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# Exclusive: Fight between church and historic preservation group shows why it's so hard to build in San Francisco

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For decades, members of the Fifth Church of Christ Scientist contemplated turning their church in San Francisco's gritty Tenderloin neighborhood into housing.

In recent years, as thousands of people have been priced out of the city and homelessness surged, the idea gained urgency.

But, like many people who want to build housing in San Francisco, they are now tangled in a complex approvals process. That's to be expected, but what church leaders didn't expect is what they are calling an extortion attempt from a historic preservation group.

"San Francisco Heritage said we either pay \$1.5 million or they oppose the project," said [David Murray](#), a church member who serves on the development committee. "This is an illegal extraction ... They want to take money from the church."

The city's planning commission approved the church's proposal in September after San Francisco Heritage came forward to support full demolition of the church building. A month later, the group filed an appeal of the approval leaving the project in limbo until the Board of Supervisors takes up the



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Ela Strong, president of the Fifth Church of Christ, Scientist executive board, left, with Richard Hannum, founder and CEO of Forge Land Company outside of 450 O'Farrell Street.

matter in a couple weeks.

The situation exemplifies the challenges developers face when trying to develop housing along with long environmental reviews, lengthy negotiations with the planning department, meeting demands of neighborhood groups and potential lawsuits.

## **Church and housing**

The Fifth Church of Christ Scientist owns three parcels making up about half an acre of land at 450 O'Farrell St. in San Francisco's Tenderloin, a neighborhood plagued with drug use and street crime. Their property includes a 27,000-square-foot church built in 1923 that church members say is obsolete, too large and no longer fits their needs.

The building was "built for a large congregation, but that purpose has changed," said Ela Strong, a church member who serves on its executive board. "We have a different concept of what a church could be. ... We need to be allowed to change."

The church enlisted developer Thompson Dorfman, architecture firm DLR Group | Kwan Henmi and architect Richard Hannum Of the Forge Land Co. to work on a plan. The team submitted a preliminary application back in 2013 and then began working with the city's Planning Department, which insisted that the church preserve the facade of the building in the interest of historic preservation.

The development team came up with a \$150 million, 13-story project housing 176 apartments, 3,770 square feet of ground-floor retail space and about 9,555 square feet for the church including a new worship space, offices, classrooms and a reading room. The team also negotiated a community benefits package worth about \$500,000 to support neighborhood groups.

Thompson Dorfman would own and operate the apartments and retail part of the project in exchange for providing the church with new facilities.

The proposal went through a full environmental impact report to study development impacts and alternatives. The report and the city's Historic Preservation Commission, which advises the planning commission on historic buildings, found that the building is historic but is not a significant component of the Tenderloin's stock of historic structures.

## **Last-minute design change**

The project went before the city's planning commission in June seeking approval. Instead, the commission pushed the vote out to September after San Francisco Heritage suggested there were other ways to repurpose the church to save it as a historic building. None of those alternatives proved to be financially feasible.

The project came back before the planning commission Sept. 13, when San Francisco Heritage had changed their position to supporting full demolition of the church. The commission voted to approve the project without any of the original structure preserved.

Meanwhile, Mike Buhler, president and CEO of San Francisco Heritage, had reached out to the developer before the meeting and asked for a payment to fund city preservation efforts elsewhere in the neighborhood.

Buhler said that the developer originally budgeted \$5 million as the cost of preserving the facade and should therefore could contribute \$1.5 million to three city funds: the San Francisco Historic Preservation Fund Committee, SF Shines Facade Improvement Program and the Mayor's Office of Housing and Community Development.

The developer agreed to make a payment depending if there were any savings. Bruce Dorfman, a partner with Thompson Dorfman working on the project, said that was unlikely from the start because the developer would have to redesign the project and still build out a new facade for the building, which both result in added costs.

The two parties failed to come to an agreement. On Oct. 15, San Francisco Heritage filed an appeal of the project approval stating that the church must "mitigate" the loss of the historic buildings that the group recommended demolishing.

"It's unconscionable that these people would ride in at the 11th hour and change the design and then file an appeal for the approval," Murray said. "It seems really odd that they would appeal a decision that was their idea."

### **Disagreeing over history**

One key source of contention is the value of the church's historic significance. The environmental impact report determined that, "the project would not have a significant impact on the Uptown Tenderloin National Register Historic District as a whole or have any cumulative impacts."

That finding means that if the building is demolished, it would not hurt the historic character of the broader neighborhood.

Asking for a mitigation payment, "has never been done before when a city has said this is not a significant historic loss," said David P. Cincotta, a lawyer with Jeffer Mangels Butler & Mitchell LLP, who is representing the development team.

The federal Religious Land Use Act states that cities cannot force churches to preserve historic buildings if the church is going to redevelop a property for other uses that fit the church's mission and comply with zoning.

In the appeal, San Francisco Heritage states that, "the project will demolish three historic resources and will result in significant cumulative impacts to the Uptown Tenderloin Historic District."

"We feel that the church building is definitely among the most significant historic structures in the entire historic district," Buhler said. "We proposed an alternative design that would result in a cost savings and we feel that a portion of the savings should go towards other historic structures."

To the church members, the demand for a payment seems unjust, Strong said. "There is no money. If you remove the facade, you still have to build something in its place," she said. "We cannot spend another 35 years to find another solution."

Murray and Hannum pointed out that the church originally proposed a design that did not include any of the original building, but added in the facade at the planning department's request. Even with removing the facade preservation, the project's budget won't necessarily see a net savings because construction costs keep going up, Hannum said.

"We've never seen someone make such a blatant, unconscionable demand in exchange for a payment," Hannum said. "At what point does the city simply get on with the housing that we need for the city and stop this kind of extortion from special interests?"

Meanwhile, Bruce Dorfman said he continues trying to work out an agreement with San Francisco Heritage, so that the group would rescind the appeal.

"Time is money and with construction costs inflating the way they are, we just want to get this approved and move on," he said.

### **Next steps**

The Board of Supervisors is scheduled to review the appeal on Nov. 13. If the supervisors deny the appeal, the team is free to move forward with building the project.

If the board upholds the appeal, then the project would lose its approval and the church would most likely sue the city.

The case of 450 O'Farrell could have much broader implications for other churches that want to pursue housing projects on their properties, said Michael Pappas, president of the San Francisco Interfaith Council.

Last March, Forest Hill Christian Church teamed up with Oakland-based Christian Church Homes wanted to build 150 units of affordable senior housing on its property at 250 Laguna Honda.

After intense neighborhood opposition and a requirement to save the church building, the Mayor's Office of Housing and Community Development canceled a roughly \$21 million in funding, which effectively killed the project.

"We're really disappointed," Iris Murillo, director of marketing for Christian Church Homes, told the Business Times. "We were very much looking forward to realizing the mission of that church."

Pappas said religious groups end up facing challenges they didn't anticipate. The council sent a letter to San Francisco Heritage in October asking them to stop holding up the 450 O'Farrell project.

"The city has been encouraging (religious institutions) to repurpose our properties," he said. "But it's difficult for me to encourage houses of worship to engage in this process and create housing that is

so desperately needed if they are going to be met with obstacles and roadblocks at every corner. They just don't have the capacity to deal with that."

**Blanca Torres**

Reporter

*San Francisco Business Times*

