferson to housing and/or new development on 1616-18 W. Jefferson.

In this case, the relatively high value of residential real estate can work to the benefit of AME Union. The development of 1614, 1616, and 1618 W. Jefferson can occur in one of three ways:

- 1) Sell the properties to a developer who will most likely build housing units targeted to Temple students. This option would most likely yield the highest cash return for AME Union in the shortest amount of time. The consultant team contacted a reputable developer regarding the properties (without divulging any specifics) and they've expressed interest.
- 2) Sell the properties to a non-profit organization that will develop housing for low-and-moderate income families. The group that makes the most sense for this scenario is Community Ventures, who's currently developing an 11-unit project on Master Street across from Beckett Garden. The consultant team contacted the executive director at Community Ventures who expressed interest in these properties.

² Compiled by utilizing an internet search engine (i.e. Google.com).

- 3) Retain ownership and develop the properties, which will result in the church playing a significant role in the financing of the project and managing the construction/rehab of the properties. Additionally, the church would have to establish a management team to oversee on-going operations.

Step 5: Identifying Potential Space Users

➤ Concept #1: Use the fellowship hall and/or basement level for daycare.

In order to gauge the Beckett Garden management team's interest in collaborating with AME Union on the daycare operation, the consultant team has reached out to appropriate individuals associated with the project. The consultant team spoke with Jeffrey Smith of the Union Church Non-Profit Housing and Development Corporation, who expressed a willingness to discuss potential partnership ideas with AME Union.

In addition, consultant team has developed a roster of potential daycare operators in the neighborhood and contacted them to gauge their interest in utilizing the church space. The only daycare operator expressing any interest so far is Victory Christian Preschool located at 2341 Ridge Avenue (contact person: Ava).

Other daycare providers contacted by the consultant team are:

- Urban Pioneers (17th & Montgomery) – non responsive, potentially closed
- Mother's Touch (19th & Cecil B. Moore) – not interested in space
- Shake Rattle and Roll (Broad and Girard) – not interested in space
- Community Pre School & Nursery (Broad and Girard) – non responsive, potentially closed
- Children's Choice Daycare (21st and Ridge) – non responsive, potentially closed

➤ Concept #2: Reconvert 1614 W. Jefferson to housing and/or new development on 1616-18 W. Jefferson.

In order to determine the feasibility of residential development at 1614-18 W. Jefferson, the consultant team first analyzed the current value of the three properties. For 1614 W. Jefferson, the consultant team analyzed the sale of existing homes in the past two years that appear to have been purchased by investors. Existing home sales during this period have averaged \$52/SF, which means the estimated value for 1614 W. Jefferson in the as-is condition is approximately \$135,000 (see **Appendix 1B**).³

The estimated value of the vacant lots at 1616-18 W. Jefferson is approximately \$110,000 to \$160,000 (see **Appendix 1C**). Best comps are the following:

- Residential development at 1620-1622 W. Jefferson (under construction)
 - Former vacant lots (1,513 SF and 1,649 SF, respectively)
 - Being developed by TNT Developers One LLC of New Hope, PA
 - Acquired the property on 1/17/2011 for \$78,000 each
- Residential development at 1409, 1415 W. Jefferson (recently completed)
 - Former vacant lots (1,370 SF and 1,334 SF, respectively)
 - Developed by Temple Villas, which owns many units near Temple including the large complex on the 1500 block of N. 15th Street
 - Acquired the properties for \$90,000 and \$48,000, respectively

Once construction is completed, these properties can be rented for \$575 per bedroom/per month, which does not include tenant-paid utilities (see **Appendix 1D**).⁴

³ The consultant team utilized Win2Data, which is a real estate database service, to compile property sales data. Alternative sources of data for home sales can be found on zillow.com and trulia.com.

⁴ Rental rates are taken from leasing website for the properties.

Step 6: Suitability of Space for Most Practical Users and Modifications Required

In this step, the consultant team evaluated how well the two concepts fit into the space available in AME Union and determined what modifications are required to accommodate new uses.

➤ ***Concept #1: Use the fellowship hall and/or basement level for daycare.***

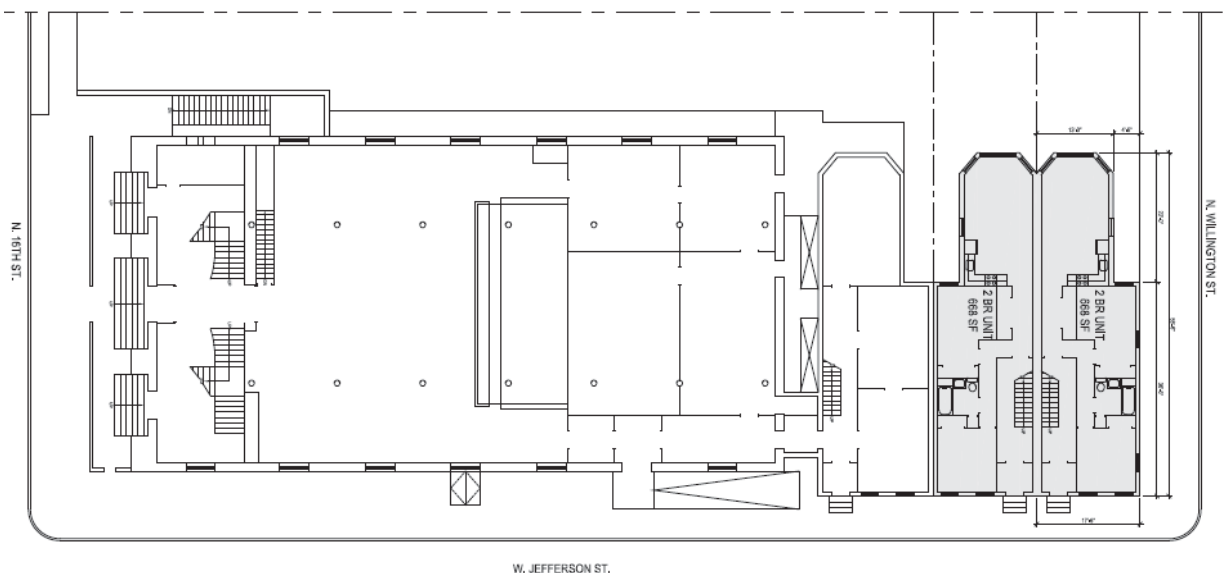
It is anticipated that using this space as a daycare will not involve significant amounts of building redesign. The most significant item may be to cut open a new entry from the basement to the side yard, so that children can enjoy quick access to the proposed outdoor play area.

➤ ***Concept #2: Reconvert 1614 W. Jefferson to housing and/or new development on 1616-18 W. Jefferson.***

At minimum, the reconversion of 1614 W. Jefferson will involve these following items: 1) relocating existing church functions (e.g. pastor's office and other offices) into the main building; 2) sealing off the interior opening between 1614 W. Jefferson and the main building; 3) building a new kitchen; and 4) renovating the existing bathroom and possibly adding another bathroom.

The most sensible design for homes at 1616-18 W. Jefferson would be to match the traditional rowhouse look of 1614. The concept drawings shown below in **Figure 2** calls for two stick built homes with brick veneer at 2,400 SF each (see **Appendix 1E** for a detailed illustration)

Figure 2: Concept #2, Street Level Plan



Step 7: Financial Analysis

➤ ***Concept #1: Use the fellowship hall and/or basement level for daycare.***

The financial impact of this concept is difficult to quantify without prospective daycare operators submitting their space requirements and getting an indication of how much rent they can afford to pay to the church. Therefore, the following projection is based on these assumptions: i) an up-front building renovation cost of \$40,000; ii) the daycare operator paying \$10/SF in rent for the basement space; and iii) the marginal increase in holding costs at \$3,600. **Table 3** shown below illustrates a scenario in which the church absorbs all the up-front renovation costs as well as the marginal increase in holding costs. The amount of time required to recoup the initial investment is approximately 17 months.

Table 3: Financial Analysis for Concept #1 (Sample First Year)

Revenue	Expenses	Net Income	Payback Period
Rental Income	Building Renovations	Rental income	Building renovations
Basement	Basement	\$31,300	\$40,000
3,130 SF			
@ \$10/SF	TOTAL		Annual net
		less change in	Income
TOTAL		holding costs	\$27,700
\$31,300	Increase Holding Costs		
\$31,300	Water/sewer bill	Net Income	Payback Period
	Janitorial	\$27,700	(# mos needed to recoup renov. costs)
			17 mos

One of the important negotiation points for this concept is the amount of up-front renovation costs the lessee would be willing to absorb. Although it may be safe to assume that a significant portion of the costs may be shared, to the extent the daycare user is able to pay for the fit-out costs, the monthly rental rates will have to be reduced to reflect that investment.

➤ **Concept #2: Reconvert 1614 W. Jefferson to housing and/or new development on 1616-18 W. Jefferson.**

As indicated in the market analysis section, the estimated value for 1614 W. Jefferson in the as-is condition is approximately \$135,000, and the estimated value of the vacant lots at 1616-18 W. Jefferson is approximately \$110,000 to \$160,000. If AME Union sells all three parcels to a for-profit residential developer, the expected revenue will be \$235,000 to \$295,000.

In a meeting with the consultant team, the church leadership expressed a desire to explore the possibility of leveraging the existing properties for new office/meeting space. We estimate that under current economic conditions, the church can be compensated, **in lieu of cash payment** shown above for the three properties, with approximately 1,500 SF of new office/meeting space on the ground floor. In this scenario, apartments units would be located on the upper floors.

Step 8: Negotiations

➤ **Concept #1: Use the fellowship hall and/or basement level for daycare.**

The following are key issues to be negotiated with prospective space users:

- The amount of space (total SF) required
- If not 24 hours a day, 7 days a week, the days and times user requires space (e.g. weekdays from 8AM to 5PM, or evenings from 9PM to 6AM the following morning)
- The extent of renovations and building retrofitting that will be required
- The amount of construction costs the tenant is willing to absorb
- The rental rate (per SF)
- The length of the lease (e.g. one year, six months, month-to-month)
- The tenant's share of the marginal increase in holding costs, such as utility bills and janitorial services
- Verification of zoning compatibility for the space user's proposed activities
- Verification of the space user's insurance coverage (the church should be listed as additionally insured on the tenant's liability insurance policy)

These and other relevant terms should be included in a written lease that's prepared by the church.

➤ **Concept #2: Reconvert 1614 W. Jefferson to housing and/or new development on 1616-18 W. Jefferson.**

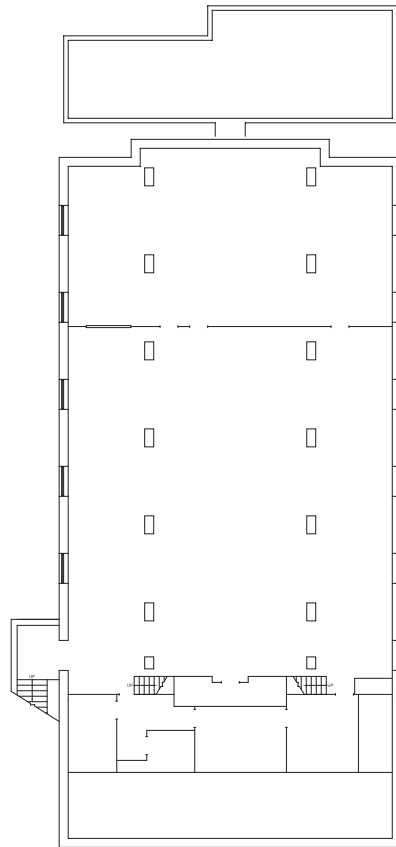
The most effective way to pursue this concept is to work with a real estate broker, who will:

- Establish the value of the available parcels based on recently updated records of comparable sales

- List the properties as available for sale/development on Multiple Listing Service (MLS)
- Recruit real estate developers with whom he/she has previous working relationships
- Prepare all the legal documentations necessary to execute the agreements of sale
- Make arrangements with a title insurance company to coordinate the settlement and recording of the transaction

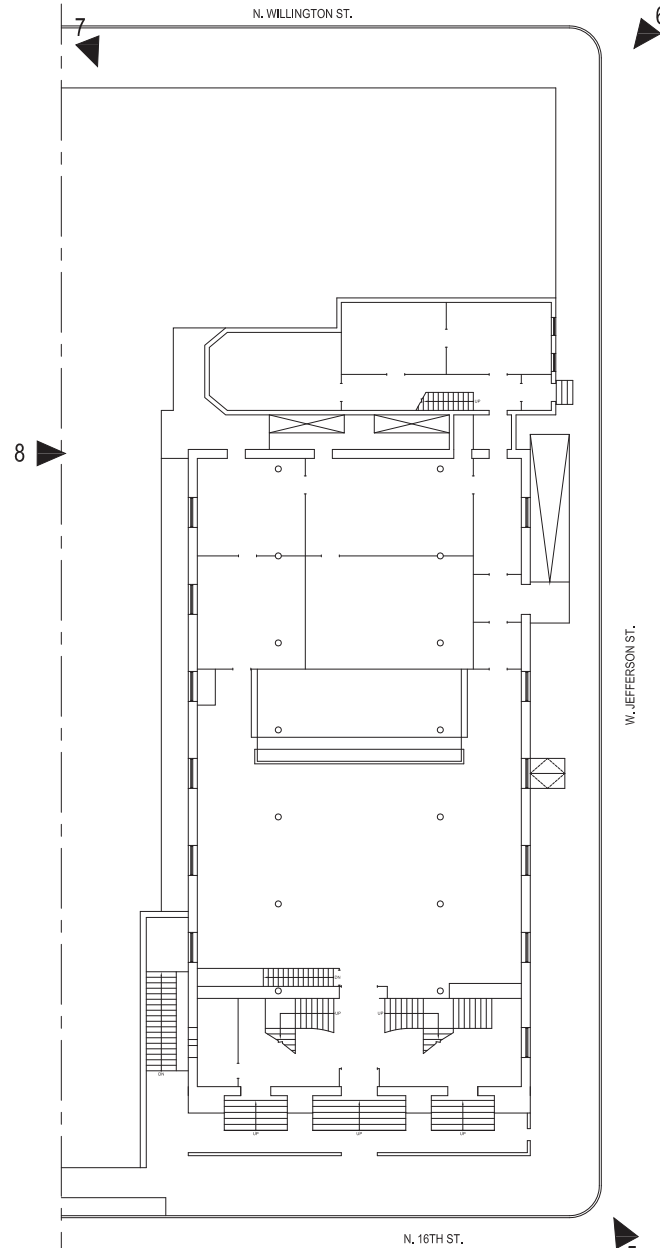
In most cases, the seller (i.e. the church) would compensate the broker with a 6% commission at closing. If the sale never occurs, the broker does not need to be compensated.

Appendix 1A: Existing Conditions



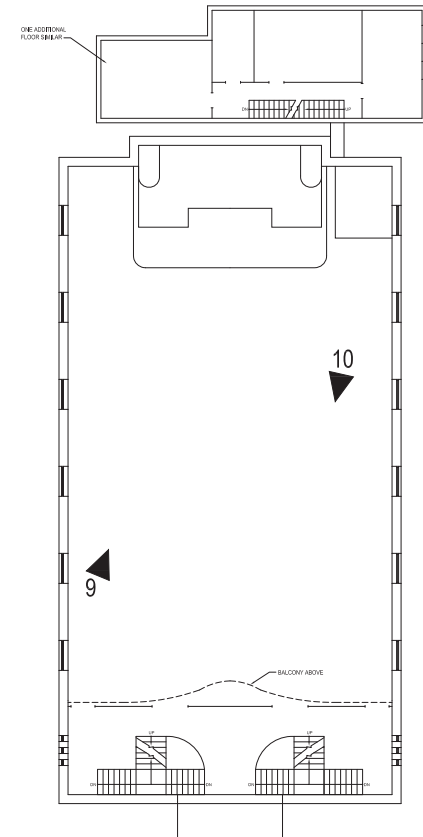
① EXIST. CONDITIONS - LOWER LEVEL PLAN
SCALE: 1/16" = 1'-0"

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103



② EXIST. CONDITIONS - STREET LEVEL PLAN
SCALE: 1/16" = 1'-0"

AME UNION CHURCH
1614 W. Jefferson Street
Philadelphia, PA 19121



③ EXIST. CONDITIONS - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"

Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

Appendix 1B

Existing Home Purchases by Investors

Address	Street Name	Sale Price	House Size (SF)	Sale Date	\$\$/SF
1413	W JEFFERSON ST	\$357,500	2,610	3/2/2012	\$ 136.97
1232	N 15TH ST	\$270,000	2,097	4/25/2012	\$ 128.76
1521	N BOUVIER ST	\$270,000	2,370	7/13/2011	\$ 113.92
1609	N WILLINGTON ST	\$190,000	2,530	2/28/2012	\$ 75.10
2055	W OXFORD ST	\$156,000	2,214	9/26/2011	\$ 70.46
1431	W GIRARD AVE	\$207,000	2,949	4/6/2011	\$ 70.19
1611	N 17TH ST	\$164,000	2,670	9/20/2011	\$ 61.42
1507	W OXFORD ST	\$145,000	2,485	4/11/2011	\$ 58.35
912	N 20TH ST	\$121,500	2,271	10/26/2011	\$ 53.50
1229	N 16TH ST	\$90,750	2,412	4/12/2012	\$ 37.62
1435	N 19TH ST	\$57,500	2,270	5/23/2011	\$ 25.33
1739	N 21ST ST	\$45,000	2,123	12/31/2010	\$ 21.20
1827	W MASTER ST	\$42,000	2,031	8/28/2010	\$ 20.68
2207	W THOMPSON ST	\$48,000	2,340	6/11/2010	\$ 20.51
1232	N 18TH ST	\$50,000	2,595	10/27/2011	\$ 19.27
1733	N 21ST ST	\$33,000	2,411	4/20/2012	\$ 13.69
2129	W MASTER ST	\$16,500	2,319	5/8/2012	\$ 7.12
1408	N 21ST ST	\$6,010	2,718	8/25/2010	\$ 2.21

Average 2,412 SF

Average \$\$/SF \$ 52.28

Estimated Value \$ 135,000

Appendix 1C

Vacant Lot Sales

Address	Sale Price	Lot Area (SF)	Sale Date	\$\$/SF
1512 N CARLISLE ST	\$400,000	1,458	2/24/2011	\$274.35
1326 N 15TH ST	\$315,000	2,800	1/13/2012	\$112.50
1409 W JEFFERSON ST	\$90,000	1,370	7/27/2011	\$65.70
1632 N SYDENHAM ST	\$60,000	1,018	12/31/2010	\$58.94
1620 W JEFFERSON ST	\$78,000	1,513	1/17/2011	\$51.55
1315 N 15TH ST	\$87,500	1,785	5/27/2011	\$49.02
1743 CAMBRIDGE ST	\$70,000	1,440	2/8/2011	\$48.61
1622 W JEFFERSON ST	\$78,000	1,650	1/17/2011	\$47.28
1317 N 15TH ST	\$80,000	1,800	5/31/2011	\$44.44
1817 CECIL B MOORE AVE	\$71,000	1,708	2/1/2012	\$41.58
1324 N 15TH ST	\$79,000	1,932	11/5/2010	\$40.89
1415 W JEFFERSON ST	\$48,000	1,334	5/4/2010	\$35.98
1321 N 15TH ST	\$90,000	2,790	5/4/2011	\$32.26
1310-1312 N CARLISLE ST	\$51,000	1,670	10/7/2011	\$30.54
1402 N 15TH ST	\$65,000	2,300	7/19/2010	\$28.26
1707 W MASTER ST	\$60,000	2,138	9/1/2010	\$28.07
924 N 15TH ST	\$30,000	1,080	6/13/2011	\$27.78
1413 N 17TH ST	\$45,000	1,746	5/4/2011	\$25.77
926 N 15TH ST	\$30,000	1,260	6/14/2011	\$23.81
1712 N GRATZ ST	\$28,000	1,181	5/4/2011	\$23.70
1417 N 17TH ST	\$39,900	1,752	5/31/2011	\$22.77
2007 W OXFORD ST	\$30,000	1,400	5/4/2011	\$21.43
2009 W OXFORD ST	\$30,000	1,400	5/4/2011	\$21.43
2005 W OXFORD ST	\$30,000	1,400	5/4/2011	\$21.43
2003 W OXFORD ST	\$30,000	1,400	5/4/2011	\$21.43
2001 W OXFORD ST	\$30,000	1,400	5/4/2011	\$21.43
901-905 N 19TH ST	\$42,500	2,355	11/16/2011	\$18.05
1324 N 17TH ST	\$22,500	1,260	5/27/2011	\$17.86
1608 W MONTGOMERY AVE	\$18,000	1,023	9/27/2011	\$17.59
1306-1308 N CARLISLE ST	\$18,000	1,336	8/24/2010	\$13.47
1242-1244 N 16TH ST	\$25,500	1,900	6/10/2010	\$13.42
1820 CECIL B MOORE AVE	\$19,000	1,515	5/4/2011	\$12.54
2205 W OXFORD ST	\$8,600	1,073	12/22/2010	\$8.01
2047 W MASTER ST	\$8,250	1,080	5/8/2012	\$7.64
1531 N 15TH ST	\$18,500	2,638	1/18/2011	\$7.01
1842 W MASTER ST	\$10,000	1,583	5/11/2011	\$6.32
1724 W MASTER ST	\$10,000	2,200	10/1/2010	\$4.55
1710 N GRATZ ST	\$5,000	1,181	10/25/2011	\$4.23

Mean \$35.57

Best Comps

1409 W JEFFERSON ST	\$90,000	1,370	7/27/2011	\$65.70
1415 W JEFFERSON ST	\$48,000	1,334	5/4/2010	\$35.98
1620 W JEFFERSON ST	\$78,000	1,513	1/17/2011	\$51.55
1622 W JEFFERSON ST	\$78,000	1,650	1/17/2011	\$47.28

1618-20 Jefferson St 3176 SF

Estimated \$\$/SF Range \$ 110,000
\$ 159,000

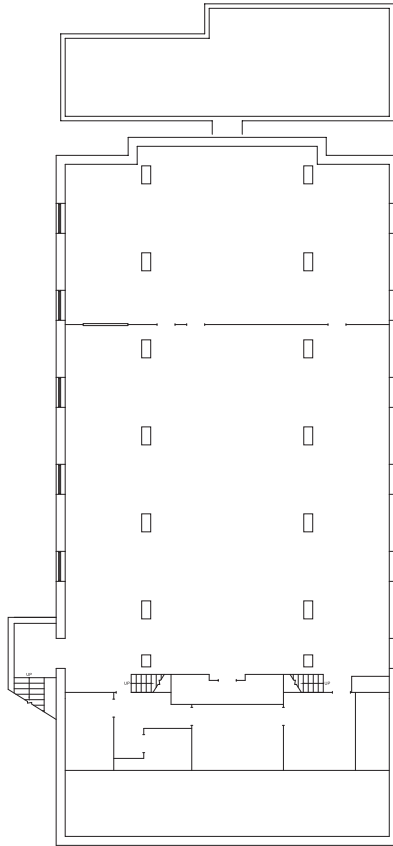
Appendix 1D

Apartment Rents

#	Street	Bed	Bath	Rent	Rent/Bedroom	Management
1614	Cecil B Moore Unit 2B	4	3	\$2,500.00	\$625.00	Temple Villas
1614	Cecil B Moore Unit 2F	4	3	\$2,500.00	\$625.00	Temple Villas
1614	Cecil B Moore Unit 3B	4	3	\$2,500.00	\$625.00	Temple Villas
1614	Cecil B Moore Unit 3F	4	3	\$2,500.00	\$625.00	Temple Villas
1520	Fontain St	5	3	\$2,875.00	\$575.00	Temple Villas
1532	Fontain St Unit A	3	2	\$1,800.00	\$600.00	Temple Villas
1532	Fontain St Unit B	3	2	\$1,875.00	\$625.00	Temple Villas
1627	French St	4	2	\$1,800.00	\$450.00	Temple Villas
1409	Jefferson St Unit A	5	3	\$2,875.00	\$575.00	Temple Villas
1415	Jefferson St Unit A	4	4	\$2,300.00	\$575.00	Temple Villas
1409	Jefferson St Unit B	3	2	\$1,725.00	\$575.00	Temple Villas
1415	Jefferson St Unit B	5	5	\$2,875.00	\$575.00	Temple Villas
1409	Jefferson St Unit C	3	2	\$1,725.00	\$575.00	Temple Villas
2243	N 15th St	4	2	\$2,000.00	\$500.00	Philly Apartment Company
1234	N 15th St	5	2	\$2,500.00	\$500.00	Philly Apartment Company
2300	N 15th St	4	2	\$1,600.00	\$400.00	Philly Apartment Company
1531	N 15th St Unit 1B	3	1.5	\$1,800.00	\$600.00	Temple Villas
1531	N 15th St Unit 1F	3	1.5	\$1,800.00	\$600.00	Temple Villas
1531	N 15th St Unit 2B	3	2	\$1,800.00	\$600.00	Temple Villas
1531	N 15th St Unit 2F	3	2	\$1,800.00	\$600.00	Temple Villas
1531	N 15th St Unit 3B	3	2	\$1,800.00	\$600.00	Temple Villas
1531	N 15th St Unit 3F	3	2	\$1,800.00	\$600.00	Temple Villas
1411	N 15th St 1A	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 1B	3	2	\$1,725.00	\$575.00	Temple Villas
1411	N 15th St 1C	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 2A	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 2B	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 2C	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 3A	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 3B	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 3C	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 4A	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 4B	4	2	\$2,300.00	\$575.00	Temple Villas
1411	N 15th St 4C	4	2	\$2,300.00	\$575.00	Temple Villas
1417	N 15th St Unit 104 Furnished	2	1	\$1,390.00	\$695.00	Templetown
1417	N 15th St Unit 113 Furnished	3	1	\$2,085.00	\$695.00	Templetown
1417	N 15th St Unit 207	2	1	\$1,320.00	\$660.00	Templetown
1417	N 15th St Unit 208	2	1	\$1,320.00	\$660.00	Templetown
1417	N 15th St Unit 213	3	1	\$1,980.00	\$660.00	Templetown
1320	N 17th St	3	N/A	\$1,350.00	\$450.00	Philly Apartment Company
1611	N 17th St Unit A	3	2	\$1,800.00	\$600.00	Temple Villas
1611	N 17th St Unit B	4	2	\$2,400.00	\$600.00	Temple Villas
1611	N 17th St Unit C	4	2	\$2,400.00	\$600.00	Temple Villas
1611	N 17th St Unit D	4	2	\$2,400.00	\$600.00	Temple Villas
2332	N Carlisle St	4	N/A	\$2,000.00	\$500.00	Philly Apartment Company
2227	N Sydenham St	4	2	\$2,000.00	\$500.00	Philly Apartment Company
1235	W Allegheny Ave	3	N/A	\$1,000.00	\$333.33	Philly Apartment Company
1121	W Dauphin St	7	N/A	\$2,800.00	\$400.00	Philly Apartment Company
1115	W Dauphin St	6	2	\$2,375.00	\$395.83	Philly Apartment Company
1536	W Diamond St Unit A	3	2	\$1,800.00	\$600.00	Temple Villas
1536	W Diamond St Unit B	3	2	\$1,800.00	\$600.00	Temple Villas
1536	W Diamond St Unit C	3	2	\$1,875.00	\$625.00	Temple Villas
1536	W Diamond St Unit D	3	2	\$1,875.00	\$625.00	Temple Villas
1433	W Norris St Unit A	5	3	\$3,125.00	\$625.00	Temple Villas
1527	W Norris St Unit A	4	3	\$2,500.00	\$625.00	Temple Villas
1433	W Norris St Unit B	3	2	\$1,950.00	\$650.00	Temple Villas
1527	W Norris St Unit B	5	5.5	\$3,125.00	\$625.00	Temple Villas
1433	W Norris St Unit C	3	2	\$1,875.00	\$625.00	Temple Villas
1621	W Oxford Unit A	3	3	\$1,725.00	\$575.00	Temple Villas
1621	W Oxford Unit B	5	5.5	\$2,750.00	\$550.00	Temple Villas
1621	W Oxford Unit C	5	5.5	\$3,000.00	\$600.00	Temple Villas
1507	W Susquehanna Ave Unit A	4	3	\$2,200.00	\$550.00	Temple Villas
1507	W Susquehanna Ave Unit B	3	2	\$1,650.00	\$550.00	Temple Villas
1507	W Susquehanna Ave Unit C	3	2	\$1,650.00	\$550.00	Temple Villas

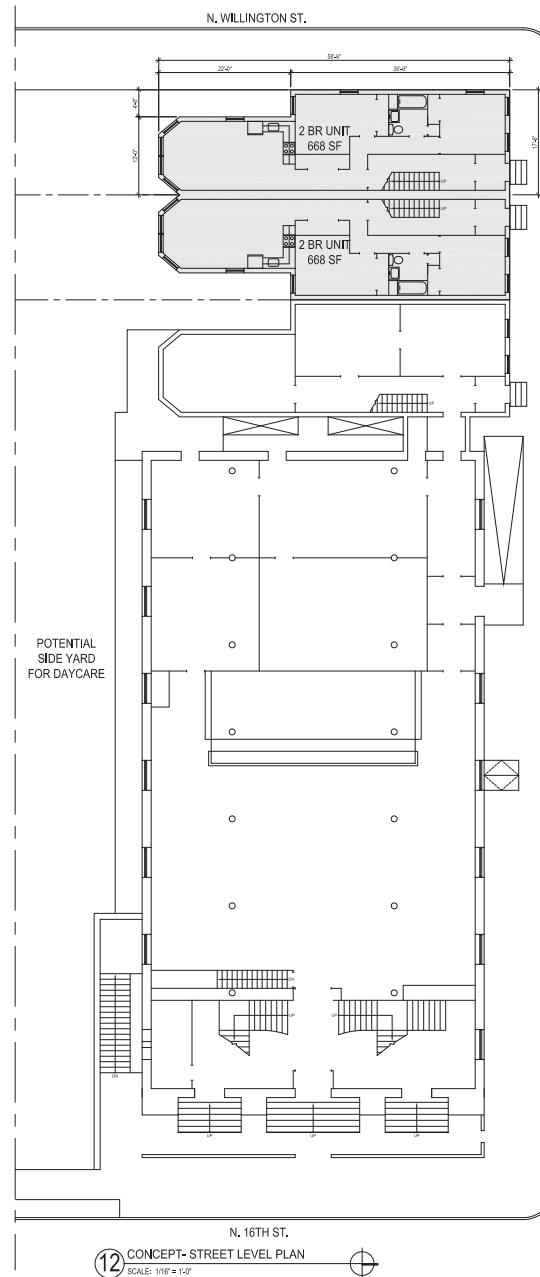
Average: **\$2,113.98** **\$575.77**

Appendix 1E: Concept #2



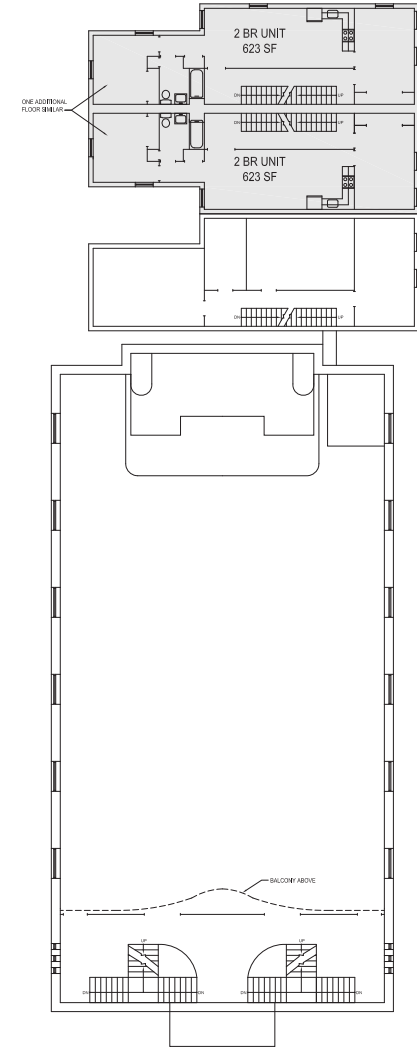
11 CONCEPT-LOWER LEVEL PLAN
SCALE: 1/16" = 1'-0"

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103



12 CONCEPT-STREET LEVEL PLAN
SCALE: 1/16" = 1'-0"

AME UNION CHURCH
1614 W. Jefferson Street
Philadelphia, PA 19121



13 CONCEPT-SANCTUARY PLAN
SCALE: 1/16" = 1'-0"

CONCEPT PLAN TOTAL: (6) 2 BR APARTMENTS

Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

CASE STUDY 2: UNION BAPTIST CHURCH

Introduction

A consultant team consisting of Urban Partners and Kelly/Maiello Architects & Planners was retained by the Preservation Alliance of Greater Philadelphia to assist the Union Baptist Church explore additional revenues to support the maintenance of its historic building located at 1910 Fitzwater Street in Philadelphia, PA.

The origin of the congregation is traced back to 1832 when Rev. Daniel Scott and 21 African-American freedmen founded the Union Baptist Church. In the ensuing decades, the congregation outgrew several smaller buildings in Center City and South Philadelphia, including two new buildings that were commissioned by Union Baptist (first at 6th and Addison Street in 1838, and a second at 12th and Bainbridge Streets in 1887).

In 1916, the congregation commissioned the current facility at 1910 Fitzwater Street. The architect was Charles W. Bolton, who was a prolific church designer whose work is attributed to numerous historic churches in Philadelphia. At its peak size, the Union Baptist's membership rolls exceeded 4,000 worshippers, including the famed concert vocalist Marian Anderson who began her singing career at the church at the age of six.

Figure 1: Recent Photographs of Union Baptist Church



Corner of 19th and Fitzwater looking south



Looking south from Fitzwater



View of side yard looking north



Interior view of sanctuary

Step 1: Examining the Idea of Shared Space

In recent decades, the size of the congregation steadily declined while the cost of maintaining the facility continued to increase. Overall, the building is in fair shape but a few of the major systems (e.g. HVAC and roof) need to be serviced. In addition, the church owns two ancillary lots nearby and is interested in exploring potential options for developing new programming space for the church and/or yielding additional revenues.

To assist the congregation examine various opportunities to increase revenue streams to help defray the cost of building upkeep, the Preservation Alliance engaged the leadership of the Union Baptist Church to participate in this case study. A meeting was held on April 17, 2012 to discuss current usage of the properties and preliminary ideas for additional space utilization. In attendance at this meeting were Trustee Loretta Lewis and Reverend Donald West of Union Baptist, members of the consultant team, and the Neighborhood Preservation Program Coordinator from the Preservation Alliance.

Step 2: Examine the Existing Spaces and Their Current Use

Guided by Trustee Lewis and Reverend West, the consultant team observed the properties owned by the church in detail. **Figure 2** shows the locations of the three properties that are owned by Union Baptist, and **Table 1** shown on the following page summarizes the current building conditions and usage for the three properties:

Figure 2: Properties Owned by Union Baptist



Table 1: Building Conditions / Usage Table

Address	Room	Current Usage	Physical Condition
1910 Fitzwater Street (Main Church Building)	Second level	Main sanctuary	Good – some minor plaster damage from storm water penetration
	Ground level	Lobby and offices	Good
	Basement level	Fellowship hall, kitchen	Good
1919 Fitzwater Street	Parking lot (6,888 SF)	Church parking lot; two spaces leased to PhillyCarShare	Fair – a few pot holes
732 S. 19 th Street	Vacant lot (6,305 SF)	Currently used as a garden for the church. Formerly they were rowhouses that have been demolished	Good

See **Appendix 2A** for existing floor plan

Step 3: Neighborhood Context

Union Baptist is situated in an area commonly referred to as the Graduate Hospital area or South of South, which has solidified its reputation in the last two decades as a neighborhood of choice. Attracted by the neighborhood's close proximity to major employment centers, retail establishments, and entertainment venues, new residents have recently moved into the neighborhood in large numbers. The 2010 Census reported that that total population for the Graduate Hospital area increased by 7.9% since 2000. Mirroring this population growth, the total number of housing units increased by 10.5%, while the total number of homes for the city as a whole decreased by 9.4%.¹

The strength of the neighborhood's housing market is best evidenced by the Naval Square development by Toll Brothers (**Figure 3**). Even during the worst portions of the housing bubble, Toll Brothers has been selling 70 to 80 units per year and is poised to complete the last phases of the 600+ unit master plan in the next two years. Naval Square was so successful that Toll Brothers broke ground in 2012 on another 125-unit project on the 2400 block of South Street. In addition to Toll Brothers, there are many smaller scale homebuilders continuing to rehabilitate older rowhouses and developing new infill housing.

Figure 3: The Naval Square by Toll Brothers



One of the drawbacks of increasing property values is that educational institutions and social service providers have a hard time securing affordable programming space in the neighborhood. Surplus spaces in Union Baptist may present themselves as opportunities for such institutions.

Step 4: Building Use Concepts

Based on the information gathered in Steps 2 and 3, the consultant team brainstormed the following three concepts for additional space utilization:

➤ Concept #1: Use of the lower level for daycare or after-school programming

Due to Union Baptist's proximity to several educational and social service providers, and the fact that affordable commercial space is extremely scarce in the neighborhood, the church may be an attractive location for various youth and adult services. The features that increase the attractiveness of Union Baptist to such users are the recently installed elevator and the outdoor open space.

The following is a list of potential user/operators in the neighborhood:

¹ Census data can be downloaded from the U.S. Census Bureau (<http://factfinder2.census.gov>).

Table 2: Educational Institutions and Social Service providers near Union Baptist²

Name of Organization	Type of Organization	Current Location
Independence Charter School	Charter school	16 th and Lombard
Formative Years	Daycare/preschool	19 th & Lombard
Wee Care 4 Kids	Daycare	23 rd & Kimball

Source: Urban Partners

➤ ***Concept #2: Develop new residential units on lots owned by the church***

In this case, the high value of residential real estate can work to the benefit of Union Baptist. The development of surplus parcels owned by the church can occur in three ways:

- 1) Sell 732 S. 19th Street to a developer who will build six townhomes along 19th Street.
- 2) Sell 732 S. 19th Street to a developer who will build a 4-unit condominium with 1,940 SF of ground floor meeting/office space for the church.
- 3) Sell 1919 Fitzwater Street to a developer who will build a 7-unit condominium with 17 parking spots dedicated for exclusive use of church members.

➤ ***Concept #3: Use of main sanctuary as a performing arts venue***

With a 1,200 seat capacity, beautifully preserved original details, and superior acoustics, the main sanctuary at Union Baptist is a major asset that can easily be marketed as a performance venue. The historical connection to Marian Anderson is another “selling feature” for the main sanctuary as well.

Step 5: Identifying Potential Space Users

➤ ***Concept #1: Use of the lower level for daycare or after-school programming***

In order to determine the demand for programming space, Urban Partners developed a roster of potential user/operators in the neighborhood and contacted them gauge their interest in utilizing the church space. All of the potential space users listed in **Table 2** either expressed no interest in the space or were non-responsive to our inquiry.

➤ ***Concept #2: Develop new residential dwelling units on lots owned by the church***

In order to determine the feasibility of residential development on church owned lots, the consultant team analyzed the current values of the properties. The best comps are the recently completed homes at 20th and Fitzwater shown in **Figure 4** on the following page:

Figure 4: New Townhomes at 20th and Fitzwater



² Compiled by utilizing an internet search engine (i.e. Google.com).

As of this memo, Win2Data shows three property sales for this development. 1933 Fitzwater was sold for \$669,000 on March 14, 2012; 1935 Fitzwater for \$692,500 (March 26, 2012); and 1937 Fitzwater for \$780,000 (February 10, 2012). These are large 3-bedroom homes with finished basements and private garages.³

The same developer, Michael and Mario Carosella, began construction on another similar project at 19th and Fitzwater at the former Mr. Olive AME Church (see **Figure 5** below).

Figure 5: New Townhomes at 19th and Fitzwater



Recent and on-going development activities confirm that the townhome/condo market in the neighborhood remains strong. We estimate that nicely furnished three-bedroom condo units (approximately 1,800 SF) can easily command prices in the range of \$350,000 to \$450,000 (or \$194 to \$250 per SF). **Appendix 2B** lists recently sold homes near Union Baptist.

➤ ***Concept #3: Use of main sanctuary as a performing arts venue***

The consultant team interviewed a representative from CultureWorks Greater Philadelphia that's working with Partners for Sacred Places on cultivating the potential for church properties to serve as arts venues. According to CultureWorks, arts organizations have interest in the use of church space for a variety of purposes including: performances/visual arts showings, rehearsal, equipment and scenery storage, and scenery construction. Leased space can be both event-specific and longer term. For longer term uses, generally rehearsal or scenery related activities, specific portions of church space need to be dedicated for the length of the lease. Union Baptist is located in an area that might have strong interest for arts groups. These could be either event related uses of the sanctuaries (or perhaps other spaces) or longer term lease of open areas (such as portions of fellowship halls) for rehearsal and scenery activity. All spaces will require access to at least minimal restroom facilities.

³ Win2Data is a real estate database service that was utilized for this report. Alternative sources of data for home sales can be found on zillow.com and trulia.com.

Step 6: Suitability of Space for Most Practical Users and Modifications Required

In this step, the consultant team evaluated how well the three concepts fit into the space available in Union Baptist and determined what modifications are required to accommodate new uses.

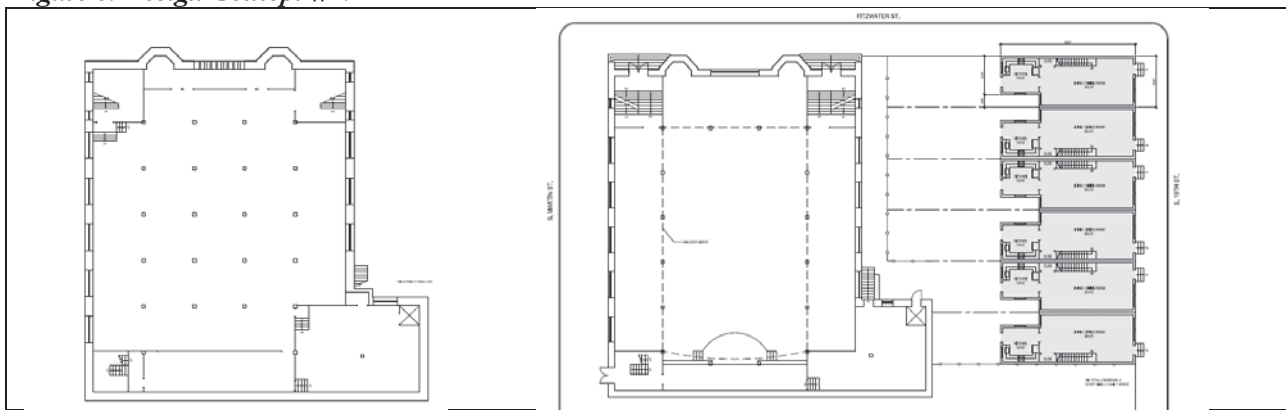
➤ Concept #1: Use of the lower level for daycare or after-school programming

This concept will not require significant amounts of building resign other than possibly a partition in the middle of the basement space.

➤ Concept #2: Develop new residential dwelling units on lots owned by the church

Concept drawings have been prepared by the consultant team for the three residential development scenarios. First, Concept #2.1 shown in **Figure 6** illustrates the scenario in which six 5-bedroom townhomes (1,875 SF) are built along 19th Street.

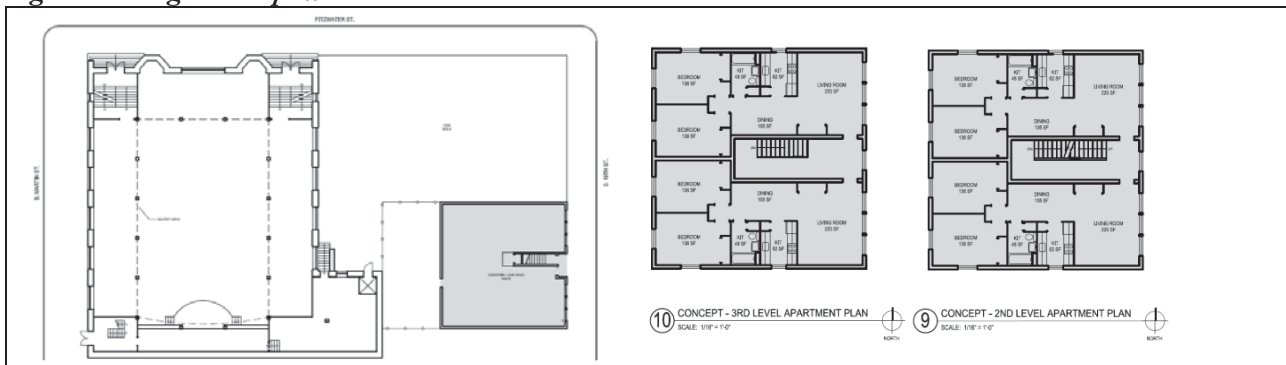
Figure 6: Design Concept #2.1



** See **Appendix 2C** for a detailed illustration of Concept #2.1

Concept #2.2 (**Figure 7**) is a variation of concept #2.1 with four units of 2-bedroom condos (1,350 SF). This plan preserves the corner open space and adds 1,900 SF of new meeting/office space for the church.

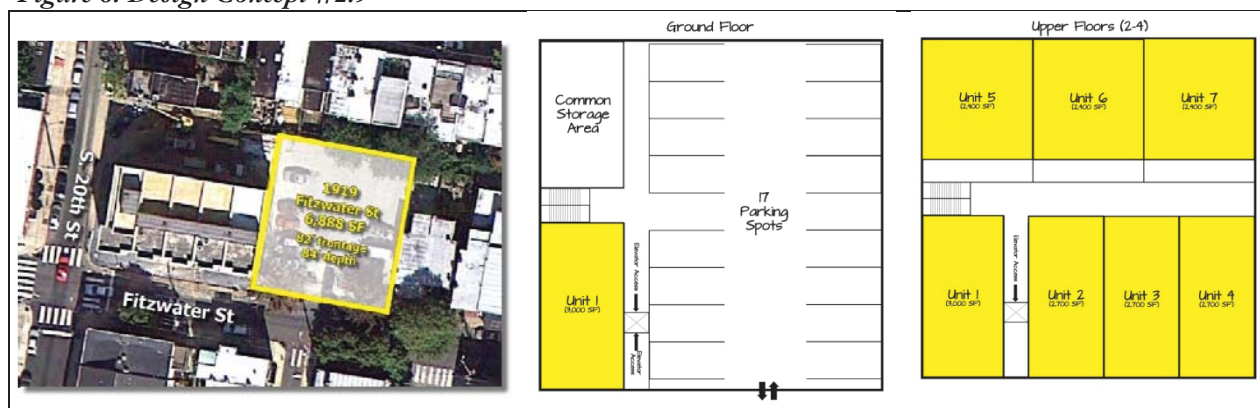
Figure 7: Design Concept #2.2



** See **Appendix 2D** for a detailed illustration of Concept #2.2

Concept #2.3 involves the development of the parking lot at 1919 Fitzwater into a 7-unit condominium/townhome complex. As shown in **Figure 8** below, the new structure can be designed so that 10 out of the 17 parking spots are reserved for the exclusive use of church members.

Figure 8: Design Concept #2.3



➤ **Concept #3: Use of main sanctuary as a performing arts venue**

It is anticipated that this concept will not involve any building resign.

Step 7: Financial Analysis

➤ **Concept #1: Use of the lower level for daycare or after-school programming**

The financial impact of this concept is difficult to quantify without prospective daycare operators submitting their space requirements and getting an indication of how much rent they can afford to pay to the church. Therefore, the following projection is based on these assumptions: i) an up-front building renovation cost of \$20,000; ii) the daycare operator paying \$20/SF in rent for approximately half of the basement space (3,000 SF); and iii) the marginal increase in holding costs at \$3,600.

Table 3 shown below illustrates a scenario in which the church absorbs all the up-front renovation costs as well as the marginal increase in holding costs. The number of months required to recoup the initial investment is approximately 4.3 months.

Table 3: Financial Analysis for Concept #1 (Sample First Year)

Revenue	Expenses	Net Income	Payback Period
Rental Income	Building Renovations	Rental income	Building renovations
Basement	Basement	\$60,000	\$20,000
@ \$20/SF	TOTAL		
\$60,000	\$20,000		
TOTAL			
\$60,000	Increase Holding Costs	less change in holding costs	Annual net Income
	Water/sewer bill	(\$3,600)	\$56,400
	Janitorial		
	\$2,000		
	\$1,600	Net Income	Payback Period
	\$3,600	\$56,400	4.3 mos
			(# mos needed to recoup renov. costs)

One of the important negotiation points for this concept is the amount of up-front renovation costs the lessee would be willing to absorb. Although it may be safe to assume that a significant portion of the costs may be shared, to the extent the daycare user is able to pay for the fit-out costs, the monthly rental rates will have to be reduced to reflect that investment.

➤ **Concept #2: Develop new residential dwelling units on lots owned by the church**

In the current market, the price of a vacant lot in the Graduate Hospital area is approximately \$100 to \$125/SF. Therefore the estimated value for 732 S. 19th Street is between \$630,000 and \$788,000.

In a meeting with the consultant team, the church leadership expressed a desire to explore the possibility of leveraging 732 S. 19th Street for new office/meeting space for the church (concept #2.2). We estimate that under current economic conditions, the church can be compensated, **in lieu of cash payment**, with approximately 1,900 SF of new office/meeting space on the ground floor. The estimated for-sale price of the property (between \$315,000 and \$394,000) will be roughly equivalent to the estimated cost of construction for the new office/meeting space.

Lastly, the estimated value of 1919 Fitzwater is between \$690,000 and \$860,000. In order to preserve the ten parking spaces for continuous use of the church, there will have to be some arrangement made with the developer for compensation in lieu of cash payment. Since seven large townhomes can be constructed at this site, even if the church deducts its share of construction cost for the parking garage, Union Baptist should benefit from considerable amount of net cash proceeds.

➤ ***Concept #3: Use of main sanctuary as a performing arts venue***

Rental rates for longer-term exclusive leases of non-sanctuary areas seem to vary significantly, but typical leases for small (perhaps 1,000 SF) spaces are \$1,000 + per month. In some cases, the costs of specialized fit-out require negotiation between arts groups and churches (whose philanthropic funders are paying for this fit-out; who owns it once the lease expires).

Step 8: Negotiations

➤ ***Concept #1: Use of the lower level for daycare or after-school programming***

The following are key issues to be negotiated with prospective space users:

- The amount of space (total SF) required
- If not 24 hours a day, 7 days a week, the days and times user requires space (e.g. weekdays from 8AM to 5PM, or evenings from 9PM to 6AM the following morning)
- The extent of renovations and building retrofitting that will be required
- The amount of construction costs the tenant is willing to absorb
- The rental rate (per SF)
- The length of the lease (e.g. one year, six months, month-to-month)
- The tenant's share of the marginal increase in holding costs, such as utility bills and janitorial services
- Verification of zoning compatibility for the space user's proposed activities
- Verification of the space user's insurance coverage (the church should be listed as additionally insured on the tenant's liability insurance policy)

These and other relevant terms should be included in a written lease that's prepared by the church.

➤ ***Concept #2: Develop new residential dwelling units on lots owned by the church***

The most effective way to pursue this concept is to work with a real estate broker, who will:

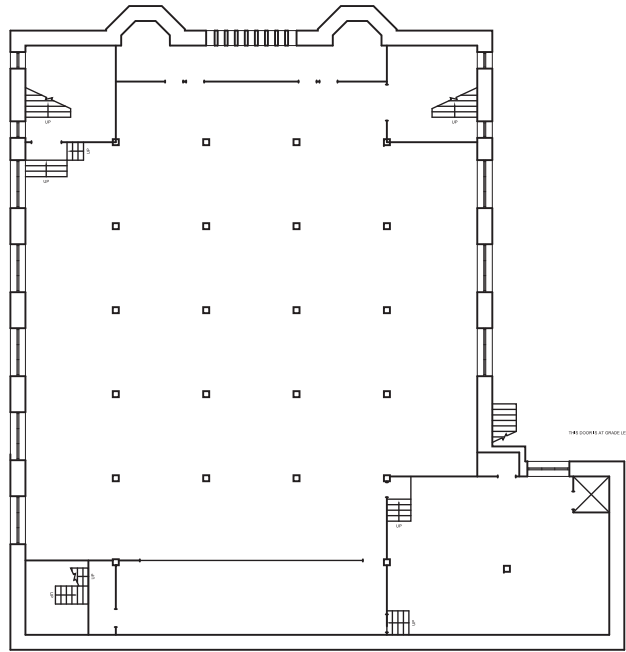
- Establish the value of the available parcels based on recently updated records of comparable sales
- List the properties as available for sale/development on Multiple Listing Service (MLS)
- Recruit real estate developers with whom he/she has previous working relationships
- Prepare all the legal documentations necessary to execute the agreements of sale
- Make arrangements with a title insurance company to coordinate the settlement and recording of the transaction

In most cases, the seller (i.e. the church) would compensate the broker with a 6% commission at closing. If the sale never occurs, the broker does not need to be compensated.

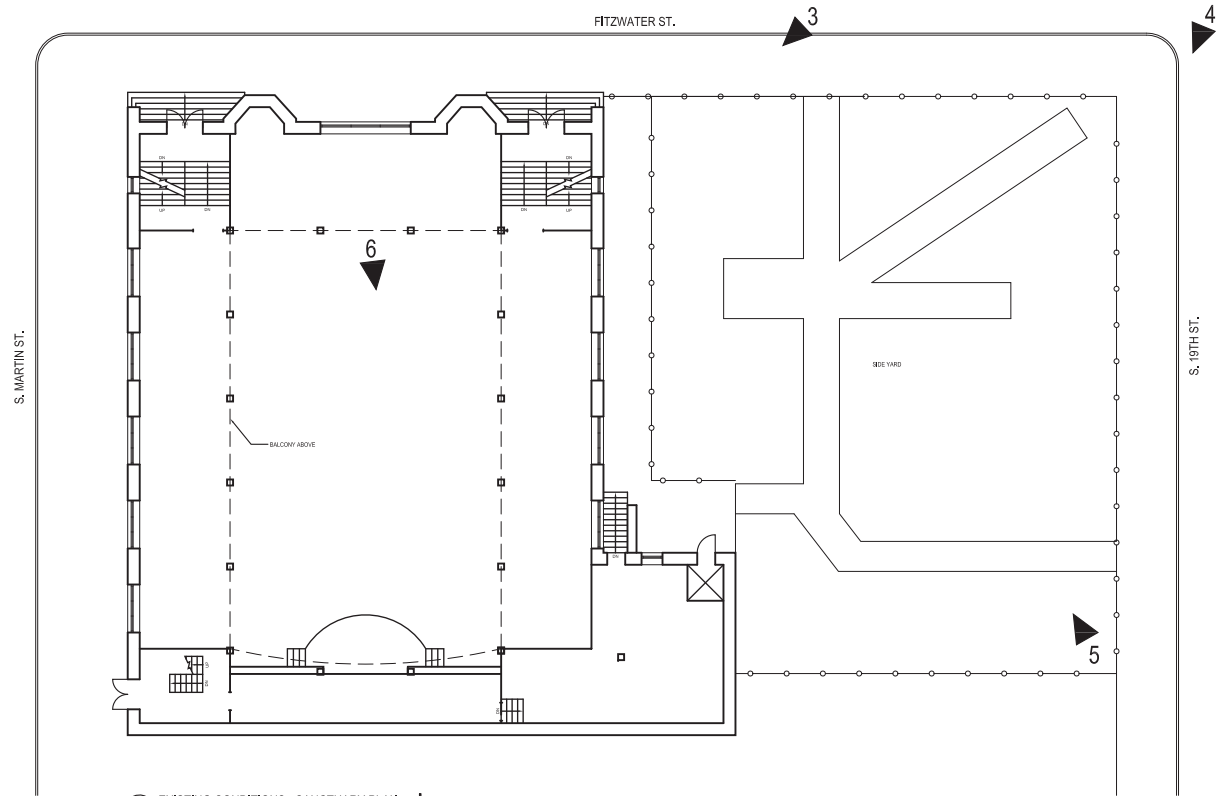
➤ ***Concept #3: Use of main sanctuary as a performing arts venue***

The key negotiating issues described in concept #1 is also valid here, but a larger concern identified by Partners for Sacred Places and CultureWorks is the appropriate leasing/ management/communication mechanism between under-staffed arts groups and under-staffed churches. For a church to receive a substantial revenue stream from such leases to arts groups, there may need to be an intermediary organization that handles the day-to-day logistics of tenant-landlord arrangements. If interested in further pursuing this concept, Union Baptist should work with Partners for Sacred Places and CultureWorks in establishing a sustainable leasing/management/communication mechanism.

Appendix 2A: Existing Conditions



① EXISTING CONDITIONS - LOWER LEVEL PLAN
SCALE: 1/16" = 1'-0"



② EXISTING CONDITIONS - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

UNION BAPTIST CHURCH
1910 Fitzwater Street Philadelphia, PA 19146

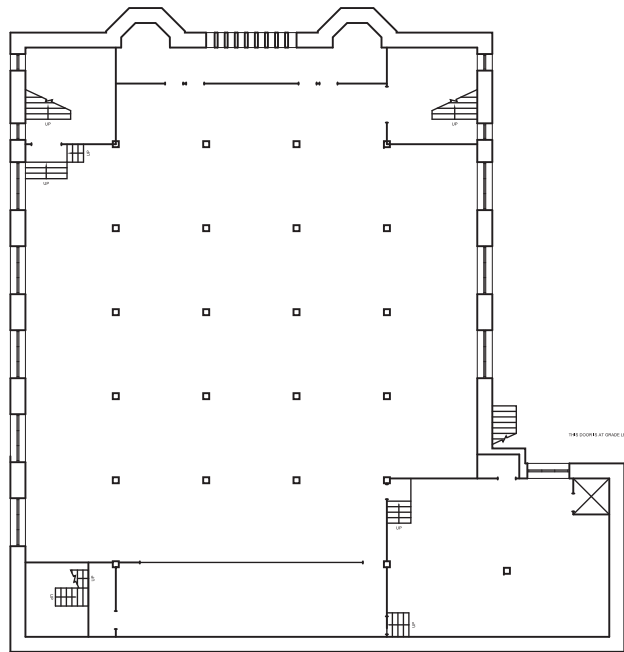
Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

Appendix 2B

Small Condo Sales since September 2010 (Units less than 1,000 SF)

House Number	Street Name	Total Living Space	Sale Price	PRICE_PER	Sale Date
1432	Bainbridge St	2541	\$ 925,200	\$ 364	04/20/2012
1436	Bainbridge St	2541	\$ 890,000	\$ 350	05/31/2011
1810	Kater St	3000	\$ 830,000	\$ 277	07/27/2012
1601	Kater St B	3000	\$ 750,000	\$ 250	05/13/2011
1932	Bainbridge St	2040	\$ 644,900	\$ 316	03/31/2011
1932	Bainbridge St	2040	\$ 644,900	\$ 316	03/31/2011
1534	Kater St	2200	\$ 628,000	\$ 285	12/09/2010
726	S 15th St	2227	\$ 628,000	\$ 282	06/28/2012
1636	Kater St	2108	\$ 620,000	\$ 294	03/08/2012
1514	Kater St	2358	\$ 615,225	\$ 261	12/01/2011
1524	Bainbridge St	2096	\$ 610,000	\$ 291	07/13/2011
617	S 20th St	2622	\$ 609,500	\$ 232	12/05/2011
1632	Bainbridge St	2200	\$ 587,450	\$ 267	08/12/2010
2046	Bainbridge St	1916	\$ 583,000	\$ 304	08/31/2010
722	S Bancroft St	2158	\$ 579,000	\$ 268	04/27/2011
1526	Bainbridge St	2328	\$ 557,500	\$ 239	05/26/2011
2025	Bainbridge St	1920	\$ 551,000	\$ 287	04/29/2011
728	S 15th St	2312	\$ 515,000	\$ 223	06/19/2012
759	S 20th St	2000	\$ 515,000	\$ 258	04/11/2011
762	S Chadwick St	2600	\$ 500,000	\$ 192	01/27/2011
732	S 20th St	1866	\$ 500,000	\$ 268	11/04/2011
2011	Catharine St	1728	\$ 465,000	\$ 269	08/19/2011
705	S 16th St	1772	\$ 462,800	\$ 261	07/24/2012
758	S 15th St	2688	\$ 457,400	\$ 170	05/04/2012
721	S 15th St	1704	\$ 449,000	\$ 263	06/24/2012
1429	Fitzwater St	1824	\$ 434,950	\$ 238	05/24/2012
1429	Fitzwater St	1824	\$ 434,950	\$ 238	05/24/2012
711	S Smedley St	2460	\$ 433,000	\$ 176	01/31/2012
1527	Catharine St	1893	\$ 420,000	\$ 222	06/19/2012
765	S 20th St	2800	\$ 400,000	\$ 143	06/17/2011
1507	Kater St	1512	\$ 390,000	\$ 258	07/09/2012
703	S 17th St	1656	\$ 385,000	\$ 232	11/24/2010
2009	Catharine St	1508	\$ 370,000	\$ 245	10/21/2011
2002	Fitzwater St	1734	\$ 350,000	\$ 202	03/14/2012
762	S 19th St	1830	\$ 345,000	\$ 189	03/01/2012
766	S 19th St	1929	\$ 341,000	\$ 177	12/11/2010
1926	South St C	2568	\$ 339,900	\$ 132	11/17/2010
747	S 19th St	1635	\$ 330,000	\$ 202	07/02/2012
2037	Bainbridge St	1575	\$ 293,000	\$ 186	11/29/2010
756	S 15th St 1	1689	\$ 284,500	\$ 168	01/28/2011
1620	South St A	2224	\$ 240,000	\$ 108	12/15/2010
739	S 15th St	2688	\$ 216,000	\$ 80	12/03/2010
723	S 19th St	1820	\$ 204,000	\$ 112	10/17/2011
760	S 19th St	1878	\$ 192,500	\$ 103	05/16/2012
620	S 15th St	2464	\$ 100,000	\$ 41	05/11/2011
	Average	2122	\$ 480,482	\$ 228	

Appendix 2C: Concept #2.1

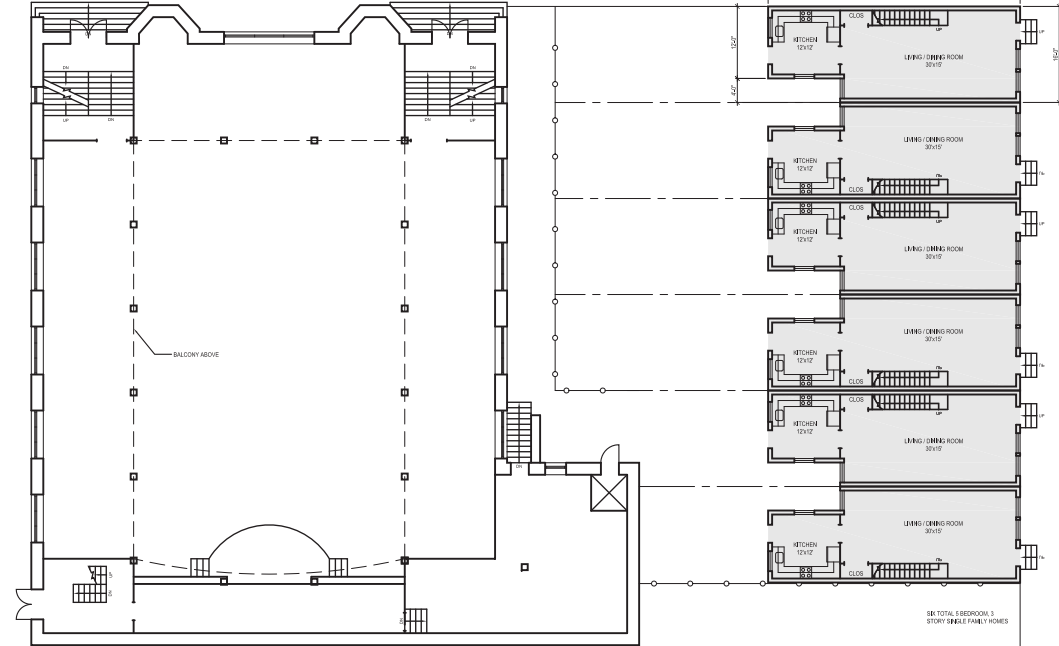


7 CONCEPT - LOWER LEVEL PLAN
SCALE: 1/16" = 1'-0"



S. MARTIN ST.

FITZWATER ST.



8 CONCEPT - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"



S. 19TH ST.



9 CONCEPT - TYPICAL SECOND FLOOR PLAN
SCALE: 1/16" = 1'-0"



10 CONCEPT - TYPICAL THIRD FLOOR PLAN
SCALE: 1/16" = 1'-0"



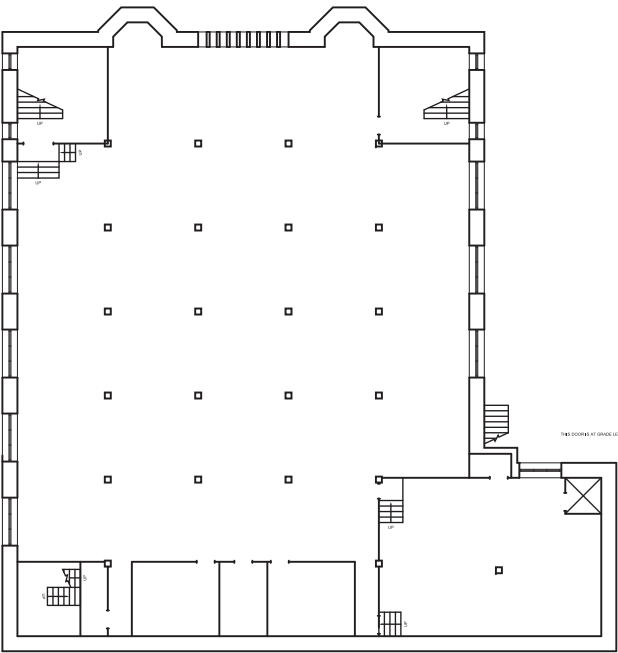
CONCEPT PLAN TOTAL: SIX 5 BEDROOM SINGLE FAMILY TOWNHOUSES

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

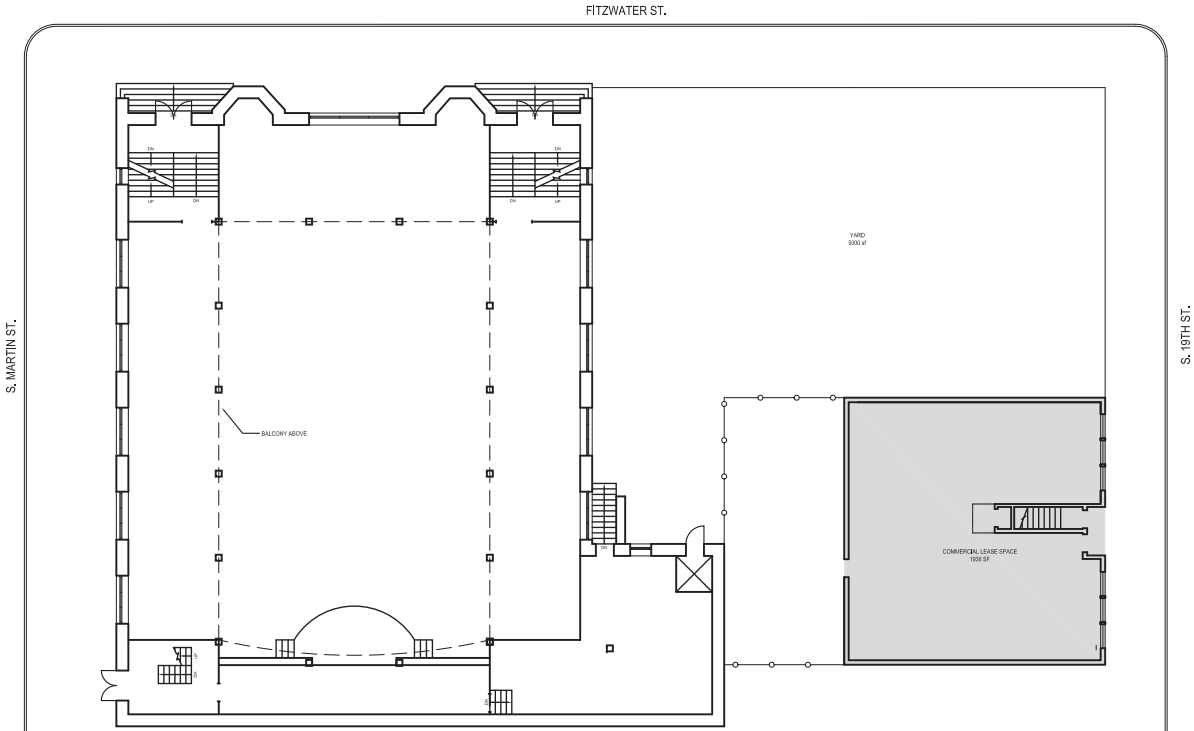
UNION BAPTIST CHURCH
1910 Fitzwater Street Philadelphia, PA 19146

Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

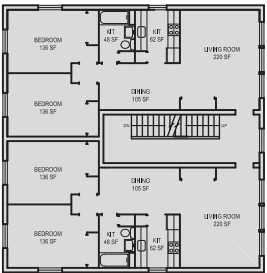
Appendix 2D: Concept #2.2



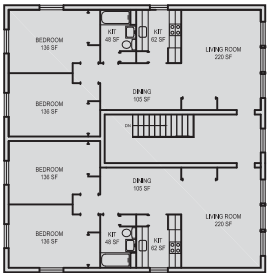
7 CONCEPT - LOWER LEVEL PLAN
SCALE: 1/16" = 1'-0"



8 CONCEPT - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"



9 CONCEPT - 2ND LEVEL APARTMENT PLAN
SCALE: 1/16" = 1'-0"



10 CONCEPT - 3RD LEVEL APARTMENT PLAN
SCALE: 1/16" = 1'-0"

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

UNION BAPTIST CHURCH
1910 Fitzwater Street Philadelphia, PA 19146

Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

CASE STUDY 3: WESLEY AME ZION CHURCH

Introduction

A consultant team consisting of Urban Partners and Kelly/Maiello Architects & Planners was retained by the Preservation Alliance of Greater Philadelphia to assist the Wesley AME Zion Church explore additional revenues to support the maintenance of its historic building located at 1500 Lombard Street in Philadelphia, PA.

According to historical accounts, the Wesley AME Zion congregation moved into the current location in 1892 and subsequently made major alterations to the former 15th Street Presbyterian Church building. In 1923, the congregation hired architect George Savage for further alterations that made room for a growing congregation. In 1978, the building was listed on the National Register of Historic Places, for not only its architectural significance but also the congregation's influential role in the advancement of African American churches in the City of Philadelphia.

Figure 1: Recent Photographs of Wesley AME Zion Church



View of northeast corner



View of southeast corner



View of sanctuary looking south



View of sanctuary looking north

Step 1: Examining the Idea of Shared Space

Over the last few decades, the size of the congregation steadily declined while the cost of maintaining the old building continued to increase. Currently, the main sanctuary is rarely used due to water damage caused by a failed roofing system. Despite the challenges, the existing members of the congregation remain committed to staying in the building and preserving it from further deterioration.

To assist the congregation examine various opportunities to increase revenue streams to help defray the cost of building upkeep, the Preservation Alliance engaged the leadership of the Wesley AME Zion Church to participate in this case study. A meeting was held on April 17, 2012 to discuss current usage of the building and preliminary ideas for additional space utilization. In attendance at this meeting were trustees of the church, members of the consultant team, and the Neighborhood Preservation Program Coordinator from the Preservation Alliance.

Step 2: Examine the Existing Spaces and Their Current Use

Guided by Ms. Julia Murphy, who serves as a trustee for the Wesley AME Union Church (“Big Wesley” henceforth), consultant team observed the church building in detail. **Table 1** shown below summarizes the current building conditions and usage within the Big Wesley building:

Table 1: Building Conditions / Usage Table

Name of Room	Size	Max Capacity	Current Usage	Physical Condition
Basement Level	5,000 SF	~200 People	Fellowship hall and kitchen. Used for special events only	Fair – kitchen requires some upgrading in equipment
First Floor	4,600 SF	~100 People	Chapel, small offices (including the credit union office), and the pastor’s private office. Church services on Sunday mornings are held in the chapel.	Good – outdated kitchen equipment
Second Floor	5,000 SF	~1,200 People	Main sanctuary	Poor – sustained storm water damage due to failing roof structure

See Appendix 3A for existing floor plan

Step 3: Neighborhood Context

Big Wesley is situated in a highly desirable location in Center City, one block removed from the Avenue of the Arts on S. Broad Street, which is the premier arts and culture district in the region. Further strengthening the area is the presence of educational institutions, namely the University of the Arts, Peirce College, and Independence Charter School.

According to the 2011 American Communities Survey published by the U.S. Census Bureau, the median household income for the local area (Census Tract 12.01, previously “Census Tract 12”) is \$101,081. Just ten years prior in 2000, the median household income was \$42,000. According to the 2000 Census, the vacancy rate for Tract 12.01 was 8.8%. Ten years later in 2010, the vacancy rate had dropped to 6.4%. Furthermore, the housing tenure has changed as well, going from a renter occupancy rate of 49% to 67%.¹

The housing market is strong, both in terms of rental apartments and for-sale homes. Recent developments include two high-end developments by Dranoff Properties (the Symphony House and 777 South Broad), 1352 Lofts on South Street, and the Artisan Townhomes on the 1400 blocks of Bainbridge/Kater Streets. With the University of the Arts located only two blocks away, the demand for smaller, more affordable apartments is also strong. Potentially adding to this off-campus housing demand, although to a lesser degree than UArts, are students from Curtis Institute and Jefferson University. Both institutions are located within a 15 minute walking radius from Big Wesley.

¹ Census data can be downloaded from the U.S. Census Bureau (<http://factfinder2.census.gov>).

One of the drawbacks of high property values is that educational institutions and social service providers have a hard time securing affordable programming space in the neighborhood. Surplus spaces in Big Wesley may present themselves as opportunities for such institutions.

Step 4: Building Use Concepts

Based on the information gathered in Steps 2 and 3, the consultant team brainstormed the following three concepts for additional space utilization:

➤ Concept #1: Lease portions of the building for a variety of youth and adult programming

Due to Big Wesley's proximity to several educational and social service providers, and the fact that affordable commercial space is extremely scarce in the neighborhood, the church may be an attractive location for various youth and adult services. The following is a list of potential user/operators in the neighborhood:

Table 2: Educational Institutions and Social Service providers near Big Wesley²

Name of Organization	Type of Organization	Current Location
Independence Charter School	Charter school	16 th and Lombard
World Communications Charter School	Charter school	Broad & South
Apple Blossom Learning Tree	Daycare/preschool	16 th and Lombard
Formative Years	Daycare/preschool	19 th & Lombard
Western Learning Center	Daycare/preschool	16 th and South
Bethesda Project	Homeless services	15 th and Kater
Liberty Court	Senior housing facility	16 th & Lombard

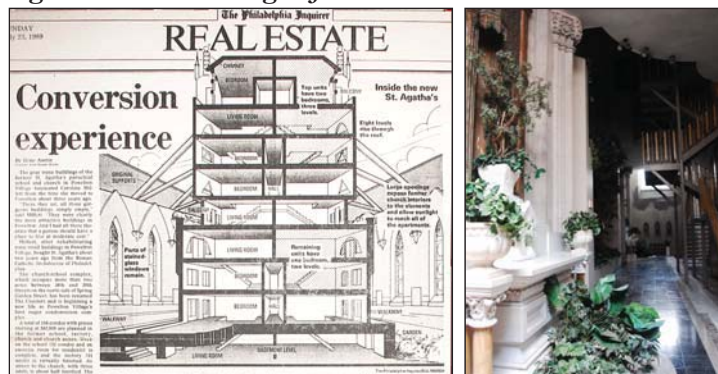
Source: Urban Partners

➤ Concept #2: Convert a portion of the building to housing

In strong housing markets in densely populated urban areas, converted church residences have been gaining in popularity. Although the full use of the building for religious functions is conceded, the partial residential conversion approach offers a pragmatic way to preserve historic church buildings that may be facing demolition otherwise.

In order to better understand the dynamics of church conversions into housing, the consultant team made a site visit to Cloisters II in West Philadelphia which is a rental housing complex converted from a former catholic church. Originally renovated in 1989, the Cloisters II development is essentially a building within a building, with most of the apartment units located within a newly built structure inside the exterior envelop. Some modifications to the roof structure were added in order to ensure sufficient living space on the top floors (see **Figure 2**).

Figure 2: Interior Design of Cloisters II



At a conceptual level, converting the sanctuary into housing is feasible as long as entry into the residential portions can be physically separated from the rest of the building functions. There are several potential redevelopment options that could be viable at Big Wesley, including: 1) a small condo development for a few owners; 2) senior apartments—perhaps in part oriented to the members of the congregation; and 3) some type of student housing related to the UArts.

² Compiled by utilizing an internet search engine (i.e. Google.com).

➤ ***Concept #3: Use of main sanctuary as a performing arts venue***

With a large seating capacity and beautiful original details, such as stained glass windows and wooden pews, Big Wesley's main sanctuary is an asset that can be marketed as a performance venue.

Step 5: Identifying Potential Space Users

➤ ***Concept #1: Lease portions of the building for a variety of youth and adult programming***

In order to determine the demand for programming space, the consultant team developed a roster of potential user/operators in the neighborhood and contacted them gauge their interest in utilizing the church space. The following groups expressed initial interest when contacted by the consultant team.

- *Apple Blossom Learning Tree* – the consultant team spoke with the owners of Apple Blossom Learning Tree. They are in need of additional classrooms that are approximately 500 SF. Outdoor space would be great, but indoor play area would be acceptable as well. Functioning bathrooms and kitchen would be very important.

Contact person: Joanne Jones, owner

- *Independence Charter School* – the consultant team spoke with the Chief Operating Officer. They are in need of gym space or a large meeting room that can seat 200+ people.

Contact person: Richard Trzaska, CEO

- *Bethesda Project* – the consultant team spoke with the Associate Director and communicated with the Executive Director via email. They expressed strong interest in investigating the possibility of utilizing Big Wesley as a church shelter, which is designed to house approximately 30 homeless men overnight. They would be transported to the church shelter around 8-9PM each night, and picked up the following morning at 6AM. Typically, these men sleep on basic mats or cots.

Currently, Bethesda is working with three churches that are hosting shelters: St. Mary's Episcopal Church at 1831 Bainbridge Street, Old First Reformed Church at 4th & Race Streets, and Trinity Memorial Church at 22nd & Spruce Streets. They are looking for new church space to replace/add to the above list.

Contact person: Jason Miller, Associate Director

Other youth and adult programming organizations contacted by Urban Partners are:

- *Western Learning Center* (16th & South) – non responsive to inquiry.
- *Formative Years* (19th & Lombard) – not interested in space.
- *World Communications Charter School* (Broad & South) – non responsive to inquiry.
- *Liberty Court, Genesis Healthcare* (16th & Lombard) – non responsive to inquiry.

➤ ***Concept #2: Convert a portion of the building to housing***

In order to determine the demand for housing, the consultant team researched rental rates of nearby apartment complexes, as well as recent sale prices of condominiums. First, our research shows that there is a very strong market for one- and two-bedroom complexes that feature high-end amenities such as controlled access, central air, elevator, granite countertop, stainless steel appliance, and on-site laundry facility often in each unit (see **Table 3**).

One-bedroom units are renting from \$895 per month to \$2,200 a month (or \$1.38 to \$2.67 per SF) and two-bedroom units are renting from \$1,340 per month to \$1,750 a month (or \$1.38 to \$2.98 per SF). The market for studio units is also strong with rental rates ranging from \$910 to \$1,175 (or \$1.73 to \$2.35 per SF).³

Table 3: Summary of Rental Rates

Name	Total Units	Type	Price	Size (SF)	\$/SF	Included Utilities	Amenities
Marine Club Condos (Broad+Washington)	295	1 Bed	\$1,000-\$2,200	559-1,600 SF	\$1.38-\$1.79	None	Central Air, Fitness Center, Hardwood Floors, Elevator, City Views, Parking Available
1830 Lombard	185	1 Bed	\$1,350-\$1,475	612-821 SF	\$1.67-\$2.35	None	Central HVAC, Garbage Disposal, Granite Countertop, Stainless Steel Appliances, Dishwasher
Liberty View (20th + South)	61	1 Bed 2 Bed	\$1,130-\$1,175 \$1,390-\$1,675	683-781 SF 1,000-1,200 SF	\$1.50-\$1.65 \$1.38-\$1.40	Heat, Gas, Water/Sewer	Central Air, Fireplace, Garden/Yard, Laundry in Unit, Porch/Deck
409 S. 11th Street	17	1 Bed 2 Bed	\$895 \$1,370-\$1,380	335-560 SF 460-600 SF	\$1.60-\$2.67 \$2.30-\$2.98		
The Chatham (20th + Walnut)	93	Studio 1 Bed 2 Bed	\$1,175 \$1,350 \$1,750	500-600 SF 900 SF 1,200 SF	\$1.96-\$2.35 \$1.50 \$1.46	All Utilities Included	Central Air, Elevator, Hardwood Floors, On-Site Laundry, 24-Hour Security
The Westbury (15th + Spruce)	101	Studio 1 Bed 2 Bed	\$910-\$950 \$1,070-\$1,135 \$1,340-\$1,420	525-550 SF 600-650 SF 750-785 SF	\$1.73 \$1.75-\$1.78 \$1.79-\$1.81	Heat, Gas, Water/Sewer	Central Air, Elevator, Dishwasher, Hardwood Floors, Porch/Deck, On-Site Laundry, 24-Hour Security

Source: Urban Partners

Given the ideal location of Big Wesley in proximity to the Avenue of the Arts, the financial district, and public transit, as well as the uniqueness of living in a converted church building, we can envision the demand for new apartment units inside Big Wesley being strong. We estimate that studio units (500-550 SF) can be rented from \$900 to \$1,100 per month; one-bedroom units (600-650 SF) at \$1,000 to \$1,200 per month; and two-bedroom units (800 SF) at \$1,300 to \$1,500 per month.

Second, Urban Partners analyzed the for-sale condominium market to determine the potential for new condo development inside Big Wesley. According to Win2Data, which is a real estate database service that was utilized for this study, there were 47 small condos (less than 1,000 SF) that were sold since September of 2010 in the vicinity of the church. The average price of the condo units was \$263,500 or \$315 per SF (see **Appendix 3B**).⁴

We estimate that the demand for condo units will be significantly weaker than the demand for apartment units due to several factors, including the large supply of new condominiums and townhomes in the area and the lack of off-street parking. Therefore, we estimate that newly built two-bedroom units at Big Wesley (between 800 to 1,000 SF) can command sale prices of \$190,000 to \$235,000.

➤ **Concept #3: Use of main sanctuary as a performing arts venue**

The consultant team interviewed a representative from CultureWorks Greater Philadelphia that's working with Partners for Sacred Places on cultivating the potential for church properties to serve as arts venues. According to CultureWorks, arts organizations have interest in the use of church space for a variety of purposes including: performances/visual arts showings, rehearsal, equipment and scenery storage, and scenery construction. Leased space can be both event-specific and longer term. For longer term uses,

³ Rental rates were compiled using rent.com, hotpads.com, and apartments.com. For some apartments, detailed descriptions of amenities were located on the leasing website for the property.

⁴ Alternative sources of data for home sales can be found on zillow.com and trulia.com.

generally rehearsal or scenery related activities, specific portions of church space need to be dedicated for the length of the lease.

Due to its close proximity to the Avenue of the Arts and UArts, Big Wesley might have strong interest for arts groups. These could be either event related uses of the sanctuaries (or perhaps other spaces) or longer term lease of open areas (such as portions of fellowship halls) for rehearsal and scenery activity. All spaces will require access to at least minimal restroom facilities.

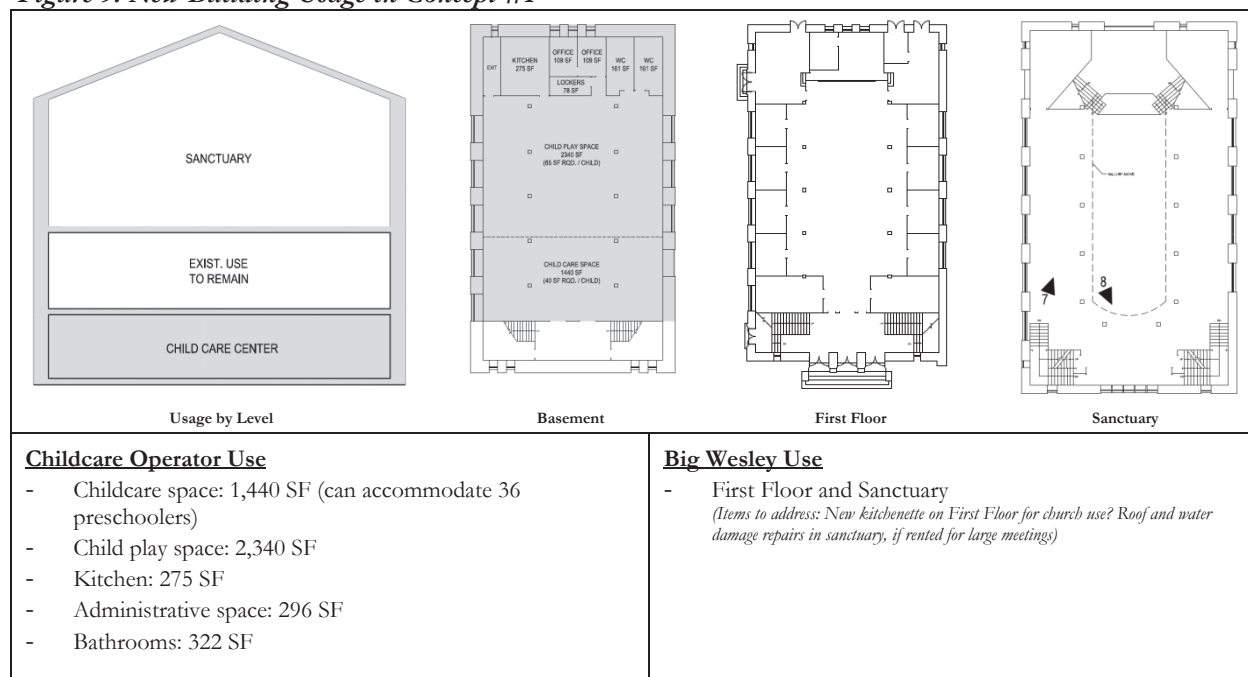
Step 6: Suitability of Space for Most Practical Users and Modifications Required

In this step, the consultant team evaluated how well the three concepts fit into the space available in Big Wesley and determined what modifications are required to accommodate new uses.

➤ *Concept #1: Use portions of the building for a variety of youth and adult programming*

The most significant building redesign for this concept will be the retrofitting of the basement level for a childcare operator. In order to ensure proper separation of church functions and daycare operations, a new entry into the basement from Naudain Street will likely necessary. The daycare operator will also likely require new administrative spaces and new bathrooms.

Figure 3: New Building Usage in Concept #1

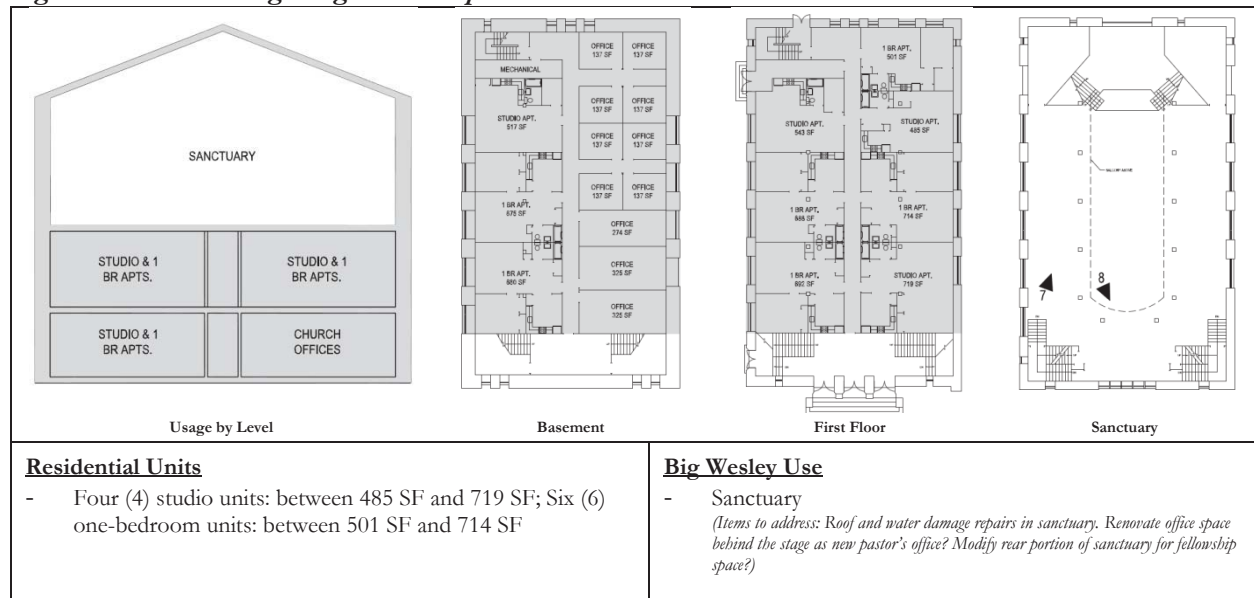


**** See Appendix 3C for a detailed illustration of Concept #1**

➤ *Concept #2: Convert a portion of the building to housing*

Residential conversion of Big Wesley is a major undertaking that will relocate some of the church operations within the building. Concept #2.1 shown in **Figure 4** illustrates the scenario in which the church retains the use of the sanctuary and half of the newly renovated basement level for administrative offices. In this scheme, there's sufficient space to construct ten units of housing.

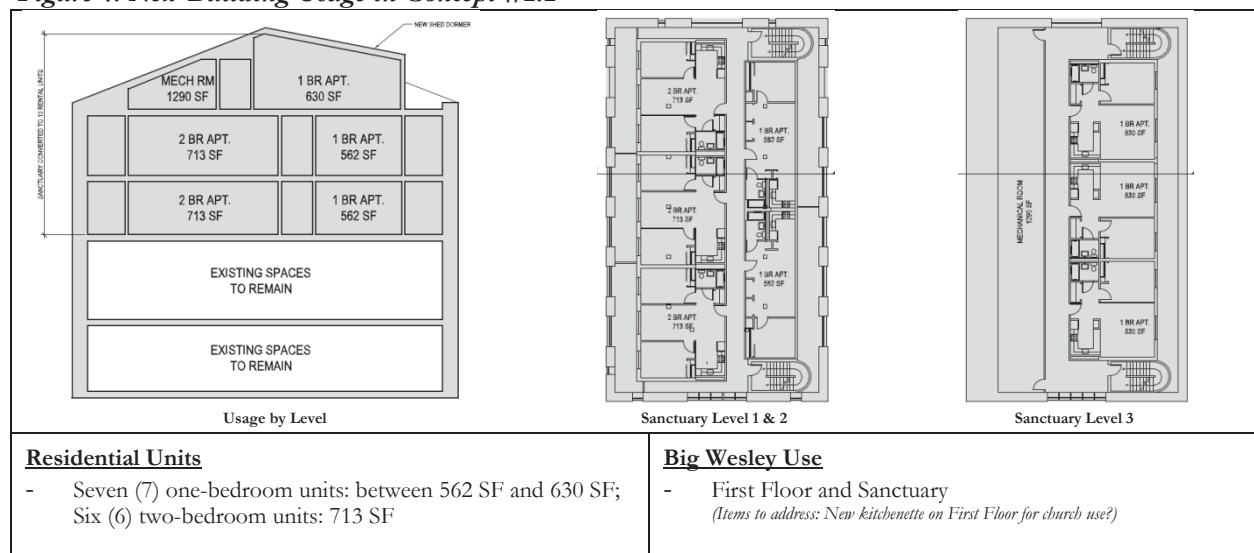
Figure 3: New Building Usage in Concept #2.1



** See **Appendix 3D** for a detailed illustration of Concept #2.1

A variation of this concept is shown in **Figure 5**, in which residential units are developed in the sanctuary level only. With a new shed dormer constructed on the roof, 13 units of housing can be developed on three levels in the existing the sanctuary space.

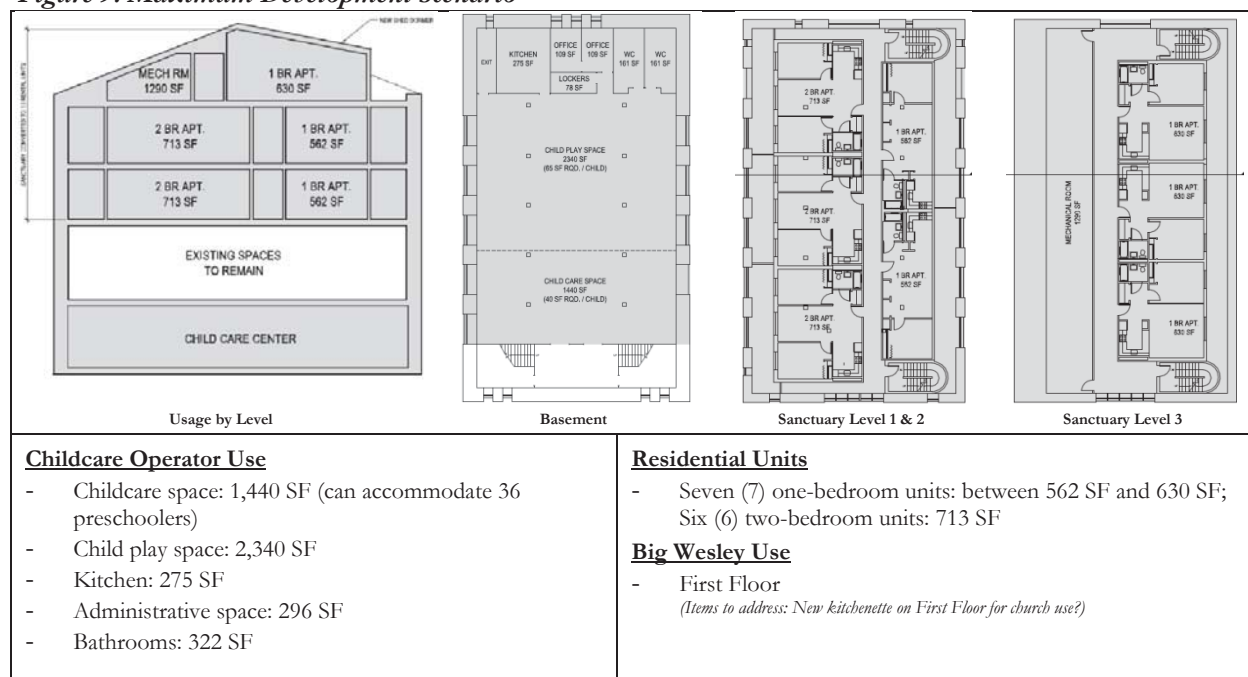
Figure 4: New Building Usage in Concept #2.2



** See **Appendix 3E** for a detailed illustration of Concept #2.2

Finally, a maximum development scenario combines Concept #1 and Concept #2.2, to accommodate a daycare operator in the basement level, preserve church operations on the first floor, and construct 13 units of housing in the sanctuary space (see **Figure 5**).

Figure 5: Maximum Development Scenario



➤ **Concept #3: Use of main sanctuary as a performing arts venue**

Aside from repairing the roof structure and any damages caused by storm water penetration, it is anticipated that this concept will not involve any building resign.

Step 7: Financial Analysis

➤ **Concept #1: Use portions of the building for a variety of youth and adult programming**

The most significant building redesign for this concept will be the retrofitting of the basement level for a childcare operator. The following are the cost estimates for this concept plan:

Table 4: Renovation Cost Estimates (Concept #1)

	Total SF	Cost/SF**	Total Cost
Main Daycare Space	5,000	\$75	\$375,000
Bathrooms	Lump Sum	Lump Sum	\$100,000
Warming Kitchen	Lump Sum	Lump Sum	\$10,000

Source: Kelly/Matello Architects & Planners

** The cost per SF estimates assume union labor rate

The lease terms (including the rental rate, the tenant's share of holding costs, and the fit out allowance that the church is willing to absorb) must be negotiated with the daycare operator, but for the sake of discussion, the rent is set at \$20/SF/year and the estimated increase in holding costs at \$300 per month.

Table 5 shown below illustrates a scenario in which the church absorbs all the up-front renovation costs as well as the marginal increase in holding costs. The number of years required to recoup the initial investment is approximately 5.2 years.

Table 5: Financial Analysis for Concept #1 (First Year)

Revenue		Expenses		Net Income		Payback Period	
Rental Income		Building Renovations		Rental income		Building renovations	
\$20/SF	\$100,000	Main Space	\$375,000	less change in	\$96,500		\$485,000
TOTAL	\$100,000	Bathrooms	\$100,000	holding costs	(\$3,600)	Annual net	
		Kitchen	\$10,000			income	\$92,900
		TOTAL	\$485,000	Net Income	\$92,900	Payback	
		Increase Holding Costs				Period	5.2 yrs
		Water/sewer bill	\$2,000			(# years needed	
		Janitorial	\$1,600			to recoup renov.	
			\$3,600			costs)	

The above scenario represents the maximum amount of investment required by the church to make Concept #1 feasible, and it's safe to assume that the lessee would be willing to absorb a share of the up-front renovation costs as well. To the extent the daycare user is able to pay for the fit-out costs, however, the monthly rental rates will have to be reduced to reflect that investment.

Youth and Adult Programming Users

If the prospective youth and adult programming users (e.g. Bethesda Project and Independence Charter School) require alterations to the existing space, the methodology shown in **Table 5** can be replicated to show the financial impact. Based on preliminary discussions, these users have indicated that they'd require little or no special building alterations (assuming that the roof and other deferred maintenance items are addressed).

➤ **Concept #2: Convert a portion of the building to housing**

The revenue generated from the residential conversion must be substantial in order to compensate the church for major operational changes that will be permanent. The estimate cost of construction range from \$250 to \$300 per SF, which assumes union labor rates. For Concept #2.2 which involves the construction of 13 units of housing (total of 16,400 SF), the estimated construction cost is nearly \$4.6 million. This does not include any "site acquisition" costs (i.e. payment to Big Wesley), soft costs such as design/engineering, or developer profit.

As described in Section 4, the residential market near Big Wesley is very strong and it's possible that the private market can support the development costs based on resale values at \$315/SF or rental rates at \$1.80/SF. But in all likelihood, unless the developer can significantly reduce the construction costs, the remaining margin from which Big Wesley would be compensated will be relatively small. A possible exception is if a major local institution expresses strong interest in the property because of its close proximity to its main facility. Such an institution (e.g. UArts) may employ different methods of calculating returns-on-investment than private real estate developers and have access to non-traditional forms of financing, such as a capital endowment.

➤ **Concept #3: Use of main sanctuary as a performing arts venue**

Rental rates for longer-term exclusive leases of non-sanctuary areas seem to vary significantly, but typical leases for small (perhaps 1,000 SF) spaces are \$1,000 + per month. In some cases, the costs of specialized fit-out require negotiation between arts groups and churches (whose philanthropic funders are paying for this fit-out; who owns it once the lease expires).

Step 8: Negotiations

➤ *Concept #1: Use portions of the building for a variety of youth and adult programming*

The following are key issues to be negotiated with prospective space users:

- The amount of space (total SF) required
- If not 24 hours a day, 7 days a week, the days and times user requires space (e.g. weekdays from 8AM to 5PM, or evenings from 9PM to 6AM the following morning)
- The extent of renovations and building retrofitting that will be required
- The amount of construction costs the tenant is willing to absorb
- The rental rate (per SF)
- The length of the lease (e.g. one year, six months, month-to-month)
- The tenant's share of the marginal increase in holding costs, such as utility bills and janitorial services
- Verification of zoning compatibility for the space user's proposed activities
- Verification of the space user's insurance coverage (the church should be listed as additionally insured on the tenant's liability insurance policy)

These and other relevant terms should be included in a written lease that's prepared by the church.

➤ *Concept #2: Convert a portion of the building to housing*

UArts represents the most likely institutional partner that may work with Big Wesley in developing residential units in the building. The terms of such a partnership would involve complex legal issues such as condominiumizing the building into different ownership segments and establishing the common space. An experienced real estate attorney would be best suited to represent the church's interest in such an endeavor.

Without UArts's involvement, the most effective way to pursue this concept is to work with a real estate broker, who will:

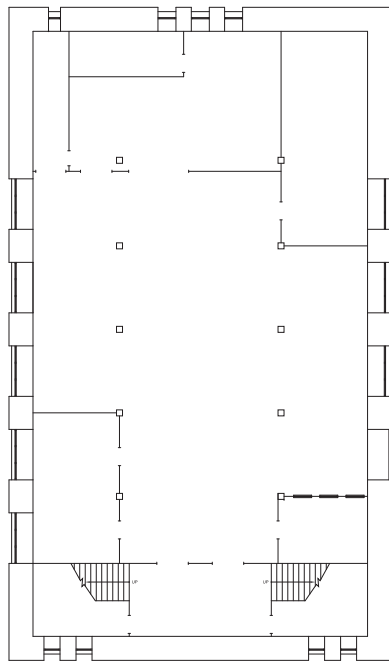
- Establish the value of the available parcels based on recently updated records of comparable sales
- List the properties as available for sale/development on Multiple Listing Service (MLS)
- Recruit real estate developers with whom he/she has previous working relationships
- Prepare all the legal documentations necessary to execute the agreements of sale
- Make arrangements with a title insurance company to coordinate the settlement and recording of the transaction

In most cases, the seller (i.e. the church) would compensate the broker with a 6% commission at closing. If the sale never occurs, the broker does not need to be compensated.

➤ *Concept #3: Use of main sanctuary as a performing arts venue*

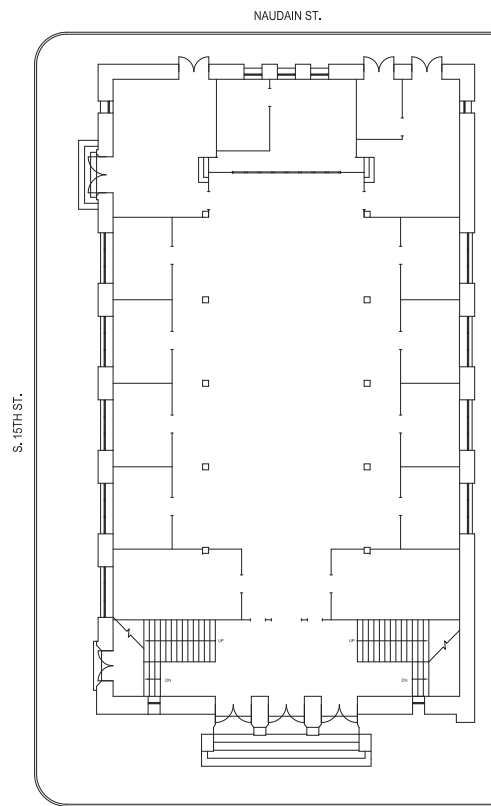
The key negotiating issues described in Concept #1 is also valid here, but a larger concern identified by Partners for Sacred Places and CultureWorks is the appropriate leasing/ management/communication mechanism between under-staffed arts groups and under-staffed churches. For a church to receive a substantial revenue stream from such leases to arts groups, there may need to be an intermediary organization that handles the day-to-day logistics of tenant-landlord arrangements. If interested in further pursuing this concept, Big Wesley should work with Partners for Sacred Places and CultureWorks in establishing a sustainable leasing/management/communication mechanism.

Appendix 3A: Existing Conditions

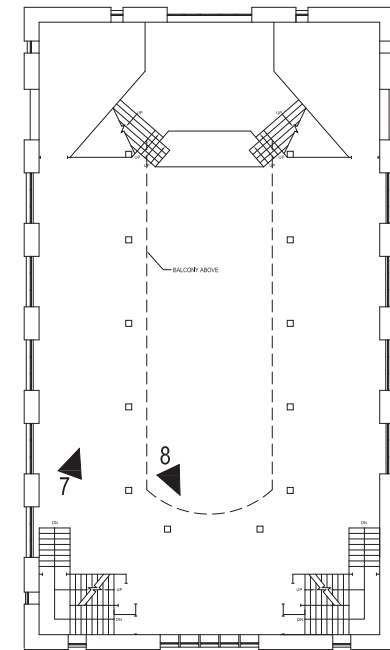


① EXIST. CONDITIONS - BASEMENT PLAN
SCALE: 1/16" = 1'-0"
NORTH

4
5



② EXIST. CONDITIONS - STREET LEVEL PLAN
SCALE: 1/16" = 1'-0"
NORTH



③ EXIST. CONDITIONS - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"
NORTH

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

WESLEY AME ZION CHURCH

1500 Lombard St.
Philadelphia, PA 19146

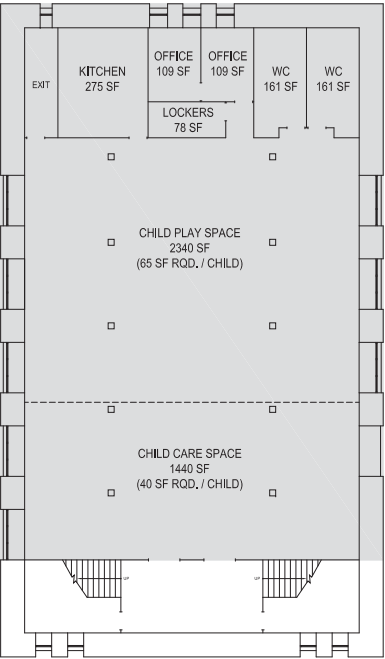
Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

Appendix 3B

Small Condo Sales since September 2010 (Units less than 1,000 SF)

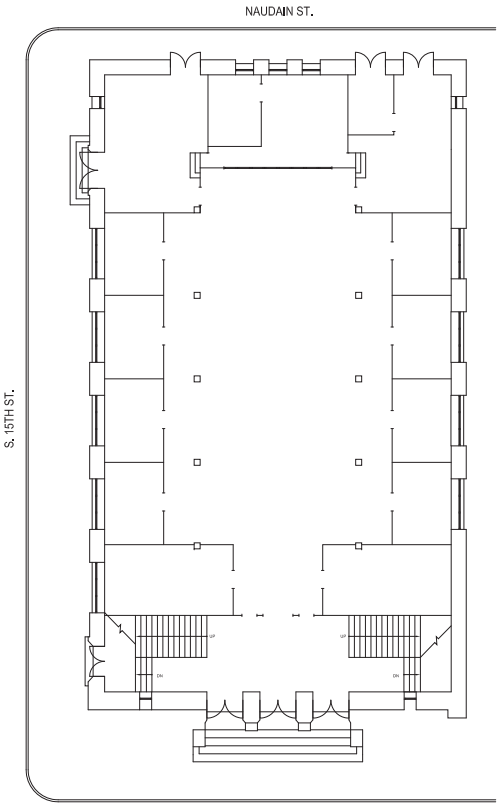
House Number	Street Name	Total Living Space (SF)	Sale Price	Sale Price/ SF	Sale Date
625-633	Christian Street 3g	874	\$ 215,000	\$ 246	9/7/2010
735-739	S 12th Street 403	798	\$ 325,000	\$ 407	9/10/2010
1201-1215	Fitzwater Street 304	617	\$ 205,900	\$ 334	11/5/2010
705-707	S 20th Street A	1000	\$ 320,000	\$ 320	11/12/2010
1232	South Street C	806	\$ 217,500	\$ 270	12/10/2010
1201-1215	Fitzwater Street 107	714	\$ 269,900	\$ 378	12/14/2010
823	Kater Street B	1000	\$ 360,000	\$ 360	12/19/2010
625-633	Christian Street 4a	840	\$ 170,000	\$ 202	12/20/2010
1201-1215	Fitzwater Street 300	694	\$ 210,000	\$ 303	3/25/2011
1201-1215	Fitzwater Street 410	925	\$ 274,900	\$ 297	4/27/2011
2016	Christian Street B	540	\$ 141,000	\$ 261	5/10/2011
1007	S 19th Street 2	911	\$ 178,000	\$ 195	5/13/2011
1201-1215	Fitzwater Street 401	585	\$ 224,900	\$ 384	5/20/2011
1201-1215	Fitzwater Street 402	854	\$ 324,900	\$ 380	5/20/2011
1201-1215	Fitzwater Street 409	735	\$ 300,000	\$ 408	5/23/2011
1201-1215	Fitzwater Street 203	753	\$ 279,900	\$ 372	6/6/2011
1643	Christian Street 1	863	\$ 177,000	\$ 205	6/7/2011
1201-1215	Fitzwater Street 405	895	\$ 324,900	\$ 363	6/13/2011
727-729	S 7th Street 1r	593	\$ 195,000	\$ 329	6/15/2011
1201-1215	Fitzwater Street 406	841	\$ 324,000	\$ 385	7/22/2011
1201-1215	Fitzwater Street 308	695	\$ 215,500	\$ 310	8/15/2011
1201-1215	Fitzwater Street 213	883	\$ 269,900	\$ 306	8/23/2011
1201-1215	Fitzwater Street 412	922	\$ 273,900	\$ 297	9/13/2011
1641	Christian Street 2	735	\$ 215,000	\$ 293	9/29/2011
1201-1215	Fitzwater Street 207	697	\$ 220,000	\$ 316	10/13/2011
1201-1215	Fitzwater Street 210	879	\$ 243,900	\$ 277	10/18/2011
1201-1215	Fitzwater Street 205	857	\$ 285,000	\$ 333	11/9/2011
1201-1215	Fitzwater Street 211	881	\$ 250,000	\$ 284	12/13/2011
1201-1215	Fitzwater Street 214	932	\$ 270,000	\$ 290	1/6/2012
1201-1215	Fitzwater Street 206	860	\$ 280,000	\$ 326	1/6/2012
1201-1215	Fitzwater Street 306	838	\$ 294,450	\$ 351	1/17/2012
1201-1215	Fitzwater Street 212	881	\$ 242,000	\$ 275	1/18/2012
1201-1215	Fitzwater Street 212	881	\$ 242,000	\$ 275	1/18/2012
1201-1215	Fitzwater Street 411	900	\$ 252,000	\$ 280	2/15/2012
1201-1215	Fitzwater Street 413	909	\$ 285,000	\$ 314	2/21/2012
1201-1215	Fitzwater Street 202	833	\$ 294,900	\$ 354	2/27/2012
1201-1215	Fitzwater Street 305	855	\$ 296,626	\$ 347	3/20/2012
1201-1215	Fitzwater Street 312	896	\$ 252,500	\$ 282	3/27/2012
637	Bainbridge Street 2	988	\$ 307,500	\$ 311	3/30/2012
1201-1215	Fitzwater Street 302	825	\$ 285,000	\$ 345	4/3/2012
1201-1215	Fitzwater Street 311	879	\$ 270,000	\$ 307	4/4/2012
1201-1215	Fitzwater Street 310	901	\$ 272,000	\$ 302	4/9/2012
1201-1215	Fitzwater Street 313	901	\$ 250,000	\$ 277	4/26/2012
819	Kater Street A	1000	\$ 375,000	\$ 375	5/1/2012
727-729	S 7th Street 2f	957	\$ 264,900	\$ 277	5/14/2012
625-627	Bainbridge Street 5	920	\$ 325,000	\$ 353	5/24/2012
626	S 16th Street 3	862	\$ 312,999	\$ 363	6/1/2012
	Average	838	\$ 263,465	\$ 315	

Appendix 3C: Concept #1

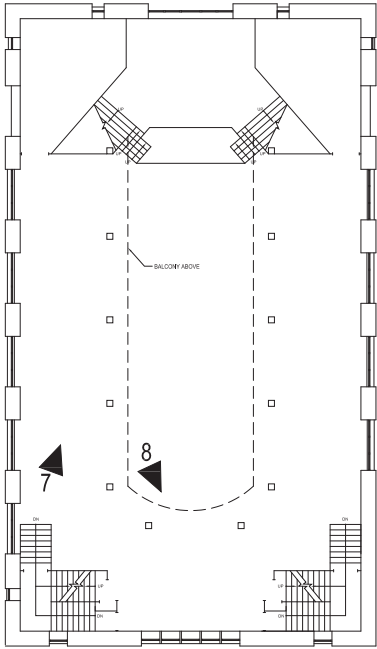


BASEMENT CHILD CARE: CAPACITY = 36 PRESCHOOL AGED CHILDREN

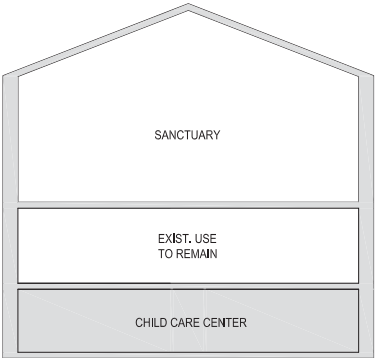
1 CONCEPT - BASEMENT CHILD CARE CENTER
SCALE: 1/16" = 1'-0"



2 EXIST. CONDITIONS - STREET LEVEL PLAN
SCALE: 1/16" = 1'-0"



3 EXIST. CONDITIONS - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"



4 CONCEPT - BUILDING SECTION
SCALE: 1/16" = 1'-0"

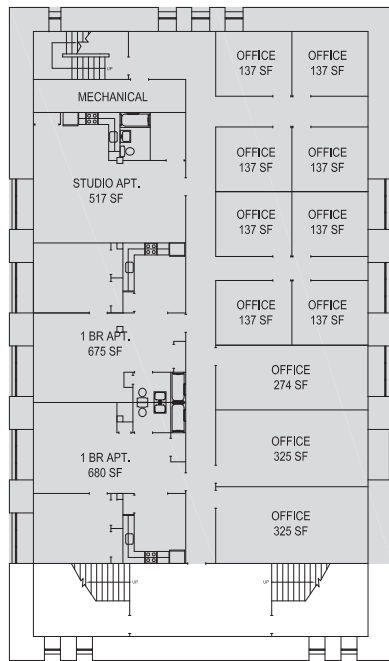
BUILDING TOTALS: (4) STUDIO APARTMENTS
(6) 1 BR APARTMENTS
10 TOTAL APARTMENTS

Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

WESLEY AME ZION CHURCH
1500 Lombard St.
Philadelphia, PA 19146

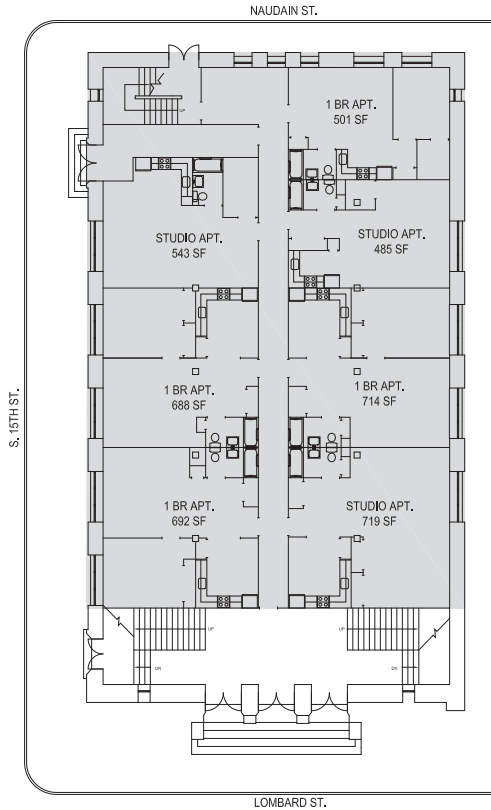
Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

Appendix 3D: Concept #2.1



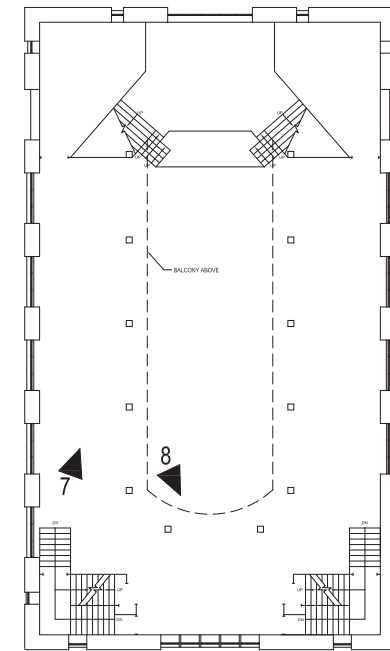
STREET LEVEL PLAN TOTAL: (1) STUDIO APARTMENTS
(2) 1BR APARTMENTS

1 CONCEPT - LOWER LEVEL APARTMENTS
SCALE: 1/16" = 1'-0"

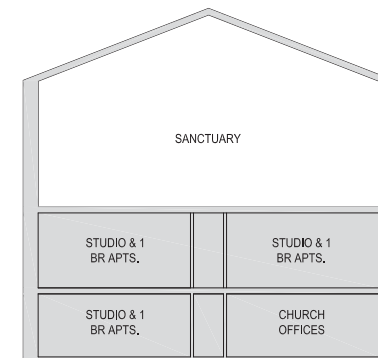


STREET LEVEL PLAN TOTAL: (3) STUDIO APARTMENTS
(4) 1 BR APARTMENTS

2 CONCEPT - STREET LEVEL APARTMENTS
SCALE: 1/16" = 1'-0"



3 EXIST. CONDITIONS - SANCTUARY PLAN
SCALE: 1/16" = 1'-0"



4 CONCEPT - BUILDING SECTION
SCALE: 1/16" = 1'-0"

BUILDING TOTALS: (4) STUDIO APARTMENTS
(6) 1 BR APARTMENTS
10 TOTAL APARTMENTS

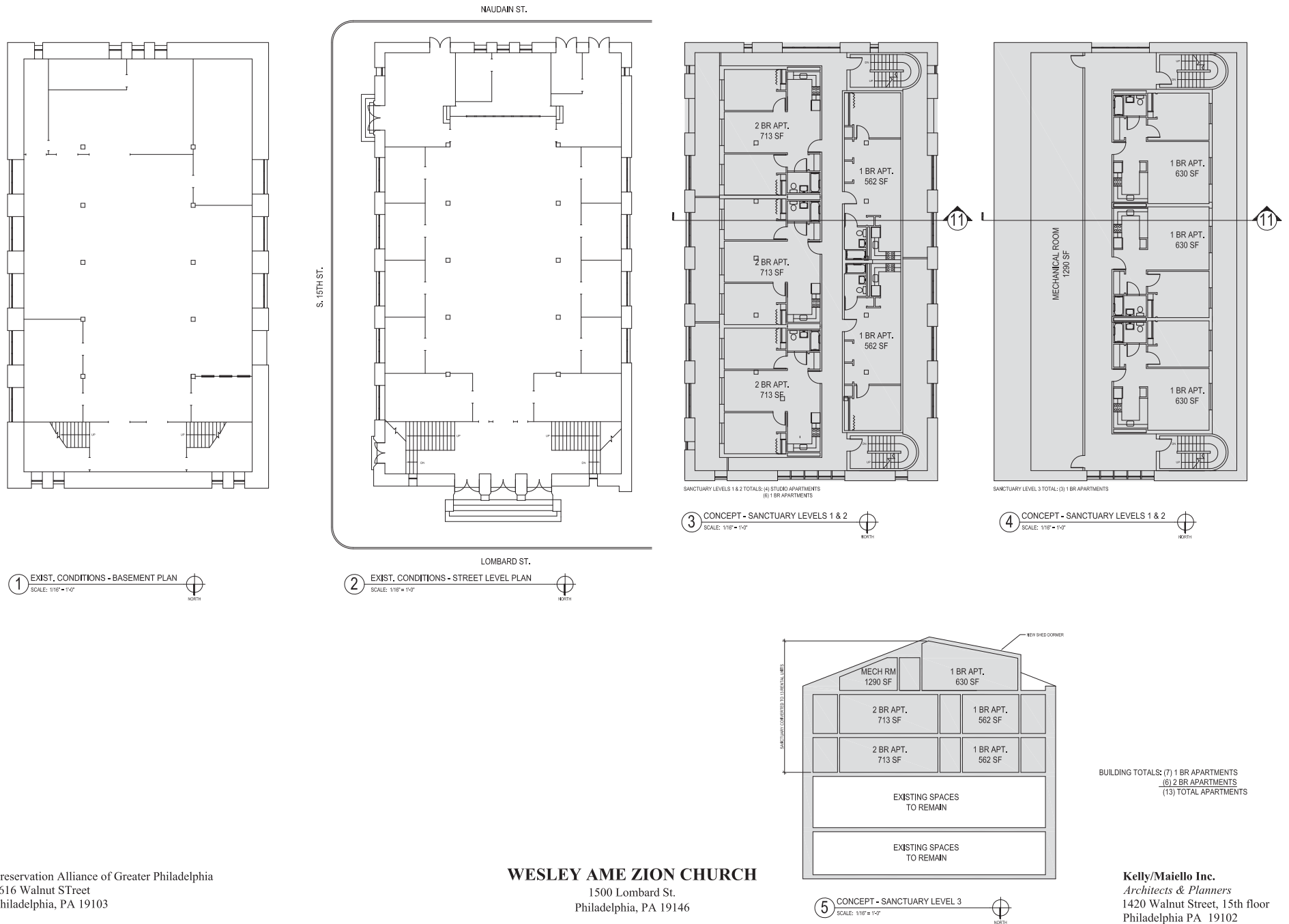
Preservation Alliance of Greater Philadelphia
1616 Walnut Street
Philadelphia, PA 19103

WESLEY AME ZION CHURCH

1500 Lombard St.
Philadelphia, PA 19146

Kelly/Maiello Inc.
Architects & Planners
1420 Walnut Street, 15th floor
Philadelphia PA 19102

Appendix 3E: Concept #2.2





PRESERVATION ALLIANCE

for greater philadelphia

The mission of the Preservation Alliance is to actively promote the appreciation, protection, and appropriate use and development of the Philadelphia region's historic buildings, communities and landscapes.

1608 Walnut Street, Suite 1300
Philadelphia, PA 19103
Tel: 215 546 1146
Fax 215 546 1180

www.preservationalliance.com