



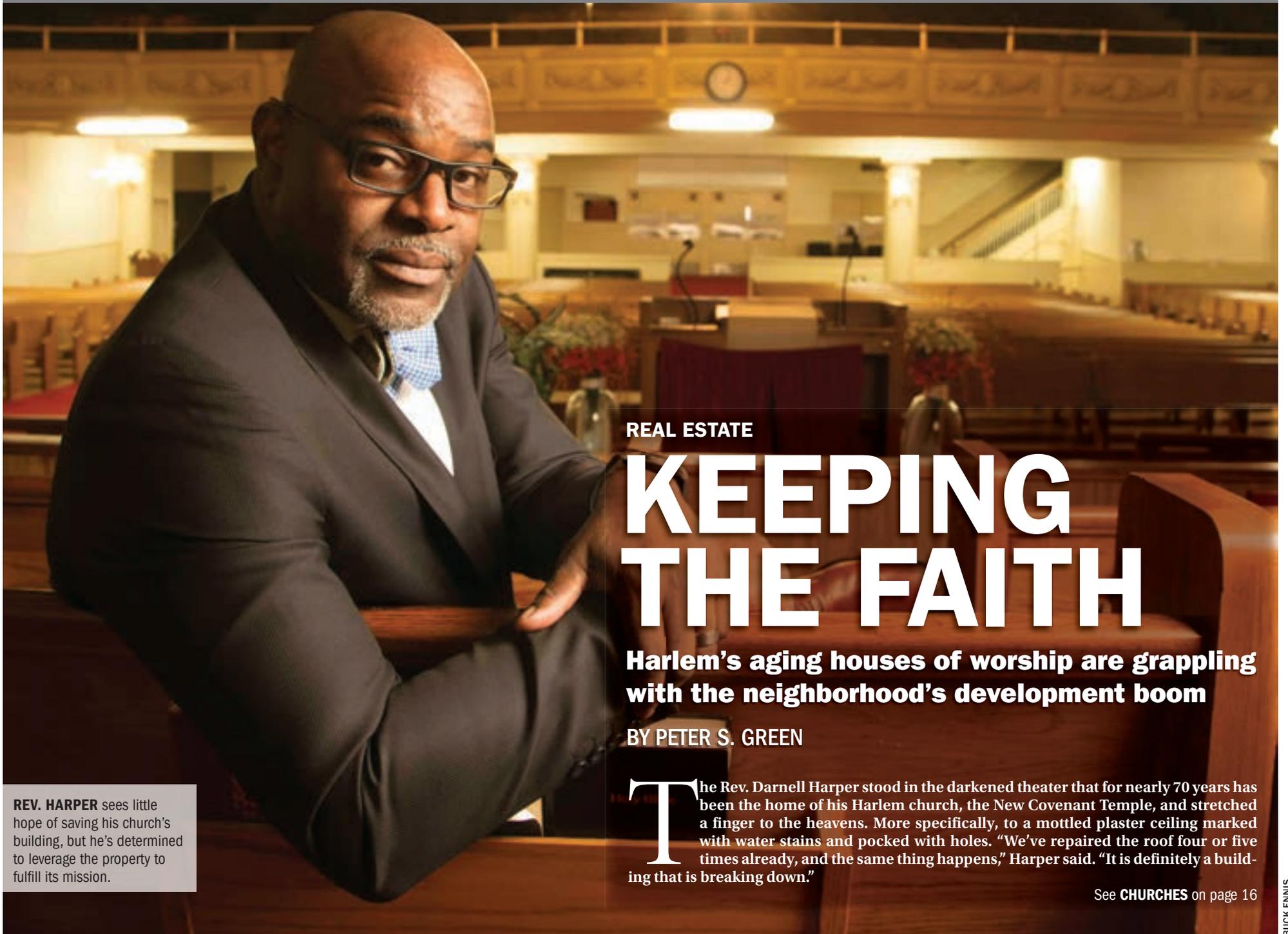
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REAL ESTATE

KEEPING THE FAITH

Harlem's aging houses of worship are grappling with the neighborhood's development boom

BY PETER S. GREEN

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

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

POLITICS

Pushback on pied-à-terre tax

Business groups voice concerns as momentum builds in Albany

BY WILL BREDDERMAN

A proposal to tax "foot on the ground" residences seems to have legs—but fiscal conservatives and real estate groups are trying to trip it up.

Legislation to impose a levy on "pied-à-terre" units—houses, co-ops and condos belonging to wealthy foreigners and Americans who pay taxes in other states—valued at more than \$5 million has kicked around in Albany since 2014 but failed to gain traction in a di-

vided state Legislature for years. But Democrats won full control of the capital in November's elections, and Chicago-based hedge funder Ken Griffin's \$238 million purchase of a Manhattan penthouse in January stepped on a few populist toes.

But the future of the proposal seemed far from sure until Gov. Andrew Cuomo's office suggested earlier this month that such a tax could cobble together as much as \$9 billion during the next decade to fund repairs for the limping Metropolitan Transportation Authority. The potential for a new funding stream earned the plan swift endorsement from Mayor Bill de Blasio and Assembly Speaker Carl Heastie, and both chambers of the Legislature

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GOTHAM GIG
Cancer survivor's new calling
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NEXT WEEK
Crain's signature list drops March 25!



BUCK ENNIS

CHURCHES

FROM PAGE 1

Like dozens of church leaders across Upper Manhattan, Harper is wrestling with an earthly dilemma: As Harlem real estate values skyrocket, shrinking congregations and crumbling buildings are putting tremendous financial pressure on local churches. Do they stay, sell or look for some middle path to cash in on their newly valuable property while preserving their missions of faith and community service?

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

New demands

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

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

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

major element of the metamorphosis of Harlem. They were a combination of employment agency, settlement house, dating service and credit union.

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

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

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

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

"THERE'S NOT A CHURCH IN HARLEM TODAY THAT ISN'T MORE VALUABLE AS A STACK OF CONDOS"

pared with the \$634 for Manhattan as a whole, according to real estate firm Cushman & Wakefield.

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



WHEN REDEVELOPING church properties, Subotovsky aims to balance financial demands with emotional attachments

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

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

"Ground leases are the gold standard," Labate said. When churches

sell their land or become partners with developers, "there's a risk that the developer will go bankrupt, that the general contractor will walk off or that there's not enough money to deliver what was promised."

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

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

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

"The ceiling collapsed, the sound system is not wired properly, the stadium seating uses the wrong gauge steel, the steps are uneven,

the sewage system runs under the church and odors keep emanating, and the air conditioning is broken," said the Rev. C. Carlton Woodward, the church's spiritual leader. His congregation has shrunk from 400 members to 55. About 30 people have been showing up for Sunday services. Meanwhile, the 72 condo units built by the developers in the 2005 deal were sold for as much as \$1.2 million each.

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

Pastor Tyrone Holmes and his mother, the Rev. Shirley Sutton, saw their small evangelical church on East 125th Street disappear after a failed 2006 venture. The pastors had transferred the church's deed to developers Saadia and Maria Shapiro, who went bankrupt. The property passed through several hands before a 75-unit apartment



RENOVATIONS at the Shiloh Church of Christ, where Gillams is pastor, are taking longer than planned.

MISSION-DRIVEN

SHEILA GILLAMS, pastor of the Shiloh Church of Christ on West 128th Street just off Fifth Avenue, spent nine years researching the best way to develop several vacant lots adjoining the church, which was founded in 1932 by Bishop William Gillams, her grandfather.

"There were so many horror stories," Gillams said, "so the idea of trusting any developer to build the housing and then the sanctuary is not an option, because somehow the housing gets built and the sanctuary doesn't." The church has renovated its sanctuary, and it plans to sign a 99-year ground lease and form a joint venture with a developer to build a community center and affordable-housing apartments on the vacant parcels, ensuring that Shiloh can continue its mission.

Shiloh is one of four city churches working with the Local Initiatives Support Corp., a national nonprofit that walks churches through the development process and gives them money to hire lawyers, architects and appraisers. Shiloh's congregation remains at about 100 families, but Gillams said attendance has halved as the church hoppedscotched from one temporary location to the next as the eight-month renovation project stretched past 30 months.

"People say you don't need a building for a ministry. But that's just not true," she said, "because when you have to think about the basics of your edifice, you can't think about higher issues." — P.G.

building was constructed on the site. In 2014, after 54 years, the church closed and its congregants dispersed, but it did receive \$1 million in a settlement with the developers.

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

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

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

Growing pains

After the sanctuary ceiling fell at the Metropolitan Community United Methodist Church on East 126th Street, trustees agreed to sell the property to save the church. But

some parishioners and trustees said the pastor, the Rev. Richard Hayes, has gone far beyond what they agreed to, applying for a permit to tear down the sanctuary and parish house and replace them with a new building for worship and the church's social programs. The developer, Subotovsky, plans to build apartments on the church site.

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

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

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

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

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

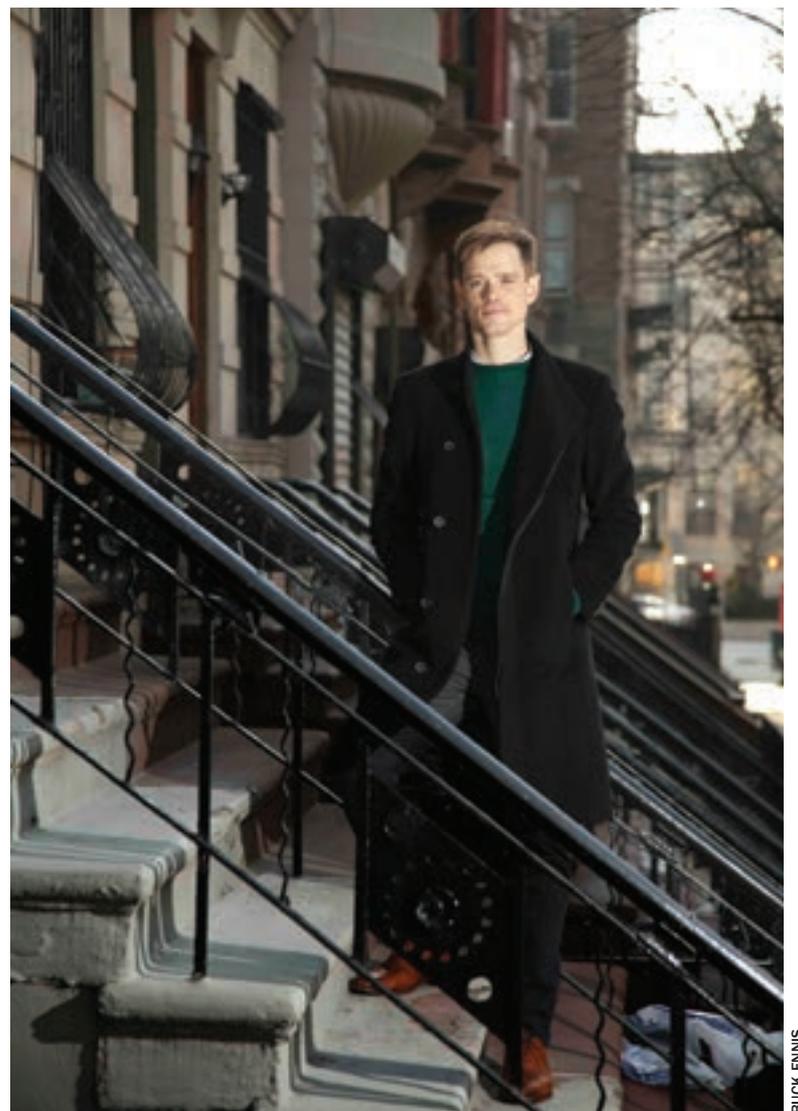
Back at New Covenant, Harper said he doesn't believe he can save the church's building, but he is sanguine about saving its mission. He'd like to lease the land under the church to a developer of affordable housing who would build rental apartments, ground-floor commercial space and a sanctuary for about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

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

UPTOWN UPSIDE

\$237

AVERAGE PRICE per buildable square foot in Harlem. The average in Manhattan as a whole is \$634.



BUCK ENNIS

PREDATORY DEVELOPERS are looking to take advantage of naive church leaders, McGown warns, noting that most pastors have zero real estate training.

2019 HERITAGE HEALTHCARE INNOVATION AWARDS

Presented by Richard Merkin, MD, Founder and CEO, Heritage Provider Network

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