Working with Faith-Based Organizations on Affordable Housing Development

JUNE 2024

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

This material is based upon work supported, in whole or in part, by Federal award number C-18-TA-NY-2022 under the 2018 Community Compass cooperative agreement awarded to the Local Initiatives Support Corporation (LISC) by the U.S. Department of Housing and Urban Development (HUD).

This toolkit was developed in partnership with the HUD Office of the Secretary, Office of Field Policy and Management, Center for Faith Based and Neighborhood Partnerships, and LISC.

LISC

Table of Contents

PART 1 WORKING WITH FAITH-BASED ORGANIZATIONS ON AFFORDABLE HOUSING DEVELOPMENT

PART 2 TRAINING MATERIALS FOR HUD GRANTEES TO SHARE WITH FAITH-BASED ORGANIZATIONS

PART 3 CASE STUDIES

Part 1 Working with Faith-Based Organizations on Affordable Housing Development

Purpose

This guide provides information and tools to support U.S. Department of Housing and Urban Development (HUD) Grantees engaged with faith-based organizations around HUD's Affordable Housing Supply production and preservation goals. The guide includes training materials to help HUD Grantees build the capacity of faith-based organizations to actively participate in the development and preservation of affordable housing. These materials build upon the information available in HUD's **Increasing Supply of New Affordable Housing Primer** and the **Quick Guide to HUD Programs and Services for State and Local Officials**, with a lens of how they apply specifically to development efforts in partnership with faith-based organizations. The materials include an introduction to the affordable housing development process, case studies representing various projects with faith-based organizations across the United States, guidance on structuring partnerships between localities, community-based organizations, public housing authorities, states, developers, and faith-based organizations, as well as critical considerations for both HUD Grantees and faith-based organizations to evaluate before engaging in affordable housing efforts.

This guide is designed to introduce faith-based organizations (FBOs) and HUD Grantees to the foundational building blocks for engaging with in affordable housing development and preservation efforts. The training materials in the appendix of this guide are designed for HUD Grantees to share and use with their local faith-based organizations and fellow HUD Grantees. HUD Grantees should familiarize themselves with the training materials before sharing with local stakeholders as needed.

Introduction

The United States is addressing a compounding crisis of national housing supply shortages, through improving education on using low-income housing tax credit programs, investing in tribal communities' housing needs, and removing barriers to homeownership development. In this guide, you will find helpful information to assist in the reduction of housing shortages through the cumulative effects of disinvestment in historically redlined communities, and increasingly frequent climate-related disasters. This guide offers a better understanding and possible strategies for making it easier for all Americans to access secure, affordable, habitable housing. HUD Grantees across the nation have the potential to meet their housing supply, community development, climate resiliency, and racial equity goals through partnerships with faith-based organizations to develop and preserve affordable housing. Together and with other community partners, HUD Grantees and faith-based organizations can support climate-resilient upgrades, reduce housing and energy cost burdens, and improve neighborhood home values through new construction and rehabilitation of affordable housing.

The Terner Center for Housing Innovation at UC Berkeley released a **report** two years ago that determined in California alone 38,800 acres of religious institution land exists statewide that potentially could be developed for housing. **As the New York Times reported**, "Across the nation, faith-based organizations are redeveloping unused or derelict facilities to help rectify a housing affordability crisis while also fulfilling their mission to do good in the world," citing examples in Virginia, Texas, Wisconsin, California, and New York of efforts that overcame the many challenges facing all development projects before real housing is built and families can occupy their homes. **As noted by the Terner Center**, scarce financing options, regulatory barriers, and limited real estate development experience make the already complex and difficult process of developing affordable housing even harder for faith-based organizations.

GLOSSARY

While this toolkit attempts to define all housing acronyms and terms used, the language of affordable housing can often be confusing to individuals newly engaging in this field. To help navigate the language and terms used in this toolkit and throughout the affordable housing development community, please refer to the following Glossary Resources:

FEDERAL HOUSING ADMINISTRATION (FHA) SINGLE FAMILY HOUSING POLICY HANDBOOK

https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1

This glossary provides an overview of terms used in the FHA Single Family Housing Policy Handbook, but also provides an excellent overview of the terms and language used specific to single family home development.

GLOSSARY OF HUD TERMS (ARCHIVE)

https://archives.huduser.gov/portal/glossary/glossary.html

This glossary provides an overview of commonly used terms among HUD staff and HUD Grantees.

COMMON HUD TERMS AND ACRONYMS

https://www.hud.gov/about/acronyms

This glossary provides an overview of the commonly used terms and acronyms related specifically to HUD programs.

THE REAL ESTATE MARKETPLACE GLOSSARY: HOW TO TALK THE TALK (FEDERAL TRADE COMMISSION)

https://www.ftc.gov/sites/default/files/documents/one-stops/real-estate-competition/realestateglossary.pdf

This glossary provides and overview of terms used in the FHA Single Family Housing Policy Handbook, which also provides and excellent overview of the terms and language used specific to single family home development.

Community development financial institutions (CDFIs), **lenders with a mission to provide fair, responsible financing to communities that mainstream finance doesn't traditionally reach**, have advanced technical assistance programs over the last several years focused on faith-based development. These programs have successfully supported many faith-based organizations to engage in real estate development in an informed, equitable, and supported way. This guide and accompanying tools reflect the best practices and lessons learned from these programs to date. It includes summaries of the factors that enable successful development and preservation, the roles and responsibilities of the essential stakeholders, policy considerations, and funding sources available to finance the new construction and preservation developments.

Criteria for success

Based on a review of development and preservation programs focused on partnerships with faith-based organizations around the country, several basic criteria enable HUD Grantees and other types of localities to have successful development and preservation efforts. Criteria for success include:

ENOUGH FUNDING TO GET STARTED

All affordable housing projects require funding early in the development process to ensure sufficient preparation can take place before any ground is broken. Having an initial budget available to start a development can be enough to catalyze a complete development. Potential funding sources include:

- Locally available discretionary funds (revenues that are not encumbered with significant barriers to access);
- Existing awards or opportunities to apply for funds from other government agencies;
- Philanthropic resources available through a private/public partnership and foundations; and
- National and regional intermediaries, including faith-based foundations and CDFIs.

More information on funding opportunities appears later in this guide and the HUD guides referenced above. The **Enterprise Faith-Based Development Initiative** and **Bay Area Faith & Housing Program** case studies included in Part 3 describe how these programs organized funding sources from local government agencies and private philanthropy. It does not take much to catalyze a development or preservation project for a faith-based organization that has site control of its property or is prepared to be the driver for a project to be sponsored by a HUD Grantee, like a city or public housing authority. Startup funds of $25,000-$50,000 can be enough to get a faith-based organization to the point of selecting a development partner, paying for the early predevelopment expenses that are critical for assessing initial feasibility and providing confidence to all involved that the project is worth advancing. Review the **Bay Area Faith & Housing Program** case study for an example of how start-up funds in this range have enabled more than 30 development and preservation projects to move forward.

A COLLABORATIVE ENVIRONMENT

Developments are most successful when the faith-based organizations are in the driver's seat to define their role and their organization's goals in the effort. Faith-based organizations may face predatory developers, unfair deals, and strategic pressure from outside stakeholders whose motivations are not aligned with the organization. The common takeaway for HUD Grantees to consider is that these factors often result in failed projects. Projects generally fail because the faith-based organization has invested more than they can afford or find themselves in conflict with important allies and partners. In the worst cases, millions of dollars are lost and critical community support networks are irreparably broken. If the development originates on any land other than the faith-based organization's property, it is important that the faith-based organization secures in writing a clear understanding of the land use, its role, support, and how it can be a constructive and engaged partner with whoever is the initial sponsor (such as a public housing authority or locality).

The need for a collaborative environment goes both ways. Developments can also fail when faith-based organizations without a strong track record of developing real estate take on the enormous risks associated with development without a trusted, mission-aligned developer partner. The **Faith-Based Guide to Development Partnership** provides recommendations on how to identify and select potential developer partners.

SITE CONTROL

Often the development will be one which is developed on land controlled by the faith-based organization, as in the **Bay Area Faith & Housing Program** case study, but in other cases land owned by a locality or public housing authority may be transferred to a faith-based organization or other community-based organization, as in the **Nehemiah Spring Creek** and **Grace Manor** case studies included in Part 3. Regardless of the structure, the current landowner will need to have the following:

- Site control of their property;
- Understanding of how the governance structure of their organization relates to real estate ownership; and
- Awareness of any liens or other encumbrances placed on the property.

Documentation proving these factors is critical. In one example, a faith-based organization's development was unable to proceed because the property had been used as collateral for a loan. Unbeknownst to the leader of the house of worship, the governing body of the FBO, based in another city, had taken out this loan, and it prevented the FBO from developing their property.

HUD Grantees can support faith-based organizations by providing site control resources, such as completing a title report on the property. The **Faith-Based Guide to Development Partnership** in Part 2 provides more information on organizational factors faith-based or community-based organizations partnering with HUD Grantees need to consider before moving forward with development or preservation.

In some instances, the faith-based organization will be approached by, and subsequently partner with, another party who is the landowner. Sometimes larger, for-profit developers approach nonprofits for partnership hoping to access grants or other resources available only to 501(c)3 nonprofit organizations with a charitable purpose. Faith-based organizations should be clear on and have documentation of their role, risks, and who within their organization has the authority to make decisions regarding real estate partnerships. If a faith-based organization enters into a long-term partnership with a developer, it must have the knowledge and support to make informed decisions in its best interest and ability to exit the deal if the development does not meet its mission. HUD Grantees are in a position to provide this support, using this guide as a starting point.

THREE- TO FIVE-YEAR TIME COMMITMENT

Developments take several years of dedicated time commitment before they become real, whether new construction or preservation of existing affordable housing. A shared expectation of this timing, and a willingness among all key stakeholders to invest time and resources until project completion, are critical to ensuring a successful development. While their faith may give religious organizations more patience than others, the HUD Grantee can help reinforce realistic expectations regarding the timeline of development. For examples of projects that have fallen into this timeline, review the **Grace Manor** and **Lantern Light** case studies.

OTHER FACTORS FOR SUCCESS

HUD Grantees should also be aware of the following factors related to team composition and project design that will help enable successful developments:

- Experience among the partners with affordable rental housing or homeownership, either directly working on development, providing residential services or programming to existing properties, or property management;
- Smaller developments (12 units or less) are quicker to bring to market depending on the requirements of available capital; and
- Committed and organized administrative staff or volunteers at the faith-based or community-based organization may provide the backbone support for their organization.

Assembling your support bench and partners

Successful developments are complicated. A development benefits from having a large group of community stakeholders available to provide various supports and resources, including:

- Local development advisors to provide coaching and technical assistance that have cultural competency with the faith-based organizations in your jurisdiction;
- Local housing authorities, which may own only one property but have experience and resources to support affordable housing (e.g., rental vouchers); and
- Intermediary partners (CDFIs, nonprofits, foundations, etc.) to coordinate all the stakeholders and help with the "marriages" (joint venture partnerships) between faith-based organizations and mission-aligned developers;
- Mission-aligned developers with experience developing affordable housing in your jurisdiction;
- Pro bono architects willing to provide free designs as a community service;
- Experienced construction professionals (contractors, builders, etc.) with capacity to take on new projects;
- Local philanthropy to provide flexible resources, as described in the **Bay Area Faith & Housing Program** case study;
- Faith associations to develop relationships and unearth new development opportunities, like East Brooklyn Congregations (EBC) described in the **Nehemiah Spring Creek** case study;
- Champions in local government (elected or appointed), as described in the **Grace Manor** case study.

The project-specific development team member roles are described in the **Affordable Housing Development Process Guide** included in Part 2.

Policy and political considerations

Often the greatest barriers and assets are related to local or state policies. Based on a June 2021 report by the **National Multifamily Housing Council (NMHC)**, some of the best tools local and state governments can use to support affordable housing development and preservation include various zoning requirements and incentives like density bonuses, entitlement (the local jurisdiction's approval process) fast tracking, and financial resources. Local regulations and state legislation can increase or restrict housing supply depending on the jurisdiction's priorities. These tools can be used on their own or combined with the following:

ZONING ADJUSTMENTS

- Density bonuses and inclusionary zoning requirements are an adjustment to existing zoning regulations to allow more units of housing to be built in exchange for requiring affordably priced units or other public goals. The "bonus" can be achieved through an increase in floor area ratio (FAR), a greater building height, decreased minimum unit size, or loosened setback requirements. They increase a project's overall revenue and decrease per-unit development costs.

- Reducing rigid zoning restrictions like parking requirements, required setbacks, buildable area, or minimum lot size requirements increases project feasibility.

ENTITLEMENT FAST TRACKING

- A by-right development approval process (also known as an "as-of-right" approval) is generally granted when a development proposal strictly conforms to zoning and building codes and qualifies for construction without requiring unrestricted approval. This accelerates the predevelopment timeline by using uniform, codified, and consistent zoning and development regulation to streamline and enable new housing construction or rehabilitation of existing affordable housing.

- Waiving, reimbursing, or deferring zoning fees, subdivision fees, site plan fees, building plan review-permit-inspection fees, and impact fees increases project feasibility and speeds up the entitlement process by removing these hurdles.

FINANCIAL POLICY TOOLS

- Government entities can pass a public land policy that establishes criteria by which local governments select and sell parcels of publicly controlled land at below-market prices (sometimes free) to improve affordability.

- Property tax incentive policies at the state or local levels can reduce the tax burden on properties that support affordable housing.

- Public funding can be dedicated to affordable housing to "close the gap" for desirable but otherwise infeasible projects. This money can come from federal, state, and local levels, with a multitude of formats and restrictions. Funding can be invested directly into project costs (capital or operating) or indirectly benefit a housing project by covering the costs of surrounding improvements. Examples of city and county level funding is described in the **Grace Manor** and **Bay Area Faith & Housing Program** case studies.
- Availability of both public housing authority (PHA) and local or state voucher programs can be the critical operating subsidy which enables tenancy of specific populations (formerly homeless individuals, the elderly, developmentally disabled people, etc.).

For more information, review NMHC's **Housing Affordability Toolkit** and the other HUD resources described before.

Funding sources and tools

What are the different sources available to fund development efforts in partnership with faith-based organizations and specific development projects? The combination of funding sources required to pay for all the costs associated with a development or preservation project is called the "capital stack." An example of a capital stack can be found in the **Nehemiah Spring Creek** case study. This includes high risk capital (equity, grants, or forgivable loans) to pay for the early stages of predevelopment before feasibility has been fully confirmed, as well as debt and tax credits to pay for the acquisition and/or construction costs. No one funding source will pay for the entire development so having a partner involved in the project who has experience building out a financial model that aligns with the timelines and requirements of various funding sources can make a huge difference in getting a project off the ground. The following is a brief outline of key resources further described in other **HUD** **resources**.

> *National Church Residences continually assesses our housing portfolio to identify opportunities to improve our buildings and services for our residents. New funding opportunities created in 2023 let National Church Residences renovate Spring Valley Crossing through a combination of Green and Resilient Retrofit Program funds and RAD for Section 202 PRAC, plus our first mortgage through Section 221 (d) (4). These HUD funding sources meant that we could maintain long-term affordability while upgrading housing units with green and energy efficient appliances, HVAC, and a rooftop solar array that together reduce the property's energy burden, directly improving the residents' quality of life and allowing National Church Residences additional leverage on their (d) (4) loan to cover additional renovation needs at the property.*
>
> **Stephanie Rhodes, Senior Project Leader**
> National Church Residences

Government resources (tax credits, block grants, and congressional earmarks)

Federal, state, and local governments can provide funding to support housing development and preservation through various locally raised sources, such as allocating general funds, raising new taxes, creating new fees, issuing bonds, tax increment financing, or payment in lieu of taxes programs (PILOT programs). HUD's **Increasing Supply of New Affordable Housing Primer** describes these sources in greater detail.

While states and localities have an important role to play, most of the financial support for affordable programs comes from the federal government, which can generally provide resources at a larger scale than any individual locality. HUD, the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), and the U.S. Department of Veterans Affairs (VA) have different programs that provide support for rental housing and homeownership development. The most common programs are federal tax credits (like the **Low Income Housing Tax Credit**) or block grants (like **Community Development Block Grants and HOME Investment Partnerships Program**), both of which can be important sources of equity in the development's capital stack. FHA offers mortgage insurance on loans to finance the purchase and rehabilitation of single-family homes and manufactured housing, primarily serving first-time homebuyers. USDA's Rural Housing Service operates various loan, grant, and guarantee programs to build and improve housing facilities in rural areas, primarily for low-income people, elderly and disabled individuals, and domestic farm laborers. The VA provides loans and grant-based housing assistance and homeownership programs to veterans and their families.

The feasibility of accessing federal resources varies from state to state. The greater the competition for these resources, the more likely they will be awarded only to larger projects (60 units or more) with experienced developers focused on new unit production, and the less available they will be for the typically smaller developments. Tax credits and block grants are typically administered by a state's Department of Community Affairs (DCA) and/or Housing Finance Agency (HFA). If unsure what the level of competitiveness is in your state, reach out to your state's DCA or HFA to ask. A list of all the state's active DCAs or HFAs can be found on the **Council of State Community Development Agencies** website. DCAs and HFAs can also issue state-level tax-exempt housing bonds to create new funding sources for housing development and preservation.

HUD funding

HUD Grantees receive funding from HUD to support HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD Grantees include state and local governments, nonprofit and for-profit organizations, public housing authorities, and tribal entities. To find HUD Grantee contact information for CDBG, HOME, and Housing Trust Fund (HTF), visit **www.hudexchange.info/grantees/contacts**.

U.S. Department of Housing and Urban Development (HUD)
www.hud.gov
Telephone: (202) 708-1112
TTY: (202) 708-1455

Federal Housing Administration (FHA)
www.hud.gov/answers
Telephone: (800) CALL-FHA
TTY: (800) 877-8339

U.S. Department of Agriculture
www.usda.gov
Telephone: (833) ONE-USDA
TTY: (800) 877-8339

U.S. Department of Veteran Affairs
www.va.gov
Telephone: (800) 698-2411
TTY: 711

Recoverable grants / forgivable loans

Some Community Development Financial Institutions (CDFIs) offer forgivable loan products that fund predevelopment expenses but must be paid back only if the development moves on to construction. These products are typically capitalized by local philanthropic organizations because they require capital that is more flexible than traditional capital sources. For help finding a CDFI near you, check out Opportunity Finance Network's **CDFI Locator**.

Vouchers

Vouchers are ongoing rental subsidies that reduce the amount tenants pay in rent to make their housing affordable for their income level. Vouchers can either be project-based (available to all tenants who qualify to live in the building) or tenant-based (available to qualified individual tenants, like the Section 8 program). VASH (Veterans Affairs Supportive Housing) and some local programming focused on specific resident groups are often critical to the long-term affordability for the communities HUD Grantees are often most interested in providing housing for in partnership with faith-based organizations. For a detailed overview on vouchers and their resources, see the **Quick Guide to HUD Programs and Services for State and Local Officials**.

Philanthropy

Philanthropic resources are often the most flexible because they can be unrestricted (free of prohibitively constrictive or burdensome compliance requirements). Unrestricted grants are especially precious because they can be used to support the highest risk expenses required early in a deal to catalyze development. Early philanthropic support can also provide an endorsement of the planned development and reduce the risk for others to invest in the project. However, the priorities of different grantmakers can vary, so it can be challenging to identify philanthropic resources that are worth the effort a successful application requires. These general categories of philanthropic organizations have provided funding for local development efforts in partnership with faith-based organizations or may be mission-aligned:

- Some national and regional faith-based organizations have philanthropic funds or could make important referrals;
- Local community foundations may be willing to provide grants or forgivable loans;
- Local family foundations; and
- Financial institutions such as banks with Community Reinvestment Act (CRA) funding.

Conclusion

Since affordable housing development and preservation is inherently local, this guide and the rest of the tools in Part 2 aim to provide HUD Grantees with general resources that can be applied to the local specificities of the community you serve. The resources in Part 2 delve deeper into the topics introduced in this guide and are intended to be shared in partnership with your local stakeholders to achieve your development and affordable housing supply goals. Affordable housing development in partnership with faith-based organizations is complicated but with thoughtful support and partnerships in place, they can provide truly community-rooted housing that benefits the entire community.

HUD Grantee Readiness Questionnaire for Engaging with Faith-Based Organizations

The following are a few considerations that the HUD Grantee might use to assess their readiness to engage a faith-based organization (FBO) in a development or preservation effort. These questions correspond with the major sections in the **Organizational Self-Assessment Guide for Faith- and Community-Based Organizations** in Part 2 of this guide.

LEGAL STRUCTURE AND MISSION

- [ ] **Does the FBO have the mission, organizational structure and legal authority to use its land and resources to support and partner in the development or acquisition/rehabilitation of affordable housing?**

The HUD Grantee will want to support the FBO in determining the FBO's readiness to be a partner in the effort to develop or preserve affordable housing. Just as the FBO will need to evaluate their legal structure and its appropriateness for a partnership in a development, so too will the HUD Grantee want to be assured they have the necessary legal framework which fits the scale and type of proposed development.

This would include review of key legal and financial documents required to execute commitments on behalf of various entities, including the HUD Grantee. If the HUD Grantee is a critical source of funding for any phase of the development, then the legal structure of the development partners must be of a form that can contract for services or be an eligible recipient of funding.

The form of the entity must meet the compliance requirements of the specific state where the development will be located.

- [ ] **Does the FBO have the needed licenses or other legal structure to be eligible for receipt of public dollars both from the local jurisdiction's perspective and the national or state funder systems?**

The FBO should communicate with federal faith-based offices. FBOs should be motivated by their mission, which must be consistent with programmatic goals, possess legal documents relating to their mission and eligibility for receipt of public dollars. For example, are the articles and bylaws of the organization consistent with the proposed location of the development? It is not uncommon for a FBO to be structured in a manner that might preclude their being in a position to contract for development of property

GOVERNANCE

- [ ] **Are the Board and the leadership ready to make decisions on behalf of the FBO? Do they have the capacity to organize for all aspects of decision making over time?**

- [ ] **Does the FBO have a governance and decision-making process and structure? Can they describe it to the HUD Grantee and other potential partners? Does it include collaboration with the FBO leadership and if a member organization, the members.**

- [ ] **Does the FBO have a plan for informing their membership in review and decision making throughout the development process? Verification of this information sharing method should be shared with HUD Grantee to benefit all.**

The HUD Grantee and FBO will both benefit from confirming that the mission, membership support, and legal structure are in alignment and consistent with the proposed development.

UNDERSTANDING AND ALIGNING GOALS AND ROLES

- [ ] **Is the HUD Grantee ready to assess, articulate, assist the FBO in evaluating its needs providing technical assistance or information regarding where and how to access targeted support for the intended development?**

When a HUD Grantee is asked by an FBO to support a particular project, or the FBO responds to a locally driven request for partners issued by the HUD Grantee or a third party, the HUD Grantee should be prepared to assist the FBO directly or through various technical assistance efforts. This may include advising on the time and manpower necessary for success, jointly identifying resources required so the FBO can be a full participant in defining and evaluating their role or financing FBO-related costs.

HUD Grantees can be the catalyst to encourage FBO participation in the development of affordable housing. They will get the most out of those efforts when they provide guidance and resources that ensure FBOs make informed choices.

PROPERTY AND PROJECT

- [ ] **Has the HUD Grantee assessed and then organized its potential resources and capacity to advise the FBO in the many steps in development from land assemblage and zoning to addressing other federal requirements which will be applicable when using federal resources? Is the HUD Grantee prepared to provide guidance to the FBO in defining when and how to manage the development process given local conditions and requirements?**

Specifics of whether a property is appropriate for the desired development are addressed in the **Organizational Self-Assessment Guide for Faith- and Community-Based Organizations**. That said, there are a few areas where the HUD Grantee is in a unique position of both evaluator and active supporter. In most cases, planning and entitlements for development are not handled by the HUD Grantee staff engaged in financing or supporting developments. The HUD Grantee staff, however, often have access to those who would have knowledge of developments planning and entitlements. The HUD Grantee may be helpful in ensuring that the FBO is able to access information which will enable them to move forward with the entitlement process.

A local HUD Grantee is also in the best position to ensure that the FBO and their other partners are prepared and knowledgeable about important requirements such as the application of the **National Environmental Policy Act (NEPA)** and specific applicable funding requirements for CDBG, HOME, and other federal programming. The HUD Grantee can be a very helpful resource to the FBO in understanding and then evaluating the implications of these requirements. For example, the HUD Grantee can help the FBO determine if environmental challenges exist on the site that are likely to have a critical impact on cost, development timeline, or other feasibility considerations.

Part 2 Training Materials for HUD Grantees to Share with Faith-Based Organizations

This section includes four resources for HUD Grantees and their faith-based partners:

The Affordable Housing Development Process

This guide overviews the affordable housing development process for organizations or agencies inexperienced in the new construction and/or preservation of existing affordable housing. HUD Grantees should use this guide as a training tool with their partners interested in exploring development or preservation in partnership with faith-based organizations.

Organizational Self-Assessment Guide for Faith- and Community-Based Organizations

Directed at faith-based organizations or other community-serving nonprofit organizations, this guide walks through a series of questions to assess whether an organization is ready and able to move forward with an affordable housing project. HUD Grantees can use this guide to help determine if an organization is ready to move forward as a partner in a housing development or preservation project. Additionally, HUD Grantees should use this guide as a resource to be shared with organizations looking to undertake an affordable housing development.

Faith-Based Guide to Development Partnership

This guide is intended to provide information on joint venture (JV) partnerships, why they are a useful tool, and how to navigate them, specifically for faith and community-based organizations interested in developing, acquiring, and/or rehabilitating affordable housing.

Template Request for Proposals (RFP) for Developer Partner

This template is intended to provide an example for HUD Grantee or faith-based organization looking to conduct a competitive process for potential developer partners. An RFP helps evaluate the strengths and unique features of potential developer partners and creates a system for these partners to propose the most favorable terms for the rest of the development team.

The Affordable Housing Development Process

This guide offers an introductory overview of the affordable housing development process for organizations or agencies inexperienced in the new construction and/or preservation of existing affordable housing. HUD Grantees should use this guide as a training tool with their partners interested in exploring development or preservation in partnership with faith-based organizations. HUD Grantees should consider sharing this guide with audiences who are new to affordable housing development to inform them of the basic process, players, and effort required to build new construction or acquire and rehabilitate existing affordable housing. This guide focuses on the stages of a traditional development effort, the roles of key development team members, and the major issues and questions a faith or community-based organization who is new to affordable housing will face.

Faith-based organizations can be both excited and cautious about how to support the development of affordable housing in their community. Building their knowledge builds their capacity to be a leader of the effort at the project level, leading to more successful, community-driven development projects. HUD's **Primer on Increasing the Supply of New Affordable Housing** and the **HUD Grantee Guide to Working with Faith-Based Organizations on Affordable Housing Development** can be used to further expand knowledge in addition to this overview.

Additionally, seeking trusted, targeted advice early on can be the single most important step in positioning faith-based organizations to be an active catalyst for a development or preservation project. To achieve that level of engagement, it is important for HUD Grantees to support the faith-based organization to drive as much decision making as possible by providing informational resources like these guides and transparency into the affordable housing development process.

An overview

Affordable housing development and preservation is often a complicated and challenging process that typically takes 3-5 years depending on a project's parameters and resulting complexity. Other aspects of a project can lengthen its timeline and cost, including site challenges, financing source requirements, and whether the neighboring community is supportive of the proposed development.

A successful project requires a team of stakeholders – organizations and individuals with specialized expertise from different disciplines and professions – to work closely together within defined roles. To best tackle ever-changing real estate markets and funding and political environments, many faith and community-based organizations, nonprofits, and housing developers decide to enter into a formal partnership with another organization to give them an advantage in achieving their affordable housing goals. These organizations may include HUD Grantee Agencies such as Public Housing Authorities (PHAs) or nonprofits. For example, while one organization might have the necessary track record, initial financial capital, and demonstrated experience developing similar projects, a partner might bring a potential development site, vital neighborhood perspective, and necessary relationships within the community. As with any real estate project, developing affordable housing involves considerable financial risk that may be too much for one organization to bear alone. Different entities can provide these assets in different combinations, depending on the partners you have available in your market.

In general, no single organization has all the expertise in-house to develop and operate an affordable housing project. A strong and capable development team, which may be anchored by a partnership between two or more organizations, is the project's greatest asset for successfully navigating the inherent challenges.

How does an affordable housing project *typically* start?

Affordable housing projects can start in various ways, and project origins typically fall into one of three categories:

Need & vision

Stakeholders identify an affordable housing need or issue that they would like to address through the creation of affordable housing. In this case, the faith-based organization first identifies the need and then creates the vision and strategy for addressing that need before they have identified a project site.

Project site

An affordable housing project can arise from the availability of a potential development site. The local jurisdiction, including, the Public Housing Authority, may have identified a suitable site for affordable housing development, or the site owner is interested in pursuing an affordable housing development on their underutilized property.

Funding opportunity

A project can start when a governmental agency (such as the HUD Grantee) announces the availability of funding for affordable housing. To utilize the funding opportunity, a developer would look for an eligible site to propose for development.

Organizational commitment

Regardless of how a project starts, embarking on the development of affordable housing takes a considerable amount of planning and resources – both in time and in money. To move forward in a concerted and timely manner, an organization interested in development and preservation should demonstrate:

- A capacity to learn and listen;
- A clear understanding of why the organization is interested in being the catalyst for an affordable housing project;
- Some willingness to take risk;
- Ability and willingness to use political capital to advance a project;
- Perseverance — the ability to hang in there until the best path is clear;
- A clear decision-making process within the organization; and
- Broad organizational support and commitment to pursue the project.

Without these attributes, a project concept can languish for years before the first shovel of dirt is moved. The fundamental question an organization must ask itself is: "How will this development project help us pursue our mission?" Mission represents the motivation that facilitates movement forward. This can be a difficult question to answer and require some tough conversations within the organization. For faith-based organizations that have not been focused on providing affordable housing, immersion into the experience can represent a dramatic (and sometimes traumatic) change in the basic character of the organization.

On the other hand, an organization might want to broaden its mission, particularly given the national affordable housing crisis. Affordable housing provides a critical resource to the community and makes a lasting physical improvement to a property and the surrounding neighborhood. Ultimately what's most important is that each faith-based organization makes a deliberate decision on how to move ahead based on its unique capabilities and circumstances.

Aspects of affordable housing development and preservation to consider before committing to develop include:

- It can be an all-consuming undertaking for some staff or members of the organization.
- Development fees are seldom sufficient to cover all the real costs (including the imputed costs of staff and the opportunity costs this represents) over the entire lifecycle of a project.
- The organization's leaders must be willing to invest staff and board time, money, and political capital over several years to ensure the success of the project.

Also, once the development is built, the rental housing needs to be managed (directly or indirectly) for the rest of its useful life: 30, 40, 50+ years. This requires substantial time, energy, and financial resources of the entity responsible for managing the property that otherwise might be focused on other organizational priorities. Homeowners likewise will need to be responsible for managing their covenants that continue for the life of the loans as long as they remain affordable upon resale and other terms.

Development team member roles

There is no single required role for a faith-based organization that initiates an affordable housing project to play in the project's development. Faith-based organizations can play any of five major project roles:

THE OWNER

The owner has long-term legal responsibility and control of the project. The owner has a long-term interest in seeing the project completed and is responsible for making critical decisions that drive the process. Even if another entity is developing the project, the owner must be fully engaged in the development process to ensure its long-term interests are addressed.

THE DEVELOPER

The developer plays the lead role as a backbone in bringing a project from idea to occupancy. The developer is responsible for all project development tasks and the overall management of the project development process. Some development teams consist of two organizations serving as co-developers or joint venture partners, but often one organization is the lead developer.

THE COMMUNITY ENGAGER

The community engager ensures the development incorporates the voice and interests of the local community. They are often a public leadership voice in making the development happen, advocating to drive the development forward with the other various stakeholders.

THE PROPERTY / ASSET MANAGER

The property manager is responsible for day-to-day operations of the project once completed. The management of the property is vital to its ongoing success. Managing a project is a complex endeavor that involves skill and familiarity with legal and funder requirements. The asset manager, often different than the project manager, acts as a financial manager for the asset (completed development), making sure that the project's occupancy level remains high, and the project performs well financially meeting its various obligations to the several investors and stakeholders. The asset manager is also responsible for compliance and reports to funders on behalf of the owner.

THE SERVICE PROVIDER

The service provider develops and manages any services programs offered to the residents. If the project is going to provide housing for tenants with special needs, a service provider partner should be on board early to plan for adequate and effective tenant services.

All five distinct roles are critical to project success. In some cases, an organization may assume one or more of these roles and then partner with other nonprofit and for-profit organizations to fulfill other necessary roles.

Additional professionals representing the owner and/or developer may join the development team to complete specific project tasks or to contribute during specific project phases:

ATTORNEY

An attorney must be available to provide legal services related to real estate or project financing and organizational issues (e.g., creating a new corporation to own and manage the real estate). Depending on the different organizations involved and scale of the project, one project may require multiple attorneys.

ARCHITECT

The architect works with the development team to determine the feasibility of specific sites, create preliminary and final designs and drawings, develop construction specifications, assist with preliminary cost estimates, secure local site and design approvals, and monitor construction.

FINANCIAL CONSULTANT

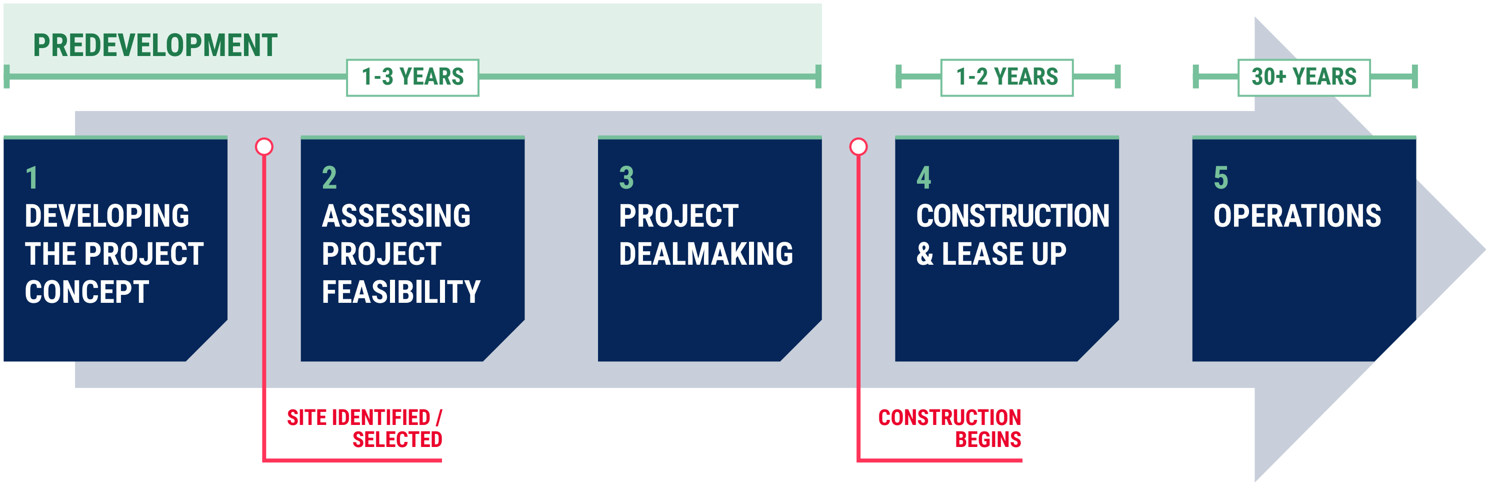
The project financial consultant has deep knowledge of the funding sources typically used to finance affordable housing projects, which vary state by state. They advise the development team on identifying the best financial strategies for achieving project goals, obtaining funding from a large array of competitive programs, and ensuring that the project is well structured to perform financially over time.

GENERAL CONTRACTOR

The general contractor is responsible for the actual construction or rehabilitation of the housing. Most housing developers hire an outside firm through a competitive process after the architect completes the plans and building specifications. Sometimes a contractor is selected early in the process and is a member of the development team from the beginning.

The affordable housing development process

Once a project begins and an organization has internal support to move forward, the affordable housing development process generally consists of five distinct phases as shown below. The term "predevelopment" is used to refer to the period prior to the start of construction, which can last three to five years. This process applies whether the development is new construction or preservation of existing affordable rental housing or homeownership. The actual number of years within the ranges given depend on the type of development, size of development, amount and requirements of available funding resources, and local support for the project.



The affordable housing development process is linear, moving from one stage to the next, sequentially. However, projects can hit roadblocks that require the development team to go back to the previous phase for additional discussions, planning or to conduct predevelopment studies/analysis to move forward again. In some cases, roadblocks can take years and multiple cycles through the different development phases to overcome. For example, changes in entitlement requirements may send a development team back to the concept phase. Sometimes a roadblock can be insurmountable despite the team's efforts to move the project forward. While some unexpected roadblocks are unavoidable, one of the most important reasons to have experienced partners involved is to avoid as many common roadblocks as possible.

The HUD Grantee can play an important role at this stage. If the HUD Grantee has strong relationships with people experienced in the development process, is able to coordinate with other local agencies engaged in defining the requirements for development, or is working directly with developers, this knowledge could be utilized to provide assistance and advice to the faith-based organization to help guide them through the development process.

Generally, as the development team moves through the development process, it invests more time and money into the project, making it important to uncover potential barriers to the deal as early as possible. Furthermore, the farther the team gets into the development process and the project components become more fixed, the more difficult it can be to make necessary changes. The time the development team invests upfront planning for potential delays pays off as the development process progresses. At that point it can use that upfront planning to troubleshoot and resolve both anticipated and unanticipated issues more efficiently.

1 DEVELOPING THE PROJECT CONCEPT

The **Project Concept** phase covers the starting point of the project until the site is identified and eventually secured, if the developer does not already own or control the site. Determining basic feasibility at this point can reduce cost and frustration if the intended plan does not meet zoning restrictions, funding requirements, or partner capacity. This phase of the project can take one to two years, and tasks and activities during this period include:

- **Setting the goals** — for example, deciding who will live there;
- **Conducting a zoning analysis to understand the development or rehabilitation potential of the project site and the number of housing units the site can accommodate. This work might also involve working with the HUD Grantee and related jurisdictions to understand if the project is possible and supported;**
- **Identifying site challenges in addition to zoning;**
- **Assessing organizational capacity; and**
- **Identifying and assigning roles and responsibilities for the development team.**

PROJECT CONCEPT PHASE
HOW DO WE PAY FOR IT?

- Grants
- Loans
- Fundraising

2 ASSESSING PROJECT FEASIBILITY

Once the project concept is conceived, the next phase involves transforming the concept into a feasible proposal for an affordable housing project. A feasible proposal includes having site control, assembling a strong development team, and conducting a feasibility analysis on the project site, including identifying a realistic financing plan, with positive results. This Project Feasibility phase is also known as the "due diligence" period when the development team conducts a variety of analyses, studies, and investigations to ensure that the site is developable and can deliver the proposed project. The key components of project feasibility include:

- **Appraisal:** a professionally prepared report that establishes a market value for a property required to secure project financing. The initial appraisal will guide value expectations. Future appraisals required by lenders and investors will govern access to resources for building as well as the land.
- **Zoning analysis:** an analysis of the existing zoning laws and regulations applicable to the project site, which determines whether the planned development is allowable. Key criteria a zoning analysis should cover are land use, density (units per acre, or floor area ratio), parking, building height(s), and setbacks (front, rear and side yards). HUD Grantees can provide relevant information on existing zoning requirements.

- **Environmental analyses:** an analysis of prior uses of the site, adjacent sites, information about proximate underground storage tanks and the results of a site reconnaissance conducted by an environmental engineer. This information is gathered to determine if a site should be tested for the presence of hazardous materials in the soil or the groundwater. Existing buildings should be tested for termites, asbestos, lead based paint and mold. Note: NEPA (National Environmental Policy Act) reviews can take up to six months, and individual state environmental requirements may add additional complexity and time for review.
- **Initial predevelopment funding:** While the cost of each due diligence predevelopment items is usually modest, identifying early, low-risk funds that do not have to be paid back is a crucial part of this phase. The use of federal dollars such as CDBG or HOME may require review of “other federal requirements” such as historic preservation, flood insurance, and planning for the preservation of Indigenous artifacts. Philanthropic resources or CDFI financing are typically better sources of funding for this phase.
- **Tenant relocation of occupied property:** In the case of existing affordable housing occupied by tenants, engaging and planning for resident relocation during construction and logistics for returning to the project will be an important aspect of predevelopment.

- **Community support:** a critical component to ensure project success. It is important to accurately gauge the level of support the surrounding community has for a project and to identify the required public approvals. The project team should implement a comprehensive community outreach strategy as early as possible to test assumptions and get early feedback on how much the surrounding community may challenge the development. The HUD Grantee may be able to provide support here, depending upon their existing relationship with the community.
- **Financial feasibility analysis:** a preliminary financial analysis that consists of projecting development expenses (uses) and identifying likely funding sources to cover these expenses (sources). Key questions that determine financial feasibility include: How much will the project cost to develop? Will the rents support the operations of the property? Will the rents support the servicing of permanent debt? What funding sources are available for the project given that rents are not likely to cover either the construction or operations of the property on their own?

PROJECT FEASIBILITY / PREDEVELOPMENT PHASE
HOW DO WE PAY FOR IT?

- Soft loans or recoverable grants (local governments or CDFIs)
- Short-term bridge loans (private banks, CDFIs)
- Grants
- Internal financing – Lines of credit
- Fundraising

3 PROJECT DEALMAKING

Once the development team has a feasible proposal for an affordable housing project, the project is now ready to "structure the deal." The dealmaking phase encompasses the time from the applying and securing of financial commitments to the closing of the construction financing and the beginning of construction. Project development activities during this time involve:

- [ ] working with the architect to develop and finalize the project design;
- [ ] getting all the necessary community approvals and project entitlements, such as zoning changes, conditional use permits, density bonuses, and parking requirement waivers;
- [ ] securing and closing the project financing; and
- [ ] other tasks required to start construction.

As previously mentioned, project phases are not always strictly linear, and sometimes project feasibility and dealmaking activities happen at the same time. The first three phases together typically last two to there years, depending on project complexity and circumstances.

Deal structuring involves combining stakeholders' varied interests and requirements into one cohesive and viable housing project. During this phase, various pieces of the predevelopment process must come together: localities must approve the more specific architectural plans, funders must agree to provide all needed funding, and the development team must continue to test and re-test the site analyses and financial projections to ensure project feasibility and minimize risk. If the team is successful in meeting these necessary thresholds, the project is ready to close on construction financing and break ground.

The dealmaking phase can be extremely challenging. This phase is often when projects fail, and/or unanticipated sacrifices may be required. During this time, opposition to the project from neighbors and the broader community can surface. It is important early on to learn strategies for addressing the concerns of - and ultimately overcoming - project opposition. Engaging the community early (concept phase) will often reduce concerns and prepare the development team for the work needed to achieve the many local approvals. At the same time, however, at this point in the overall process, the project has likely received a considerable investment of time, energy, and resources from the development team, government staff, elected officials, future tenants, and other supporters in the community. These project stakeholders are focused on and invested in making the project a reality and often provide critical support to assist with addressing potential barriers.

4 CONSTRUCTION & LEASE UP

The project enters the **Construction and Lease Up** phase once the architect has designed the project and completed the construction documents; the development team has obtained all necessary community approvals and the building permit; and the developer has negotiated and signed the construction contract with the general contractor and worked with funders to close the construction loans. The construction period lasts on average two years but can be shorter (or longer) depending on project type, size, and complexity. It begins with the start of construction and ends with completed and occupied units and the closing of permanent (take out) project financing.

Construction is an exciting time when the physical structure of the development finally begins to emerge. All the work and planning invested up to this point starts to manifest as the housing project takes shape for everyone to see. Construction, however, is arguably the riskiest phase of the project. At this phase, it is important to have a strong development team in place with experience managing the understood risks that are generally avoidable with diligent management and oversight of the project. Each organization makes a choice upfront in the development process about how much involvement they want to have during construction and how they will manage or delegate responsibilities/risk.

As construction begins or soon after, the property manager takes the lead on finalizing the plan for marketing the units (or moving existing tenants back in the case of preservation projects), and the service provider (if applicable) prepares to launch the services program. Depending on the type of development, number of units, and tenant population to be served, the property manager begins marketing available units as per funding guidelines and screening applicants for income and other eligibility requirements. The property manager will ensure compliance with federal fair housing laws when marketing the units.

These laws exist to ensure that all eligible prospective tenants have equal access to the housing regardless of race, religion, ethnic background or national origin, sex, familial status (such as having children under age 18), physical or mental disability, or other protected class as identified by state or local laws. During this period, the developer is focused on closing the permanent financing to repay the construction loans.

CONSTRUCTION PHASE
HOW DO WE PAY FOR IT?

- Investor equity
- Bank loans
- Developer cash
- Soft loans or recoverable grants – local government
- Grants – local government

5 OPERATIONS

Once construction is complete, the local jurisdiction will issue the certificate of occupancy to confirm the property is safely built and ready for eligible tenants. A faith-based organization's involvement during this phase of the project depends on the roles and responsibilities assumed at the onset of the development process. Most likely, however, a professional property management company is hired to manage the day-to-day operations of the project, including leasing up tenants, providing for maintenance and upkeep, collecting rents, handling tenant turnover, and ensuring the property is run well and within budget. During operations, an asset manager ensures that the project is performing well and complies with funder requirements on an ongoing basis. The asset manager is also responsible for conducting any long-term planning to ensure that reserves are built up to cover capital improvements required in years 5, 10, 20 when building materials and systems need upgrading or replacement. In most cases, the developer/owner has agreed to continue to provide housing over the future life of the property to qualified residents. Ensuring this continued tenant access and compliance is as important as planning how to maintain the physical condition of the property. Some organizations choose to involve residents to different degrees in the project operations or plan for amenities and/or to provide ongoing services on site.

Conclusion

The affordable housing development process is challenging for even the most experienced development team. Just as it can be difficult to determine a project concept that addresses the goals of various stakeholders, it is also challenging for developers to maintain enough momentum to advance an affordable housing project over a three- to five-year period through an inherently risky and time-consuming process. Organizations interested in developing affordable housing for the first time face unique challenges as a new developer. However, with adequate technical assistance and appropriate partnerships (roles HUD Grantees can play), an organization committed to creating additional affordable housing in its community can successfully develop a high-impact affordable housing project with long-lasting results.

Organizational Self-Assessment Guide for Faith- and Community-Based Organizations

The following Organizational Self-Assessment Guide is directed at faith-based organizations or other community-serving nonprofit organizations, walking them through a series of questions to help assess whether their organization is ready and able to move forward with an affordable housing project. The questions in this guide outline the skills, knowledge, and commitment essential to participating in the **successful development of affordable housing**.

HUD Grantees can use this guide to help determine if an organization is ready to move forward as a partner in a housing development or preservation project. Additionally, HUD Grantees should use this guide as a resource to be shared with organizations looking to undertake an affordable housing development.

Given the variety of project goals, affordable housing types and approaches, team member roles, legal structures and timing, **this guide will be most useful in identifying the key questions and options FBOs/CBOs should consider at the outset**. FBOs/CBOs will then gather information, explore options, evaluate possible choices, and consider identifying a trusted advisor early to assist with the process. The HUD Grantee who shared this guide could be that trusted advisor, provide funding to support one, or can help advocate for philanthropic funding to support that role.

Our organization (project sponsor)

LEGAL STRUCTURE AND MISSION

- ☐ Are you a legally constituted 501c3 in good standing and have a determination letter from the IRS? When you apply for any assistance, you will be asked to provide a copy of your organizing documentation that proves you are eligible to receive as a HUD Grantee and other public or charitable funds.
- ☐ Do you have access to licenses and tax exemption information which demonstrate you are organized under applicable statutes?
- ☐ Do you have an entity status letter from your state?
- ☐ When was your organization founded?
- ☐ Are you controlled by or responsible to another organization?
  - If yes, are they also a legally constituted 501(c)3 in good standing?
  - Are they aware and supportive of your interest in developing affordable housing? What are their expectations (financial, etc.)?
- ☐ Are you currently a CHDO, CDC, or other HUD Grantee-recognized entity?
- ☐ What is your organization’s mission?
- ☐ Does your mission directly support or align with the development of affordable housing? If yes, identify any specific reference to housing in your organizational documents (bylaws, article of incorporation, etc.).

GOVERNANCE

- ☐ Do you have an active governance structure, including a Board of Directors or other equivalent body, who will direct any decisions made by your organization regarding affordable housing development?
  - How will they participate in this decision-making effort?
  - Do you know whether they will delegate/partner with others in any of the decisions and oversight regarding any proposed development?
- ☐ Has your organization designated a committee or leadership group to be actively involved in this process of formulation and review of options?
- ☐ Does your organization have paid staff able to support this effort (see organizational readiness for additional questions regarding staffing)? If not are the volunteer staff able to support this effort?

OUR MEMBERSHIP

- ☐ Are you a membership organization?
  - If yes, describe qualifications for membership. Are your member qualifications relevant to developing affordable housing such as low income or community residents?
  - Do your members know about your efforts? Support your efforts?
- ☐ If your organization is faith-based, describe your member participation at your primary facility.
  - Do members live in the neighborhood?
  - Has your organization increased its membership in the past few years? Has your organization's membership declined in recent years?
  - Has your membership expressed concern about declining participation in the mission and services of the organization?
  - Do you have a plan for how your organization will continue to support its core activities? This effort? Other?

THRESHOLDS

Legally constituted and able to make commitment for the organization

Mission fit

Our goal / vision

Please answer these questions based on your organization's desired outcomes. You will explore project feasibility in a subsequent section. Even if a particular outcome is determined to be infeasible, it is important to do the feasibility evaluation as a group so that all decision-makers are aligned.

- ☐ Has your organization developed a vision and goals for this effort?
  - Was this done as part of another planning process, or specific to this development possibility?
  - Describe the process used to develop the vision and goals. When was this developed? Is it currently recognized by decision makers, membership?

If you have not developed the vision and goals, gathering the decision makers and other key voices to define what is desired is a critical initial step. This is important so that you evaluate feasibility with the desired outcomes in mind. Often the vision and goals are not fully achievable, but you will not know the choices or explore the trade-offs without first defining your goals/outcomes.

- ☐ Does this vision/set of goals fit within the mission and history of your organization?
- ☐ Describe your vision/goals for:

Housing

- Type of housing, who will live in the housing, what other services or uses might be included in the housing?
- What role do you want to have in the operation of the housing, services, management, etc.?

Our organization

- If you own the land to be developed, do you expect to be paid for developing your land or any other aspect of the effort? If so, what are your financial expectations? Can you afford to wait to be paid until the development is complete?
- Will this developed project include space for your organization to engage in other activities? Will it replace current space? If so, please describe.

Neighborhood or community

- Do you expect to provide space or services to the community? Are you currently providing space which will need to be replaced as part of the development?
- Are there neighborhood or community entities which might resist development efforts and require alignment? If yes, how does this fit with your vision and goals.
- Are there any community expectations you want to address?

THRESHOLDS

Mission fit

Organization's decision makers have participated in defining the goals and are able to evaluate choices as the process moves forward

Our financial health

- [ ] Understanding your organization's financial health is important in determining when to seek a partner(s), for what and how to negotiate with that partner.
- [ ] Does your organization have an annual budget and at least quarterly reports that are reviewed by the Board?
- [ ] Have revenues been sufficient to cover both ordinary and property related expenses annually over the last two years?
- [ ] Have you needed to borrow monies to meet basic operating expenses?
- [ ] Do you have any outstanding loans currently? Are there liens on the property you wish to use for housing? Other properties owned by the organization?
- [ ] Do you have reserves that might be used to pay early costs to explore your development plans?
- [ ] Have you filled IRS Form 990 in the past fiscal year?

Our decision-making structure

- [ ] What are the formal and informal processes for evaluating the choices your organization will make to define the development plan, select the team, finance the project, and structure the partnership?
- [ ] How will your organization proceed if its leadership does not agree on any of those key decisions?
- [ ] How will your organization manage changes in leadership with new interests, goals, and expectations? This process takes time, and leadership often changes long before the first housing unit is occupied.
- [ ] Can you identify past critical decisions where your organization had several choices, and its leadership evaluated the options and then reached a consensus? What were the learnings that may be applicable to launching this effort?

THRESHOLDS

Tested process to define choices and make decisions with some degree of adaptability to the twists and turns ahead

Our experience

- [ ] Has your organization ever developed, financed, managed, or owned any real estate where the use was not that of a faith-based or community-based organization?
- [ ] Do you, or anyone in the organization's leadership, have knowledgeable expertise about developing, financing, managing and/or owning affordable housing as the sponsor?
  - If yes, how would your organization demonstrate this knowledge and capacity to a lender, community group, development partner or other investor?
  - If not, is your organization willing to partner with another entity that would share in the ownership, financial return, operations and/or development of the property and brings the needed experience?

- [ ] Has your organization had any communications with potential partners (including advisors and consultants)? If so, what have you learned, agreed to, or otherwise decided to this point?
- [ ] Do you have any other current or historical relationships with the HUD Grantee?
- [ ] Are there any experiences, including false starts or "wish we hadn't" experiences, which might inform your organization's choices, resources, etc. going forward?

THRESHOLDS

No experience is required, but knowledge and experience do reduce the risk of entering into an inequitable partnership

Our internal capacity / readiness

- [ ] How would your organization manage its role in this development process?
- [ ] Does your organization have a staff or key member who will be prepared to act as the primary point person for your organization?
- [ ] Are there resources to compensate this individual for what can be a significant time commitment?
- [ ] Why do you believe this individual is qualified to be your organization's representative?
- [ ] If this predevelopment process takes over two years, how will you sustain representation?
- [ ] Are there other resources (people, financial, or other) available to your organization that might help your organization in defining and developing its land for affordable housing? If yes, who and how?

THRESHOLDS

A designated person to represent the owner

Based on the assessment to this point: our plan

- [ ] Does your organization have a specific plan to achieve its goals?
- [ ] Has your organization identified all the choices, especially if it appears that one or more of them may be a stretch goals and or ultimately cannot be achieved?
- [ ] Do you know whether your organization's plan is achievable? How are you going to evaluate feasibility?

Financial feasibility

- Are there available resources to finance the project through completion?
- What are your financial expectations for the development upon occupancy?

Role of organization

- Does your organization plan on providing services or managing some or all the property? If so, be prepared to demonstrate experience/capacity.

Plans for ownership

- What is your organization's desired ownership status after for the project upon completion/occupancy?
- Is your organization willing to transfer ownership in whole or in part to another entity as part of this development process?
- Has your organization considered a ground lease or other legal structure for continuing to control/own the land in the future?

- [ ] If your organization's plan and goals are determined to be seriously out of alignment with the feasibility of the deal, how will you know, and what will you do about this?

THRESHOLDS

A specific development concept that fits the property and achieves organization's goals

Understanding of why and when a plan does not fit organization's goals and possible alternatives/next steps

Our property

ZONING

- [ ] What is the current zoning designation for the property?
- [ ] Does the current zoning designation allow for the development of the desired housing type, size, etc.?
- [ ] Any particular:
  - Floor area ratio (FAR)?
  - Minimum lot width or area?
  - Maximum density or lot coverage?
  - Height limits?
  - Minimum setbacks from all the edges of the property to where the building is?
  - Minimum parking?
  - Minimum open space?
  - How will you learn what is required to rezone the property, including timing and cost?

OWNERSHIP

- [ ] Does your organization currently have clear legal title to the property?
- [ ] If not, who does and is your organization able to represent that owner?
- [ ] Do you have a recent title report?
- [ ] If not, do you have access to a report which would outline ownership and various encumbrances?

LIENS & ENCUMBRANCES

- [ ] Are there any liens or encumbrances on your property?
- [ ] If yes, describe the liens and encumbrances.
- [ ] How your organization will remove them if your organization decides to transfer the property for development or securitize the property to be able to borrow? For example, if there is debt on the property, does your organization anticipate receiving a sufficient price to pay off the debt?

HISTORY OF USES & PRIOR PROPERTY EVALUATIONS
(environmental, etc.)

- [ ] Outline all the previous uses of the property.
- [ ] Are any of these uses likely to make future development a challenge?
- [ ] Has the property been evaluated for residential development?
- [ ] If so, when, and what information was learned in that evaluation?
- [ ] Have you had any third-party reports conducted on the property (environmental assessments/testing or physical needs assessments)? When were they done?
  - Have you ever had a Phase 1 assessment of the property? What were the results (items to address) in a NEPA review?
- [ ] Identify and discuss with the HUD Grantee how your organization might address those challenges (assuming you know).

FIT FOR DESIRED PRODUCT

- [ ] Given your current knowledge, will the zoning, size, encumbrances, etc. allow for the type of housing, unit mix or other uses desired?
- [ ] How do you know this?

PROPERTY VALUATION

Please note that the appraisal of your organization's property will be important information in defining the feasibility of your development. Many factors influence value so at this juncture simply knowing whether the property has been appraised and by whom for what purpose is a good starting point. An as-is appraisal may help in determining the choices for the organization. An appraisal defining value for the planned development will ultimately be important in evaluating feasibility and garnering partner interest. Do you know how much the land/property is worth? Please include the source of information. For example, do you have an appraisal or have comparable properties sold recently in the area?

THRESHOLDS

Entity legally owns and can commit the property

Zoning matches the planned outcomes or organization has the capacity and resources to rezone

The neighborhood supports the project, especially if zoning or use permit are required.

A proposed development which fits other neighborhood plans

As you complete this first part of the guide, are you confident you are able to proceed in refining and defining the unknowns? Is it time to consider an advisor or other supports?

Our advisor partner

- ☐ Have you identified an individual who is experienced in affordable housing development in your community working with your local government who you would like to act as your advisor?
- ☐ Why is this individual your organization's preferred advisor?
- ☐ How do your organization intend to compensate the advisor?
- ☐ Would you appreciate resources to help with this initial advisory service?

THRESHOLDS

A tested and trusted advisor partner is identified early in the development process This advisor must have the trust of the organization and experience working with the other key players such as the HUD Grantee, local CDFI, etc.

Faith-Based Guide to Development Partnership

Introduction

The purpose of this guide is to provide information on what joint venture partnerships (JV partnerships) are, why they are a useful tool, and how to navigate them - specifically oriented toward partnerships involving faith-based and community-based organizations who are interested in developing or acquiring and/or rehabilitating affordable housing on their property. Understanding how to optimize the relationship with a developer as a joint venture partner in the beginning can help all stakeholders identify the most feasible path toward a successful development and ensure the congregation or community's interests are best served in an equitable manner.

This guide describes the stages of a JV partnership and offers tips for how to support setting them up for success.

It is important to note that this guide is not intended to replace legal counsel by a licensed attorney experienced in real estate contract negotiations. Do not sign any contracts without consulting a licensed attorney first.

So, what is a JV partnership anyway?

A JV partnership is a formal contractual arrangement between a landowner and a developer (entity or individual) with a track record of successfully developing affordable housing and the resources to support predevelopment expenses. That track record of success is hugely important: it helps unlock public funding and private financing by proving that your project has the technical expertise to get through all the potholes of development. The terms of the partnership (who is responsible for doing what, who contributes what resources, who absorbs losses, etc.) vary project to project, but a JV partnership holds both parties legally accountable to those terms – which is why it is so critical to make sure they are negotiated equitably and comprehensively up front!

Why work with a JV partner?

As you may have gathered from the **Affordable Housing Process Guide** and the **Organizational Self-Assessment Guide for Faith- and Community-Based Organizations**, successfully taking an affordable housing development from the idea stage through the complex process of acquisition if necessary, predevelopment, entitlements, construction, lease up, and long term stewardship takes a significant amount of time, energy, and technical expertise. Each project has unique challenges and requires a unique combination of resources and partners to actualize the development vision. Often smaller faith-based and community-based organizations don't have all the financial resources, staff expertise, and experience available that is required to make the risk of investing millions of dollars and thousands of hours of human energy worth the reward of providing much needed affordable housing to the community.

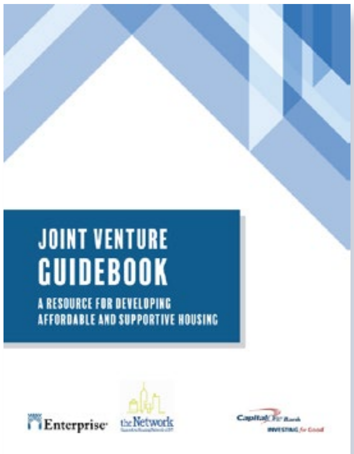
JV partnerships offer an approach that can maximize the essential assets smaller faith-based and community-based organizations often do have: developable land, community trust, political influence, expertise of congregants and board members, and experience serving residents most in need of affordable housing – while mitigating the risk of investing considerable time and resources just to learn the hard way that the project is not going to meet anticipated expectations or is not feasible without further changes.

Before you begin

- Review **The Affordable Housing Development Process** for context on where the JV partnership fits into the overall development process.

- Review the **Organizational Self-Assessment Guide for Faith- and Community-Based Organizations** for context to help assess whether the faith-based or community-based organization is ready and able to determine whether to move forward with an affordable housing project.

- Review this excerpt on "Understanding Risk, Value, and Reward" from **Enterprise Community Partners & Supportive Housing Network of New York's 2018 Joint Venture Guidebook**, page 5:



A major guiding principle in structuring a JV is the balance of risk, value, and reward. The amount of risk a party takes on and the resources it contributes generally correlate to the share of economic benefit and control that party receives.

Risk is inherent in real estate development. Projects can lose substantial time in predevelopment for a variety of reasons, such as community concerns and land use approvals, as well as securing competitive subsidy sources. Loss of time can make the project more expensive. More staff time costs money. If the project takes too long to get to a loan closing, projects can lose an award of LIHTCs or other subsidies.

Construction delays or overall cost overruns can also have very serious consequences to a deal's financial structure. For example, if the project does not reach completion within the predetermined timeframe, the LIHTC syndicator can impose penalties, known as downward adjusters, which result in reduced or lost developer fees.

In addition to the financial risk associated with providing guarantees, there can also be longer-term reputational risk if a project loses LIHTC allocations and/or subsidies due to project delays or mismanagement. In addition to risk, a real estate transaction requires resources such as property, access to funding for predevelopment, and debt and equity financing. Other valuable resources include community connections and opportunities to provide programs and services to the completed project.

The major rewards in an affordable or supportive housing deal are the developer fee and ownership interest, and cash flow. On top of these financial rewards, affordable housing developments can generate significant benefits for communities and low-income households. If done well, participating in real estate development can help an organization serve its mission while strengthening its financial position.

Part 1: Courtship

We use the metaphor of marriage throughout this guide because there are many parallels: it is both a legal and financial structure but also a mutually supportive relationship between two entities making a (literal) home together. Before two individuals get engaged, they usually spend some time getting to know each other and evaluating whether or not the other person is someone they want to spend the rest of their life with and merge their assets and family with. This process of familiarization (getting acquainted) and assessment is important for building a healthy relationship with a joint venture partner too.

ASSET INVENTORY

The first step is taking an inventory of all the unique contributions each partner will bring to the partnership. These could be:

- **Property:** This could be vacant or underutilized land, or an underutilized building structure. Especially in places where the value of land is high and bidding is competitive, owning valuable property is a significant financial contribution and critical catalyst to a development. Land is always a valuable contribution to an affordable housing development, regardless of relative real estate values.

- **Community relationships:** The process of getting all the project's permits approved — called entitlements in developer-speak — requires neighborhood support because resident voice is often a local condition for approval. Opposition can stall a project and even prevent it from moving forward. The relationships faith-based and community based-organizations have cultivated in your neighborhood are an asset in securing that input and support.

- **Business relationships:** Business relationships with vendors (contractors, etc.) that meet city requirements or preferences for local hiring, such as MBEs and WBEs (minority- and women-owned business enterprises), can help your project be more competitive for public funding.

- **Political relationships:** Everything about affordable housing development is political: from zoning to funding, any relationships you have with local elected officials can be leveraged to usher your project to completion. While acquisition and rehabilitation may be different, it also requires support and engagement with existing tenants.

- **Financial resources:** Development is expensive; any financial resources you can responsibly contribute can help move the project forward. This is particularly important during concept/due diligence when the partner is reluctant to take risk. Also, if you partner with a for-profit developer, you bring the ability to raise charitable donations and other resources that a for-profit cannot.

- **Services experience:** Are you planning on serving a population who need onsite supportive services? If your organization has experience providing these kinds of services, you could explore providing the services yourself to save money on a services contract with another provider.

PROJECT FEASIBILITY

Do you have a feasible project? Will the zoning, size and shape of your property, and population you intend to serve yield a building that can earn enough revenue (rent, subsidized or not) to cover the costs of development (upfront investment for construction plus ongoing operating costs)? Developer partners will take on much of the risk of development if they believe the project to be feasible. Importantly: the more feasible the project, the more bargaining power you have to achieve your organization's interests as you negotiate the specific terms of your partnership.

WHAT DO YOU NEED FROM A DEVELOPER PARTNER?

The point bears repeating: affordable housing development is extraordinarily complex, challenging, time consuming, expensive, and risky (lots of effort and investment doesn't necessarily translate into success). If the faith-based or community-based organization doesn't have staff or dedicated, committed volunteers who have successfully developed affordable housing and can dedicate themselves to the project full time for the next several years, a developer partner is critical. It is important to consider other priorities of the organization; if staff members devote their full time to an affordable housing project, it will impact the time they can give to other priorities or projects your organization is working on. Finding a local development advisor your organization trusts to provide guidance on partnership selection can make a big difference, especially for more complex developments.

Developer partners bring four essential assets to the partnership:

- **Knowledge:** Technical knowledge of the intricacies of the development process, the braiding and accessing of multiple funding sources, relational knowledge of all the parties involved, and experience troubleshooting potential potholes is the most important factor that drives a successful project.
- **Labor:** Affordable housing development is a lot of work! Developer partners have full-time staff dedicated to managing the project.
- **Money:** Affordable housing is really, really expensive to develop, but the total amount ranges widely depending on how large the development will be and the relative construction costs and real estate values in your area.
- **Reputation:** An important mitigation to the risk of development is a track record of success. A developer partner's reputation for effectively completing past projects helps get the other parties involved (funders, the planning department, neighbors) more comfortable with the risk.

CASTING THE NET / DRAFTING AN RFP

A Request for Proposals (RFP) or Request for Qualifications (RFQ) is a tool to help evaluate the strengths and unique features of potential developer partners. An RFP or RFQ will also facilitate a competitive process to encourage potential developer partners to propose the most favorable terms for the rest of the development team. While drafting an RFP or RFQ, consider the features that are most important to your team, including:

- **Mission alignment:** Do we have shared values and sense of purpose?
- **Communication style:** Do we have compatible or workable communication styles?
- **Experience in the neighborhood or population you intend to house:** Have they completed similar projects in the past?
- **Bandwidth and priority:** How many other projects do they have in their pipeline, and how important will your project be relative to the others? Do they have enough staff to handle their existing pipeline and your project?
- **Community representation:** Do they represent a community historically underrepresented in the real estate development industry? CDFIs and other nonprofit organizations around the country have Emerging Developer training programs to build the capacity of underrepresented developers that provide rigorous training, technical assistance, and sometimes financial support for development projects as well. It is not uncommon for JV partnerships to include less experienced developers working together with more experienced developers as a means of providing more hands on experience for the emerging developer.

It is also important to identify upfront what the non-negotiables for the rest of your development team are. They will differ for everyone, but consider the following:

- **Ownership:** Do you need to own the property in perpetuity?
- **Governance:** Does your board or decision-making body need authority over certain land use decisions, for example building design, parking, traffic, or landscaping?
- **Services:** Do you have a preference for who the services provider is? Does the population you will be housing need supportive services? Are you interested in providing those services?
- **Extras:** Are there other buildings on your site that need to be rehabilitated or rebuilt, like worship space or a community facility? Is this an opportunity to upgrade your space or improve your capacity to serve? Are you able to reposition the sanctuary or other faith spaces so as to preserve them for the long haul while providing housing to others in the community?

A **template RFP** can be found at the end of the appendix.

DISTRIBUTING THE RFP OR RFQ

Once it is prepared, you will need to share the RFP/RFQ with potential developer partners and invite them to submit a proposal. Two approaches distribution exist:

- **Small net:** With guidance from someone familiar with the strengths and weaknesses of the local options, you could identify a short list of potential developer partners and use the RFP or RFQ to sort out your preferences among that group. This approach is simpler, but less comprehensive. You should set the expectation that you will select the most qualified partner and then negotiate roles and outcomes.
- **Large net:** You can release an open RFP and share broadly with all nonprofit and for-profit developers that work locally. Look at who has been successful at obtaining public funding and financing from your local and state government agencies. Your local **Department of Community Affairs (DCA) and Housing Finance Agency (HFA)** are good resources for a comprehensive list of local developers. If you cast a large net and receive a lot of responses, be prepared to separate proposals into feasible and not feasible quickly so you do not lose the prospective partner's interest.

EVALUATING RFP RESPONSES

The criteria you use to evaluate the various RFP responses should reflect the information you solicited from developers in the RFP. One way to evaluate responses is to create an evaluation matrix and weigh what is most important to you by giving more possible points to different criteria. In this example evaluation matrix, mission and values alignment is the most important, so it has double the possible points of the other criteria. This is a flexible tool that can be adapted to your organization's preferences and needs.

Example scoring matrix

Criterion	Possible points	Score
Development and operations experience with target population	20	
Financial capacity	20	
Collaboration experience with mission-aligned partners	10	
Community engagement experience and approach	10	
Mission and values alignment	30	
Bandwidth / staff capacity	10	
Total	100	

INTERVIEWS

The evaluation matrix can narrow your prospective partners to a select two or three that you want to get to know better (or in the marriage metaphor, that you would like to date). Ask to meet the key staff and board of the potential partners you have identified and to visit their successful developments. Make sure the potential partners include in interviews and site visits the staff who will be assigned to your project. If your prospective partners have other projects in their pipeline that are currently at the stage of soliciting community feedback, you should attend those public meetings to see how they interact with the community, to get a deeper understanding of how they operate, and to ensure broad community support. Always visit their current developments and talk with residents and neighbors.

DECISION MAKING

As outlined in the **Organizational Self-Assessment Guide for Faith- and Community-Based Organizations**, it is essential that the appropriate individuals, entities, and/or committees that have decision-making authority are included in the process of selecting and confirming your developer partner. Equally important is that your constituents — whether congregation or membership — support the decision. A lack of buy-in from all the relevant stakeholders is one of the most common potholes that stall and stop projects from moving forward. The evaluation matrix, interviews, and site visits should give you the information you need to make an informed decision.

Other considerations to keep in mind are:

- **Nonprofit developers** are not inherently more mission-aligned with your mission than for-profits. Evaluate each on their own merits and alignment with your organization's values.
- **For-profit developers** are not inherently more financially capable than nonprofits. Evaluate each on their own merits and alignment with the needs of your project. Smaller projects may be best accomplished by smaller, local for-profit developers.

Developer Spotlight: Brisa

ERICKA KELLER

Chairperson/CEO, Brisa Builders Corp.
Managing Member, Brisa Builders Development, Brisa Development, Brisa Ventures LLC

An educator by training and entrepreneur at heart, Ericka Keller joined Brisa — the development firm started by her father and late stepmother — in 2012. Under her leadership, the firm has grown exponentially by adding new lines of business. The firm is intentionally very grassroots and focused on community involvement and empowerment for faith-based leaders. They have remained focused on building capacity with faith-based leadership so that they are knowledgeable about how entering into the affordable housing space can be profound – from building affordable housing to creating jobs.

Interspersed within the the following interview with Ericka are notable examples of affordable housing that Brisa has developed in partnership with faith-based organizations. Collectively, these projects represent more than 1,000 units of affordable housing and approximately 108,575 square feet of community facility space.

Q&A

What lessons have you learned over the years when working to develop or preserve affordable housing through partnerships with faith-based organizations?

When working with a house of worship, I've learned that you are working with an entity and that entity is made up of people — houses of worship leadership, board of trustees, house of worship administration and members. There are specific dynamics that we must become educated about and learn to navigate through those dynamics so that there is an effective partnership. I've learned that even though houses of worship are involved in real estate development, they don't always have the knowledge necessary for suc-

continued on next page

Part 2: Sealing the Deal and Putting it in Writing

NEGOTIATING AND SIGNING THE CONTRACTS

Once the development team decides on a partner, it is time to put a ring on it and make it official. The Memorandum of Understanding (MOU – not legally binding) and/or Joint Venture Agreement (JVA – legally binding contract) you sign formalizes a set of terms and expectations for how you and your developer partner will work together and divide up roles, responsibilities, risks, and rewards over the lifetime of the development. **It is critically important that you hire a licensed attorney experienced in real estate JV partnership contract negotiations to draft and review these documents before your organization signs them.** The legal counsel you hire should walk you through the costs and benefits of different terms and deal structures and advocate for your best interests in the negotiation. If any future problems arise, they can only be settled in the court of law.

The checklists in the appendix of **Enterprise Community Partners & Supportive Housing Network of New York's 2018 Joint Venture Guidebook** are a good resource for an inventory of terms that should be included in your MOU and/Partnership.

PREPARE FOR DIVORCE PROCESS AT THE START

Much like a marriage, establishing healthy communication habits and clear expectations in the beginning makes it easier to avoid and manage conflict as it inevitably arises. It is important to agree and document how often you will check in, how you will make decisions together, and how you will resolve issues. It is also best practice to agree on a process for dissolving the relationship if it comes to that. Also, if your project uses tax credits, you need to include the plan for ownership is when the regulatory agreement which guides the use of tax credits and often other public resources expire, rights to buy out each other's ownership rights, long term affordability restrictions, etc. These should both be discussed verbally and documented in the contract.

cessful housing development. It's not something pastors are taught in a school of divinity. We've been successful working with houses of worship because they recognize that and we've developed a sensitivity to the dynamics and challenges of being a faith-based organization working on housing. Another lesson learned is that it's okay to say certain things are aligned with our mission or what we hope to achieve, and certain things are not. We don't need to push a square peg into a round hole. That has been an important lesson: it's okay to say no.

Berean Apartments

What advice would you offer others regarding assembling their bench of partners to ensure success in affordable housing development or preservation projects that involve faith-based organizations?

I think it's important to follow process and have procedures from the very beginning, especially in states where there is an external review. For example, each house of worship should familiarize themselves with their bylaws. It's important to know who needs to be a part of your team and who are the, key decision makers according to the regulations established by the house of worship. It's also important to find partners that have expertise supporting or offering technical assistance for housing projects that involve faith-based organizations. It's important to understand that there should be an architect and engineers to guide zoning, design, infrastructure, and feasibility discussions.

An owner's representative is important for houses of worship that do not have expertise in housing projects. This person can walk the house of worship through discussions and translate terms that are unfamiliar. A lawyer that has

Part 3: Managing the Marriage

PROPER PREPARATION PREVENTS POOR PERFORMANCE

A common theme in this guide is the importance of thoughtfully investing time to prepare and plan for a functional relationship. If you and your developer partner are clearly aligned on the goals of the project, your roles, expectations of how money will be spent and received, and the parameters of the property, you are much more likely to have a partnership that leads to a successful development.

COMMUNICATE, COMMUNICATE, COMMUNICATE!

Trust building is an essential part of the process. It is important to check in frequently at the beginning of the partnership and create the space to give and receive feedback about what is working, and what is not. Avoiding communicating about issues or concerns early on can fester and lead to an unresolvable issue that implodes the whole project. If something doesn't make sense, it is essential to pause and ask for guidance to better understand before moving forward. It is always a good idea to get a second opinion before making commitments too!

ACCOUNTABILITY

Contracts like Joint Venture Agreements are as equally important for clarifying expectations as they are for holding each other accountable. All members of the development team can and should use it as a reminder of what you both signed up for and agreed to. People don't perform their side of the deal all the time – sometimes intentionally, but often just out of lack of clarity or misunderstanding about roles and responsibilities. Life happens, other priorities come up, things get delayed that make things we are responsible for impossible in the expected timeline. Lack of clarity about roles and responsibilities and the absence of mechanisms to hold each other accountable can lead to a failed project.

worked on similar affordable housing or development projects is key in representing the house of worship, through the process, they should be well versed in this sector of real estate law. Obviously, there is the development partner which should be chosen through an elective process of the key decision makers. Then, there is the community. Houses of worship are about helping the community, therefore there should be strategic thought about ways in which to engage the community to ensure that the development meets the needs of the community.

Bishop Philius and Helene Nicolas Senior Residences

What accomplishments of Brisa Builders Development LLC are you most proud of?

- **Funding secured:** $652,342,046 total development cost of projects completed or under construction.
- **Affordable housing units developed or preserved:** 1,184 units completed or currently under construction since 2016. 1,793 units are currently in the predevelopment stage.
- **Square footage developed for community facilities and commercial/retail space:** More than 108,575 square feet
- **Women and minority-owned businesses contracted:** We have consistently doubled the targeted goals for Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) hires on every job.
- **Employment opportunities created for individuals from low-income households:** Approximately 150-300 construction and permanent jobs created for each project.

Conclusion

As you walk down the aisle with your joint venture partner, keep in mind these core principles to lead you toward marital bliss:

- Clarify and make explicit the assets you are both bringing to the table.
- Communicate early, communicate often.
- Be prepared for conflict to avoid surprises.

Part of what makes affordable housing development so complicated and challenging is that every project is different. There is no easy checklist or template to follow to achieve success. Each decision you make along the way unlocks more decisions, different paths, and new challenges. The purpose of this guide is to provide general guidance and best practices for successfully navigating that complexity. The information included here is not intended to replace the individualized legal guidance focused on the specificities of your project, but to help contextualize and better understand that guidance.

Template Request for Proposals (RFP) for Developer Partner

Request for Proposals
[**date**]

Development of Affordable Housing at
[**property**]

Respond to
[**name**]

Via email [**email**]
Via US Mail at [**address**]
[**phone**]

Before [**deadline**]

CONTENTS

INTRODUCTION

[**Background information on your organization, and goal of development project.**]

PROPERTY DESCRIPTION

[**Describe here**]

DEVELOPMENT CONCEPT AND OBJECTIVES

[**Describe here**]

MINIMUM QUALIFICATIONS AND EVALUATION CRITERIA

[**Organization**] seeks a mission-aligned developer with experience in:

- Financing, developing, and operating [**kind of development**]
- Capacity to secure tax credits and other local, county, state, and federal funding sources, in satisfaction of and compliance with all lender and investor requirements
- Strong community engagement background and experience developing in [**locality**]
- Established and successful property and asset management functions
- Demonstrated ability to successfully collaborate with nonprofit, mission-driven service provider
- Experience with integrating first-floor commercial or community-serving space

	Points
Development and operations experience with [kind of development]	10
Financial capacity	10
Property management	10
Asset management	10
Collaboration experience with mission-aligned partners	10
Community engagement experience and approach	10
First floor or commercial experience	10
Mission alignment	20
Timeline	10
Total	**100**

CITY, COUNTY, STATE OR FEDERAL REQUIREMENTS

[**Organization**] expects that the developer will be fully cognizant of and compliant with all relevant city, state, or federal requirements for:

- Public financing including bond measures and available allocations
- Tax credits
- Lending and social impact investment funds
- Project based vouchers, veterans' subsidies
- Fair Housing, Neighborhood Preference and Primary Referrer methods to prioritize applications of long-term community residents at risk of displacement and gentrification
- Regulatory requirements related to minimum/prevailing wage and project labor agreements, including small/local business and/or local hire requirements
- Environmental standards at the City/County/State/Federal levels
- Construction efficiencies and innovations including modular construction
- Contractor bonding

SELECTION PROCESS, AWARD AND NEXT STEPS

[**Decision making body**] will interview organizations on [**date**] with a goal of entering into a Memorandum of Understanding [**timeline**].

TO RESPOND

[**Deadline**]

[**Contact name**]

Via email [**email**]

Via US Mail at [**address**]

Hand delivery [**address**] Attn: [**contact**] [**phone**]

PLEASE INCLUDE:

1. Most recent audited financial statements
2. List of completed and current projects with basic project info (location, population served, project cost, funding sources, depth of affordability, neighborhood serving and culturally appropriate approaches)
3. Description of successful prior collaborations/partnerships with community-based organizations and/or service providers
4. Recommendations for joint venture partnerships
5. Assigned personnel: project manager, development team

6. Approach to vision, pre-development, community engagement, financing construction, operations and management based on qualifications and criteria above. Strategies to explore regarding ownership, developer role/contribution, partnership definition and exit
7. Timeline from predevelopment to lease-up for similar project
8. Where project fits in your development pipeline
9. How your mission aligns to [**organization's mission**]

Part 3 Case Studies

Introduction

The following case studies have been selected to represent a wide spectrum of successful affordable housing developments and programs created by, for, or with a faith-based partnership. These case studies are intended to highlight potential projects for a HUD Grantee to visualize potential faith-based projects in their communities.

In the project-based case studies, the role of the HUD Grantee varies as much as the details of each faith-based project. These projects range from long-term preservation to new construction, from major cities to smaller urban areas. The purpose of these case studies is not to define a specific role for a HUD Grantee but rather to show the potential opportunities for a HUD Grantee to identify, encourage, and support housing partnerships with faith-based organizations.

In the programmatic case studies, **Bay Area Faith & Housing Program** and **Enterprise Faith-Based Development Initiative**, the HUD Grantee has taken an active role. Both case studies develop cohorts of faith-based organizations and provide support and resources to identify and analyze the feasibility of potential housing projects.

Case study overview

Spring Valley Crossing
KALAMAZOO, MI

St. Luke's Episcopal Church
SEATTLE, WA

Lantern Light
FARGO, ND

Columbia Heights Village
WASHINGTON, DC

Grace Manor
CHICAGO, IL

Bay Area Faith & Housing Program
ALAMEDA COUNTY, CA

Nehemiah Spring Creek
BROOKLYN, NY

Enterprise Faith-Based Development Initiative
WASHINGTON, DC

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Spring Valley Crossing

Kalamazoo, Michigan | Preservation, HUD 202, PRAC to RAD Conversion

Using the Green and Resilient Retrofit Program to preserve affordable housing

Founded on a faith-based mission, National Church Residences is the largest nonprofit provider of senior housing in the country, owning and operating 340 senior housing communities in 25 states.

National Church Residences was created when four churches from three towns pooled their resources to purchase the organization's first community. Today, the National Church Residences' portfolio of more than 350 communities is thanks to numerous collaborative efforts with faith-based partners and other valued stakeholders.

Recently, National Church Residences received Green and Resilient Retrofit Program (GRRP) funding made available in 2023 to preserve and enhance Spring Valley Crossing, a senior housing development operating under the HUD Section 202 program, which provides very low-income older adults with options that let them live independently in an environment with wraparound services.

Spring Valley Crossing serves seniors with 56 units of which 55 are rent assisted. Approximately 70 percent of residents are people of color, twice the citywide rate, with African Americans comprising almost half of the resident population. The proposed renovation funding will address standard capital and accessibility needs as well as significantly enhance the property's energy efficiency and climate resilience. The scope of work will include replacement of appliances and water fixtures in alignment with EPA's Energy Star and WaterSense labels, enhancements of the building's thermal envelope to stabilize temperatures for both resident comfort and energy efficiency, and the incorporation of flood resilience measures.

Project team

Land Owner
National Church Residences

Faith Institution
National Church Residences

Development Partners
Developer: National Church Residences
Architect: Alliance Architects

Service Providers
National Church Residences provides on-site service coordination through their team

These renovations were able to move forward due to the project recapitalization permitted through Rental Assistance Demonstration (RAD) for Section 202 Project Rental Assistance Contracts (PRAC). This "RAD for PRAC" process converts PRAC projects to Section 8 project-based assistance or project-based vouchers. This conversion provides an opportunity for the aging stock of Section 202 PRAC properties to be recapitalized while protecting residents, maintaining nonprofit control, and extending the period that the properties must remain affordable.

These GRRP investments ensure the property continues to offer its robust service package for residents, involving traditional service coordination supplemented by National Church Residences' Home for Life Program with additional services, partnerships, health management tools, tenant metrics to inform programming, and measures to support quality of life. The proposed renovation will be designed to secure the **National Green Building Standards (NGBS) Gold with Zero Energy** designation. Thanks to GRRP funds, National Church Residences did not need to look for a LIHTC to fund execution. This meant substantial savings in soft costs and an expedited preservation strategy. GRRP provides funding for direct loans and grants to projects that improve energy or water efficiency to enhance indoor air quality or sustainability. HUD required splitting the construction scope of work between GRRP-eligible and non-eligible costs. To meet this condition, National Church Residences specifically chose a general contractor well versed in splitting costs and conducting their own self-performance. National Church Residences also leveraged their architect's experience in building these programmatic considerations into project design.

Program

- 55 units at 50% AMI
- Target population: older adults (62+)
- National Church Residences' robust Home for Life Program is backed by central office support staff and presents a holistic, person-centered supportive services experience that extends far beyond traditional service coordination

Community context

ACS (2020) PROFILE: ZIP CODE 49004

- Population: 16,358
- Total Households: 7,462
- Bachelors or Higher: 32.2%
- Total Housing Units: 7,118
- Business and Economy: 171
- Median household Income: $68,361
- Employment Rate: 61.9%
- Unemplotment Rate: 9.3%
- Population without Health Care Coverage: 5.4%

HOUSING COST BURDEN (CHAS 2016-2020)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	10,550	7,890	18,440
31-50%	1,675	3,795	5,470
Greater than 50%	550	4,390	4,940
Not available	95	265	360
Total	12,865	16,345	29,210

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): KALAMAZOO / PORTAGE

Efficiency	1BR	2BR	3BR	4BR
$724	$878	$1,057	$1,413	$1,484

Timeline

VISION CASTING

2017
National Church Residences recognized its PRAC portfolio as high risk in its strategic planning

2018
Advocacy success; RAD conversions authorized by Congress to include PRACs

2019
RAD for PRAC regulations published

2023
Supplemental RAD guidance adds additional tools for PRAC preservation

NEGOTIATION

Long-term partnership with HUD provided extra consideration for cure of HVAC system

DUE DILIGENCE

Application HUD HERO/Environmental Report and engage Architect and Green Consultant to put together scope of work and Green Certification

Post-award ASHRAE Level II Report, Green Certification Checklist, PCNA, Solar Feasibility Study, other third-party reports

PRE-DEVELOPMENT

July 2023
Submitted for HUD's GRRP Leading Edge grant

October 2023
Awarded $3.6M GRRP Leading Edge Surplus Cash Loan (at the request of HUD)

May/June 2024 (anticipated)
RAD conversion request submitted along with Leading Edge Transaction Plan and Application for Firm Commitment

September 2024 (anticipated)
Receive firm commitment, RAD conditional approval and Leading Edge Commitment

November 2024 (anticipated)
Closing on all financing and convert PRAC

PERMITTING

May 2024
(anticipated)

CONSTRUCTION

Nov/Dec 2024 to Dec 2025
(anticipated, 12 months)

LEASE-UP

Dec 2025 to Feb 2026
(anticipated, 3 months)

Finances

SOURCES

FHA d4 Loan	$4,000,000
HUD GRRP	$3,360,000
Deferred developer fee	$15,872
Acquired reserves	$156,922
Construction period income	$370,207
Total development costs	**$7,913,001**

USES

Construction (includes contingency)	$5,500,563
Architecture & Engineering	$336,416
Developer fee & misc. soft costs	$1,340,426
Financing fee & interest	$489,396
Start-up costs & reserves	$246,200

CONTACT

National Church Residences

nationalchurchresidences.org

(800) 388-2151

Corri Page Public Policy Manager
cpage@nationalchurchresidences.org

Stephanie Rhodes Senior Project Manager
srhodes@nationalchurchresidences.org

RESOURCES

Spring Valley Crossing

RAD for Section 202 PRAC (HUD)

Lessons learned

Continually reassess your portfolio for opportunities

Upon the creation of RAD for PRAC followed by availability of GRRP funding, National Church Residences conducted a review of their 70+ aging HUD-202 PRAC communities to identify properties that would be good candidates for these funds. Combining a RAD conversion with GRRP funds, as well as other debt and equity, meant National Church Residences could complete a full-scale preservation while adding climate resiliency and digital access for all. The rehabilitation provided tangible benefits to residents, like green and energy efficient appliances and materials.

Leveraging partnerships to make the deal pencil

While the RAD for PRAC and GRRP initiatives created the opportunity for this preservation effort, the braiding of the funding sources created challenges for National Church Residences to overcome. The small amount of debt remaining after RAD and GRRP and lack of equity investor limited the available debt providers. Additionally, the existing PRAC rents were not high enough to wholly support this remaining debt. To overcome these hurdles, National Church Residences leaned on existing partnerships to find debt lending options. The organization worked with a long-term partner to see if they could find a low-cost option and ended up going with an FHA loan due to amount of debt. To make an FHA loan work for a project of this scale, National Church Residences leveraged the experience and partnership with Lument to make a successful deal.

New HUD rents created opportunity

When National Church Residences first began work on the RAD for PRAC for Spring Valley Crossing, existing rent levels were not foreseen to be an issue. However, the organization quickly realized the existing PRAC rents were not high enough to support the debt amount needed for this project. National Church Residences overcame this shortfall by using the Preservation Rent Increase released in July 2023. This increase provides just enough for the rent to support the debt needed and make the project pencil.

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Lantern Light

Fargo, North Dakota | Acquisition & Rehabilitation, Adaptive Reuse, Permanent Supportive Housing

Continuing the Sisters' vital mission

With a long history of partnering on housing needs for families in poverty, particularly those with children, the YWCA Cass Clay and the Sisters of the Presentation recently completed Lantern Light, their largest housing collaboration.

Lantern Light is a 23-unit, low-income housing development that literally emerged from the walls of the Sisters' former convent, a 43,895-square-foot building on a beautiful 5+ acre riverfront site. It is adjacent to the YWCA shelter and has become part of their campus. With fewer Sisters taking vows locally and the current Sisters aging, they began having conversations with the YWCA in 2020 about the possibility of selling the convent to the YWCA so it could be converted into affordable housing for families experiencing homelessness and escaping violence. Lantern Light opened its doors to residents on November 2, 2023, and is currently home to 23 adults and 46 children.

"Lantern Light honors our founder Nano Nagle and the spirit of her charism. It will be a place of safety and hospitality that kindles hope for the future," says Sr. Mary Margaret Mooney. "YWCA will be good stewards of a place that began with Sisters of the Presentation and carries on through their mission."

Nano Nagle was known in 1770s Ireland as the Lady of the Lantern because she used to walk through the streets and alleyways with a lit lantern offering food, medicine, and comfort to orphans and widows.

Team

Land Owner
Lantern Light LLC

Faith Institution
Sisters of the Presentation

Partners
YWCA Cass Clay
Beyond Shelter Inc.
Sisters of the Presentation of the Blessed Virgin Mary
North Dakota Housing Finance Agency
Fargo Housing & Redevelopment Authority
Shultz and Associates Architects
Roers Construction

Community context

ACS (2020) PROFILE: ZIP CODE 58103

- Population: 46,754
- Total Households: 23,152
- Bachelors or Higher: 34.2%
- Total Housing Units: 24,551
- Business and Economy: 1,936
- Median HH Income: $56,786
- Employment Rate: 70.6%
- Unemplotment Rate: 4%
- Population without Health Care Coverage: 9%

HOUSING COST BURDEN (FARGO)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	21,680	18,405	40,085
31-50%	1,970	6,540	8,510
Greater than 50%	910	5,600	6,510
Not available	85	300	385
Total	24,635	30,840	55,480

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): FARGO ND / MN MSA

Efficiency	1BR	2BR	3BR	4BR
$656	$781	$944	$1,330	$1,602

YWCA Cass Clay

YWCA Cass Clay is a place for women and their children to seek shelter and safety from their abusers. Their emergency shelter serves more than 1,200 survivors each year with supportive housing, food, clothing, educational and employment resources, programming for homeless prevention, and racial justice. More than half the people served are Black/African American or Indigenous/Native American. Since 1977, they have assisted women through their journey to stability, independence, and safety. Some past survivors even work for the shelter today. In addition to operating the largest emergency shelter for women and children in North Dakota and northwest Minnesota, YWCA Cass Clay provides 107 units of safe and affordable supportive housing to assist women and families in gaining stability and independence.

Program

- Total development cost $8.24 million
- 23 units between 30 and 80 percent of AMI, depending on funding source
- 43,895 square feet in total, 52% residential and 48% common space, office, storage

Violence that leads to homelessness and instability

More than 23 percent of people experiencing homelessness in the Fargo metro area self-report that they are experiencing domestic violence. Because this data is available only through the **Homeless Management Information System (HMIS)**, only those agencies using the HMIS are reporting, making this potentially a substantial undercount. When Lantern Light was introduced in 2020, just 16 percent of people looking for shelter at the YWCA could be assisted, leaving 242 women and children to seek shelter elsewhere or return to their abusers.

Insufficient supportive housing

With the YWCA having a campus (and off-campus) of housing solutions for people escaping violence, Lantern Light helps fill the shortage of supportive housing in the Fargo metro area. It is only the area's third supportive housing option that allows children, after the YWCA built Grace Garden in partnership with Lutheran Church of the Cross and Churches United for the Homeless Shelter created Bright Sky Apartments.

Given the unique needs of this housing type, the same developer was used for all three efforts. Without them, other partners, and the strong, well-matched partnership with the Sisters of the Presentation and Lutheran Church of the Cross, neither Grace Garden nor Lantern Light would have been created.

Timeline

DISCERNMENT (4 MONTHS)

December 2020
Sisters of Presentation contacted the YWCA to inquire about their interest in building

January 2021
Sisters of Presentation issued an RFP regarding use of building, due in March of that year

March 2021
RFP responses due

NEGOTIATION (1 MONTH)

May 2021
Sisters' decision and response to RFP's short-term solutions until YWCA could reach this long-term option.

PRE-DEVELOPMENT (1 YEAR)

May 2021
YWCA Lantern Light application to Federal Home Loan Bank for Affordable Housing Program

September 2021
YWCA Lantern Light application to North Dakota Housing Finance Agency for HOME, HTF, HIF programs

November 2021
YWCA Lantern Light awarded HOME, HTF, HIF

December 2021
YWCA Lantern Light awarded AHP

January–August 2022
Environmental reviews, preparing documents for financial closing

REHABILITATION & RELOCATION (1.5 YEARS)

August 2022
Renovation started

January 2023
Existing clients relocated

August 2023
Existing clients returned

November 2023
Grand Opening: tenants began moving in

LEASE-UP (3 MONTHS)

December 2023–February 2024

Lessons learned

Strategic leaders, strong relationships

The YWCA of Cass Clay and their CEO, Erin Prochnow, are strategic community leaders when it comes to serving the homeless community and ending homelessness. They are not only working in crisis mode and delivering day-to-day operations of an emergency shelter for women and children fleeing domestic violence, but also strategizing and building housing solutions to end homelessness.

Just as important is their capacity and understanding of administering federal funds and managing construction projects, which is critical for local funders when selecting construction projects to fund. This is especially true for those funders administering federal programs such as the HUD Community Development Block Grant (CDBG), HOME, Emergency Solutions Grant (ESG), and Continuum of Care (CoC). With the concept of Lantern Light coming out around the time of the COVID-19 pandemic, specific funds were made available for projects that helped in preventing the spread of the virus. Housing was a response to ensure people could be safe, isolate, and social distance themselves. Homeless shelters were unable to offer the same kind of safety as actual housing. Lantern Light is seemingly a perfect fit now and into the future.

Funding setbacks and organizational resiliency

One funding source considered was HOME American Rescue Plan (ARP) funds through the City of Fargo designed for homeless housing during the pandemic. Funding was pulled, though, since CoC and HOME ARP funds could not be layered due to the programs' differing definitions of qualifying populations, and CoC requires income limits but HOME ARP allows limits on only 30% of units. This left a $500,000 gap just prior to acquisition. Though displeased and disappointed, the YWCA took it in stride and quickly made the calls and decisions needed so their project could continue within a tight schedule. In partnership with North Dakota Housing Finance Agency Officials, State Director of HUD, and the Region 8 Community Planning & Development (CPD) office in Denver, the YWCA partially closed the gap with unspent State HUD HOME dollars plus $200,000 of their supportive service budget. While it is impossible to know such impactful unknowns, it is possible to be prepared. The YWCA strategized and found solutions quickly through its existing relationships, a reflection of their strong, ongoing networking efforts as an agency. This is done by consistently engaging the community and building a list of internal and external stakeholders while sustaining their involvement.

Environmental near miss

Beyond the funding setback, the YWCA had a close call with the NEPA environmental review process. The property parcel was in a Special Hazard Flood Area (SHFA) or 100-year flood plain, which was a major obstacle. HUD funds cannot be used in these areas. While the City of Fargo was not able to support the project financially at this point due to the HOME ARP limitations previously mentioned, they were still a supportive partner in the environmental review process with the State since they were now the Responsible Entity (RE). In response to the flood concern, the City of Fargo suggested to split the parcel into two separate parcels because the building footprint was not actually in the flood plain, just the parcel. After the parcels were split, Lantern Light became eligible for federal assistance. Fortunately, that was an acceptable workaround that otherwise would have derailed the project. This was possible by having existing relationships with the City of Fargo, the State, and having knowledgeable staff conducting the environmental review process. If knowledgeable staff is not available, an environmental consultant can be procured by the project owner and the RE or local jurisdiction can review and sign off on the consultant-prepared environmental review.

Project summary

Partners	YWCA Cass Clay Beyond Shelter Inc. Sisters of the Presentation of the Blessed Virgin Mary	North Dakota Housing Finance Agency Fargo Housing and Redevelopment Authority Shultz and Associates Architects Roers Construction
Partnership model	Seller/buyer, existing strategic partnership, primarily anonymous donation.	
Context	Rehabilitation of a former Sisters' convent into affordable supportive housing for domestic violence survivors experiencing homelessness; convent partially sold/primarily donated by Sisters of the Presentation to the YWCA Cass Clay in Fargo, North Dakota; supportive housing is a critical need in community.	
Project amenities	Direct access to the YWCA's housing programs and supportive services (onsite), in-unit and centralized laundry, playground, atrium, meeting rooms/gathering spaces, computer room, ADA compliance, security cameras, key fob entries, broadband internet throughout building.	
Total development cost	$8.24 million	
Acquisition	While the actual sales price is undisclosed because the Sisters wanted the contribution amount anonymous, it is considered the single largest donation ever received by the YWCA. At the time of sale, the property was worth $3.45 million. Today, the City of Fargo assessed its value is more than $7.08 million.	
Ownership	Lantern Light LLC, 100% owned by YWCA Cass Clay	
Developer fee and cash flow	$800,000; Year 1 cash flow = $38,530. Developer does not own property; they developed only.	
Exit strategy	YWCA does not acquire property; Sisters of Presentation sells to other party	
Division of responsibilities	Developer managed development. Architect worked with developer and owner. Owner worked with all parties on all aspects of the project. Primary role of owner was to secure funding and be the champion and spokesperson for the project.	
Project duration	3 years	

Finances

SOURCES

Housing Trust Fund	$2,016,358
HUD HOME Investment Partnership	$4,250,176
Housing Incentive Fund	$1,023,771
FHLB Affordable Housing Program	$750,000
YWCA Donor Source	$200,000
Total sources	**$8,240,305**

USES

Acquisition / site work / rehabilitation	$6,902,483
Professional fees	$328,650
Soft costs	$93,867
Syndication costs	$5,500
Developer fees	$800,000
Reserves	$109,805
Total uses	**$8,240,305**

CONTACT

YWCA Cass Clay

www.ywcacassclay.org

info@ywcacassclay.org

(701) 232-2547 YWCA Administrative Office Line

Erin Prochnow CEO
eprochnow@ywcacassclay.org

RESOURCES

Presentation Sisters (pbvmunion.org)

Beyond Shelter, Inc. Fargo, ND (beyondshelterinc.com)

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Grace Manor

Chicago, Illinois | New Construction, Multifamily / Mixed-Use

Realizing Dr. Martin Luther King Jr.'s dream of affordable housing on Chicago's West Side

Rev. Marvin Hunter, pastor of the Grace Memorial Baptist Church, spearheaded the vision for Grace Manor Apartments, a six-story, mixed-use development in North Lawndale.

The $40 million project is part of Hunter's 25-year effort to bring more housing to North Lawndale. This effort is Rev. Hunter's attempt to respond to Martin Luther King Jr.'s call to action to, "cash this check, a check that will give us upon demand the riches of freedom and security of justice" (Dr. Martin Luther King Jr. August 28, 1963).

Built atop an unused police parking lot, Grace Manor will include 65 affordable apartments, with ground-floor space for community and commercial tenants, including health and wellness service providers, job training, and wealth-buliding classes. The project aims to bring people back to the North Lawndale neighborhood, whose Black population dropped nearly 10 percent from 2010 to 2020.

> *The core principles of my ministry are Food, Education, and Housing. Someone other than me has to prosper from my ministry…Grace Manor is a way for others to prosper and for my ministry to achieve all three of our core principles.*
>
> **Rev. Marvin Hunter**

Team

Land Owner
Grace Memorial LP

Faith Institution
Grace at Jerusalem CDC

Development Partners
Grace at Jerusalem LLC
East Lake Management Corporation
Juan Moreno/JDMA

Community context

ACS (2020) PROFILE: ZIP CODE 60623

- Population: 87,649
- Total Households: 26,964
- Bachelors or Higher: 13.1%
- Total Housing Units: 31,554
- Business and Economy: 838
- Median household income: $37,814
- Employment Rate: 49.9%
- Unemplotment Rate: 10.9%
- Population without Health Care Coverage: 18.2%

HOUSING COST BURDEN (CHICAGO)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	346,614	318,990	665,605
31-50%	73,950	118,875	192,825
Greater than 50%	65,005	132,985	197,990
Not available	4,730	19,995	24,725
Total	490,295	590,850	1,081,145

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): ZIP CODE 60623

Efficiency	1BR	2BR	3BR	4BR
$1,030	$1,110	$1,260	$1,600	$1,900

Program

- The residential unit mix will deliver 46 apartments marketed at 60% AMI, including 22 one-bedroom and 24 two-bedroom configurations. The remaining 19 units will be subsidized by the Chicago Housing Authority's participation via the Rental Assistance Demonstration (RAD) program, offering 9 one-bedroom and 10 two-bedroom units.
- Tenant amenities will include a fitness center, laundry, rooftop terrace, package room, computer room, and on-site management. Eighteen car parking spaces and a bike room will also be provided.
- Commercial space whose potential tenants include café and neighborhood health uses.

Many faith-based institutions do not have the capacity to stand on their own and develop much needed housing in the inner city. If they can partner with organizations with an established track record, financial management capabilities and interest in increasing the availability of affordable housing in underserved communities, they can accomplish their goals. That's what's happening through the partnership for Grace Manor in North Lawndale.

Elzie Higginbottom, Founder and President
East Lake Management

Key details

- Six-story mixed-use with 65 affordable housing units and ground floor retail space.
- The land was acquired from the City of Chicago through a conveyance at a nominal fee.
- Site was identified as part of INVEST South/West, an unprecedented community improvement initiative under former Chicago Mayor Lori E. Lightfoot to marshal the resources of multiple city departments, community organizations, and corporate and philanthropic partners toward 10 communities on Chicago's South and West Sides.
- Minimum 26% participation from qualified minority business enterprises and 6% qualified women business enterprises.
- The project will create 150 estimated temporary construction jobs and 12 estimated permanent jobs.

Timeline

PRE-DEVELOPMENT

Fall 2019
City site identification

November 2020
Phase 1 ESA completed

January 2021
City appraisal

March 2021
City RFP for site design and development team

September 2022
Financing secured

CONSTRUCTION

December 2023
Groundbreaking

Spring 2025
Anticipated project completion

Finances

SOURCES

City of Chicago Multifamily Housing Revenue Bonds	$20,000,000
Tax increment financing	$5,500,000
City of Chicago Multifamily Loan Funds	Up to $9,200,000
Donation tax credits	$160,000
Equity Bridge Loans (Merchants)	$13,000,000

USES

Soft cost equity	$3,412,090.75
Hard cost debt	$30,630,643.00
Soft debt	$192,627.00
Acquisition cost	$6,393,855.25
Total development costs	**$40,629,216.00**

> *Housing is always part of the solution, but it is only one part. It's important for faith leaders and organizations to determine the best role they can play in serving the community – from acting as convenors, assisting with property management, and providing support services to helping develop or preserve housing. They know the needs of the community and can play a lot of roles along a continuum, including being a developer.*
>
> **Lee Pratter, Deputy Chief Development Officer**
> Chicago Housing Authority

CONTACT

Grace Manor Apartments

gracemanordevelopment.com

Rev. Martin Hunter
info@gracemanordevelopment.com

Lessons learned

"Built by us for us"

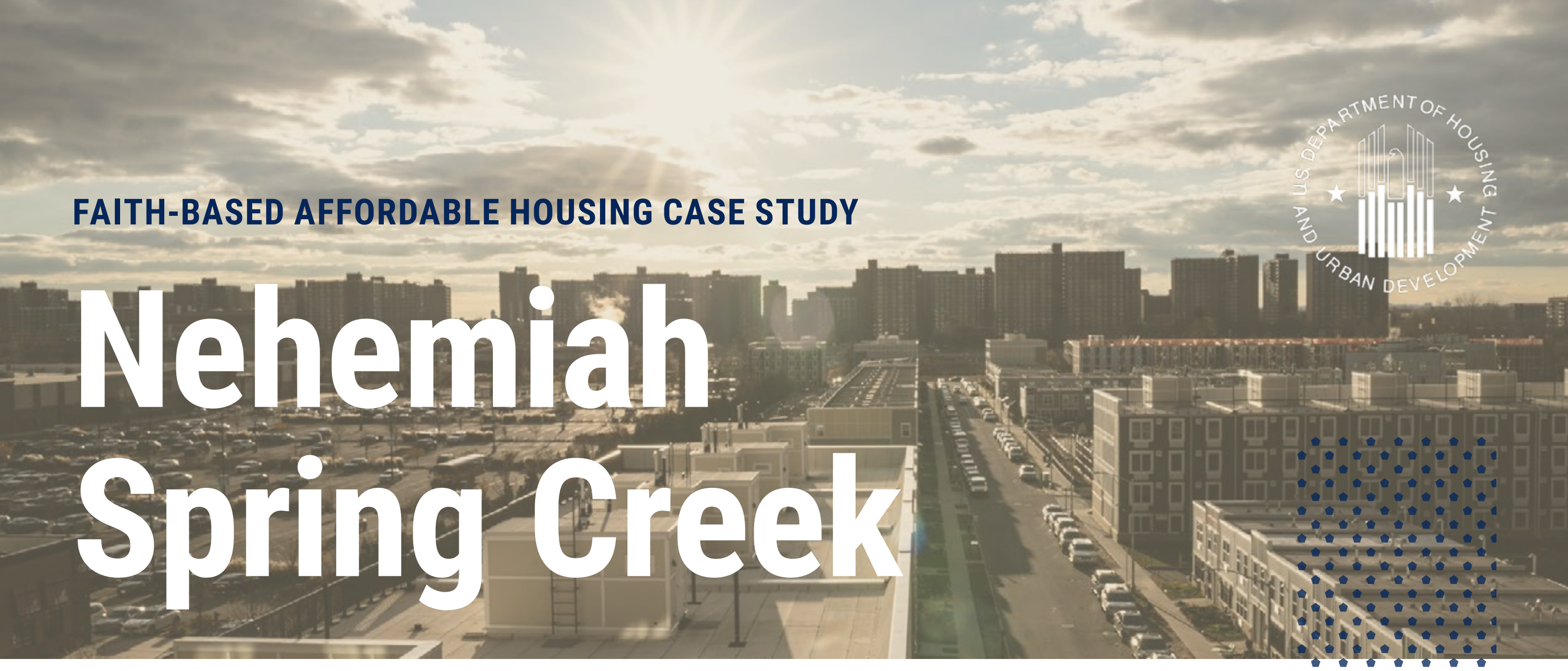
Grace Manor stands out due to the diversity in participation through all levels of the development. Using project labor agreements (PLAs), Grace at Jerusalem CDC will ensure diversity in the sub-contracts used through the project's development and construction. These PLAs ensure opportunities for residents in the North Lawndale community to participate directly in the development of this community resource. Grace Manor is estimated to create 150 temporary construction jobs and 12 permanent jobs.

Selecting the right partners...

The development team is a collaboration between East Lake Management Corporation and Grace at Jerusalem CDC. Grace at Jerusalem CDC is related to the Grace Memorial Baptist Church in North Lawndale, where Rev. Marvin Hunter serves as Senior Pastor. With their extensive track record of developing mixed-use properties, East Lake provides mentorship and guidance to Grace at Jerusalem CDC as a means to build their development capacity through Grace Manor, the CDC's first project with the City of Chicago. The formal agreement between East Lake Management and Grace at Jerusalem CDC ensures landownership remain with Grace at Jerusalem CDC after 15 years.

"Wealth is in the land"

Pastor Hunter and Grace at Jerusalem CDC's goal from the onset of the Grace Manor development was to create a catalyst project for the community and create a local workforce trained to implement future change. Setting this foundation will allow Grace Manor to make an impact on the neighborhood one building at a time. Grace at Jerusalem CDC has already identified a potential new development of 130 units with a fitness center and medical center that specializes in the medical needs of the local community.



FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Nehemiah Spring Creek

Brooklyn, New York | New Construction, Single Family and Multifamily Homeownership and Rental

A decades-long housing action rooted in the power of collective efforts

Nehemiah Spring Creek is a multiphase housing development initiative of the City of New York and East Brooklyn Congregations (EBC), culminating a vision that began in the 1980s to transform 43 acres of former wetland and landfill into affordable housing for the communities of East Brooklyn.

The project owes its origins to EBC's relational approach. Decades ago, EBC began conducting house meetings with local residents — one-on-one conversations to build trust, understand their needs, and find solutions. Rather than starting with a solution, EBC starts with understanding the problem. What started with a campaign to address missing street signs that kept ambulances from reaching their destination and contributed to urban blight evolved into a long-term vision to stabilize the community, help people build wealth, and foster a sense of pride.

EBC's efforts draw strength from religion, with the church as a primary source of funds and social space for organizing, and faith sustaining the movement and fight for change. After hundreds of grassroots conversations in community, Nehemiah Spring Creek first broke ground in 2008. Phase 1–3B included 368 one-, two-, and three-family homes completed in 2017. Phase 4C is currently underway, adding 57 single-family and 27 two-family homes for middle-income homebuyers, with future phases to come.

> *It's about a community vision. Most of the people fighting for Nehemiah will never live there.*
>
> **Aaron Graf, Executive Director**
> Nehemiah Housing Development Fund Company

Project team

Faith Institution
East Brooklyn Congregations

Development Partners

Phases 1–3
Developer: Nehemiah Housing Development Fund Company
General Contractor: Monadnock Construction

Phase 4A
Developer: Monadnock Development
Lender: M&T Bank for end loans

Community context

ACS (2020) PROFILE: ZIP CODE 11239

- Population: 17,038
- Total Households: 8,367
- Bachelors or Higher: 24.4%
- Total Housing Units: 8,251
- Business and Economy: 124
- Median household income: $38,670
- Employment Rate: 45.3%
- Unemplotment Rate: 4.1%
- Population without Health Care Coverage: 2.4

HOUSING COST BURDEN (BROOKLYN)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	187,625	334,855	522,480
31-50%	46,145	144,900	191,045
Greater than 50%	58,460	181,050	239,510
Not available	2,850	16,440	19,290
Total	295,080	677,235	972,315

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): NEW YORK

Efficiency	1BR	2BR	3BR	4BR
$2,386	$2,451	$2,752	$3,434	$3,700

Key details

- EBC is the City of New York's largest organization of congregations, schools, and homeowner associations.
- Nehemiah Spring Creek is part of the 227-acre Fresh Creek Urban Renewal Area in the Spring Creek section of Brooklyn.
- Prior phases also include affordable rental for seniors and families, "big box" retail development and a new educational campus home to three public schools.
- The City of New York invested in new streets and other infrastructure.

Program

- To date, the project includes 1,842 total units, 618 of which are homeownership.
- Phase 4A represents 83 homes with 110 units, awarded to residents via a lottery.
- Affordability level ranges from 80 to 130 percent of AMI.
- Homes were priced to sell for 40 percent below market, with soft second mortgages that expire after 15 years.

Timeline

VISION CASTING

1980s

EBC begins house meetings

Nehemiah Plan

Brownsville groundbreaking

PRE-DEVELOPMENT

City of New York transfers land to EBC for Nehemiah Spring Creek

PHASED DEVELOPMENT

2006

Phase 2 closes

2020

Phase 4A completion

December 2022

Phase 4C closes construction financing

LEASE-UP & SALES

Phase 4A 100 percent sold

Phase 4C marketing and lease-up to begin mid-2024

> *Addressing our severe housing shortage will happen because of collaboration and making sure everyone has the necessary tools to succeed. Nehemiah Spring Creek serves as a prime example of mission-driven, affordable, and community-centric development.*
>
> **Adolfo Carrión Jr., Commissioner**
> New York City Department of Housing Preservation and Development

Finances for Phase 4A

SOURCES

Equity	$83
City of New York HPD grant	$12,028,069
HPD loan	$9,579,212
New York Affordable Housing Corporation	$3,282,500
Community Preservation Corporation loan	$27,988,000
Total development costs	**$52,877,864**

USES

Land acquisition	$83
Construction (includes contingency)	$45,464,199
Professional fees	$2,233,159
Soft costs	$2,967,180
Reserves	$213,423
Developer fee	$2,000,000

Lessons learned

"Nehemiah is a housing action"

Nehemiah Spring Creek is the product of EBC's philosophy of connecting with community, fighting for change, and achieving wins through strength in numbers. EBC believes people working together have real power and can achieve change for their communities. Acquiring the land for Spring Creek was a long process of working with the City of New York, proving over years the success of what they were doing.

Further, despite the many programs and sources of funding that exist for affordable housing, Nehemiah Spring Creek broke new ground here too, sparking a

A suite of strategies to support first-time homebuyers

The goal of Nehemiah Spring Creek was to create affordable housing comparable to market properties, with a pathway for homeowners to build equity and pride. To support prospective first-time homebuyers, many of which came locally from East New York, EBC went beyond below-market sales prices to provide other guidance and resources, helping them navigate the process, providing homebuyer education, rebuilding credit, and more. Through these efforts, Nehemiah Spring Creek has seen very strong sales with a remarkably low foreclosure rate of one percent.

"It's about power. Organize people. Organize money."

EBC is about building a critical mass of support for the desired action. Hundreds of conversations had to happen to ensure the success of this project, beginning with Sunday conversations around the kitchen counter to instituting a financial management program to build a pipeline of prospective homebuyers. Religion was an important component, providing the grounding and perseverance to navigate this process.

For Nehemiah Spring Creek, EBC organized hundreds of local pastor's to call on the city and the state to allocate much needed funding for affordable housing. This call led to nearly $500 million in affordable housing funding, part of which was used for Nehemiah Spring Creek. Next, EBC and community partners began marketing a homeownership program, to get households organized and ready to submit applications to purchase homes.

CONTACT

Nehemiah Spring Creek

www.nehemiah-spring-creek.com

Aaron Graf Nehemiah Rising
agraf@nehemiahrising.com

RESOURCES

East Brooklyn Congregations

'Citizen Power' Rebuilds East Brooklyn: The Nehemiah Housing Plan in the 1980s

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

St. Luke's Episcopal Church

Seattle, Washington | Multifamily, Mixed-Income, Mixed-Use

Building a place where love dwells

Located in the heart of the Ballard neighborhood where it has worshiped and served the community for 130 years, St. Luke's Episcopal Church will redevelop its one-acre site with both affordable and market-rate housing that includes new church spaces.

In 2017, St. Luke's began exploring how to use its land to build a more diverse and inclusive community for all in Ballard, a neighborhood in transition where housing prices have soared. The church had several old, poorly maintained buildings on the property and discovered upgrading them would cost $1.5 million. This prompted the church to consider how it could use the entire property to sustain St. Luke's and respond to their community's needs in a way that would be a better stewardship land.

After a year-long visioning and discernment process with its congregation, neighbors, partners, and diocese, it became clear that St. Luke's should remain on the property and build desperately needed affordable housing and a new church that would be financially sustainable for the next 100 years. The house of worship issued a Request for Proposals (RFP) and entertained several offers before ultimately selecting two developers to create affordable family housing and a mixed-use, market-rate residential project in a joint redevelopment of their roughly 55,000-square-foot site.

Despite beginning with a goal of having one in five units be affordable to low-income people, they identified the right professionals and took advantage of a new density bonus to help them achieve more than they thought possible. The project will include 120 rent- and income-restricted units, more than half of which will have 2-3 bedrooms. It will be the first affordable family housing built in this rapidly growing Seattle community in more than 20 years.

Project team

Land Owner
Episcopal Diocese of Olympia

Faith Institution
St. Luke's Episcopal Church

Development Partners
BRIDGE Housing (affordable developer)

Security Properties (market-rate developer)

Olson Kundig (architect)

Community context

ACS (2020) PROFILE: ZIP CODE 98107

- Population: 28,557
- Total Households: 15,125
- Bachelors or Higher: 75.6%
- Total Housing Units: 16,169
- Business and Economy: 1,346
- Median household income: $131,559
- Employment Rate: 79.9%
- Unemplotment Rate: 3.9%
- Population without Health Care Coverage: 2.7%

HOUSING COST BURDEN (SEATTLE)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	178,560	140,890	319,450
31-50%	34,130	56,885	91,015
Greater than 50%	22,285	47,815	70,100
Not available	1,465	3,695	5,160
Total	236,440	249,275	485,715

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): SEATTLE / BELLEVUE

Efficiency	1BR	2BR	3BR	4BR
$2,211	$2,269	$2,645	$3,510	$4,080

The Ballard community has been in a massive transition for at least 10 years as it moves from a primarily working class neighborhood with history in lumber and fishing to a gentrified neighborhood with lots of studio apartments and younger people. Affordable housing no longer exists in Ballard. We will provide 120 units of affordable housing for people making 30 to 80 percent of area median income.

Rev. Canon Britt Olson, Vicar
St. Luke's Episcopal Church

Program

- 84 units of very low- and low-income housing at 30-60% AMI, half of which are two- and three-bedroom units for larger and multi-generational families.
- Roughly 200 units of market-rate and workforce housing, one-fifth of which are restricted to households earning 60-80% of AMI.
- The market-rate development will include ground-level space for the church's new worship and program spaces.
- The two buildings were designed by the same architect for a cohesive approach.

Key details

- The land will continue to be owned by the Episcopal Diocese of Olympia, with both buildings under a 100-year ground lease. This will provide an income stream to assist with building maintenance.
- The Diocese reduced the land price by half to support the development of affordable housing.
- The BRIDGE project takes advantage of the City's recent development bonus for affordable housing on faith-owned land, required by **state law** adopted in 2019. The additional story this allows made the affordable portion financially viable.
- St. Luke's received a pre-development grant from Trinity Church Wall Street's **Mission Real Estate Development** program.

Timeline

VISION CASTING	PRE-DEVELOPMENT		PERMITTING	CONSTRUCTION
2017	**August 2021** City enacts development bonus for affordable housing on faith-owned land	**December 2021** BRIDGE Housing and The Diocese of Olympia enter into Agreement to Ground Lease	**2002–2024 (ongoing)**	**2025–2027 (anticipated)**

Finances

SOURCES

Seattle Office of Housing	$16,740,983
Investor equity (4% LIHTC)	$23,369,682
BRIDGE GP Contribution	$3,628,015
Seattle Housing Authority	$935,000
Permanent Mortgage	$8,041,972
Deferred developer fee	$1,094,331
Total sources	**$53,809,983**

USES

Acquisition	$3,065,000
Construction	$35,308,383
A/E, Permits	$4,153,161
Indirect expenses	$1,512,627
Financing and carry costs	$2,396,624
Taxes, soft cost contingency	$798,968
Developer fee, syndication costs	$6,575,220
Total uses	**$53,809,983**

CONTACT

St. Luke's Episcopal Church

https://stlukesseattle.org

(206) 784-3119

Rev. Canon Britt Olson, Vicar
info@stlukesseattle.org

RESOURCES

BRIDGE Housing

Security Properties

Lessons learned

Move at the speed of trust, with everyone at the table from the start

St. Luke's benefitted from an intentional approach to engaging their community. They didn't wait until there were already plans drawn up, instead bringing along not only their parishioners but also neighbors, business owners, and others in the design process from the very start. "When you first develop the vision, everyone must be at the table." When undertaking affordable housing, congregations who actively serve their communities will have an easier time than those who focus inwardly on building faith and less on service. As a result of the strong support and goodwill, St. Luke's project sailed through the City's design review process with zero opposition.

The RFP is key

St. Luke's invested their time in the developer selection phase, extending the interview process until they found someone who wanted to do exactly what they envisioned — a mixed-income project. "Don't ask if they've done work with churches before, but if they've done work your similar vision." Otherwise it is easier for the affordable portion to get dropped when they realize it might not pencil. Treat this as the competitive process it should be, and be aware of the value you bring as a church to the developer's options for funds and credibility with community.

Churches sometimes choose a developer from far away, even out of the country, but St. Luke's has also benefitted from choosing a developer who comes from the neighborhood. The team also encourages following up on references. During interviews, they were leaning towards one respondent but were stunned by the praise for their second choice. Going with that contractor was ultimately the right decision.

Plan for the long-term

These endeavors tend to take much longer than people have in mind. For St. Luke's, the project has required substantial time from clergy, making strong lay leadership vital. This also provides continuity within the congregation, recognizing clergy come and go over time.

The ground lease is also a reflection of this long-term view. While St. Luke's believes strongly in ensuring people at all income levels have stable housing, they recognize that the biggest community need in 100 years may be different. Ongoing land ownership and stewardship provides sustainability that preserves the opportunity to take on new challenges decades in the future.

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Columbia Heights Village

Washington, D.C. | Preservation

Affordable housing for the long-term

Originally built in 1977, Columbia Heights Village (CHV) provides 406 affordable homes to 900 residents with low incomes in the heart of the opportunity-rich neighborhood, Columbia Heights.

CHV was created through a partnership between the All Souls Church Unitarian Nonprofit Housing Corporation and the Change Economic Development Corporation. This collaboration became known as the Change All Souls Housing Corporation (CASHC).

The Columbia Heights neighborhood is located just two miles north of the downtown area of Washington, D.C. and is well connected to the rest of the region by multiple public transit options. CHV spans several city blocks, providing affordable homes to individuals, seniors and families within 31 different buildings, including a 10-story high-rise, three-story apartment buildings, and townhomes.

Through community partnerships and critical investments, Enterprise Community Partners helped to support The NHP Foundation (NHPF), along with community partners Change All Souls Housing Corporation and the CHV Tenant Association, in purchasing the ownership interests of its previous for-profit general partner, converting the property to majority nonprofit control, and ensuring its affordability well into the future.

In 2022, NHPF, CASHC, and CHV Tenant Association began pursuing a recapitalization of CHV to finance a large-scale rehabilitation of the entire property. Recapitalization of CHV was made feasible given the substantial equity created based on the location of CHV in a high-demand neighborhood of Washington D.C. and ability for the property to maintain a high mortgage given 100 percent use of Section 8 vouchers marked to market-rate rents.

Project team

Equity Partners
Enterprise Community Partners
The NPH Foundation
Change All Souls Housing Corporation (CASHC)
CHV Tenant Association

Service Providers
Operation Pathways — the resident services wing of the NPH Foundation

Community context

ACS (2020) PROFILE: ZIP CODE 20009

- Population: 53,357
- Total Households: 28,525
- Bachelors or Higher: 83.1%
- Total Housing Units: 33,609
- Business and Economy: 1,593
- Median household income: $132,374
- Employment Rate: 81.6%
- Unemployment Rate: 2.8%
- Population without Health Care Coverage: 2.3%

HOUSING COST BURDEN (WASHINGTON, DC)

Share of household income spent on housing costs	Owner households	Renter households	Total
Less than 30%	95,780	92,605	188,385
31-50%	13,695	33,610	47,305
Greater than 50%	11,970	33,830	45,800
Not available	1,210	5,615	6,825
Total	122,650	165,660	288,305

Source: CHAS 2016-2020

FAIR MARKET RENT (2024): ZIP CODE 20009

Efficiency	1BR	2BR	3BR	4BR
$2,660	$2,710	$3,070	$3,820	$4,530

Program

- 60% AMI, but average household income less than $20,000 (in 2019).

BUILDING TYPES

- 10-story apartment building with 5,000+ SF of community space for residents
- 2,120 SF of commercial space
- Three-story apartment buildings, offering one- and two-bedroom units
- Townhomes offering up to six bedrooms

CONTACT

Columbia Heights Village

John G. Hoffer
jhoffer@nhpfoundation.org

RESOURCES

The NHP Foundation

Key details

- Located in a high-cost, sought-after neighborhood, CHV's waiting list is estimated to be five years, reflecting the development's popularity and the need for affordable housing.
- The 2017 sale created shared ownership interests with CASHC and the CHV Tenant Association, which used just over $1 million in reserves to secure resident representation in CHV's ownership. This unique opportunity for partnership and tenant ownership shows how a commitment to mission and creative financing solutions can support the long-term benefit of residents and their neighborhoods.
- The projected rehabilitation cost for CHV is currently estimated at $66 million, or $162,000 per unit. A rehabilitation of this scale is unique to this property given the high equity created and high mortgage that can be supported through Section 8 marked to market-rate rents.

I came into the property in 1985 with my mother and older sister. Since then, I've seen a lot of change. More recently, through the collaboration with Change All Souls Church, we transitioned from being a regular tenant association to being true partners in efforts to develop our community. We own 25 percent of the property. Our tenant association is now a 501(c)3 organization and provides services to our neighbors. We receive revenue through the partnership and are included in decision-making. We also have three seats on the board of directors for Change All Souls Housing Corporation, which helps us understand and participate in plans as they are developed.

Paul Jones, President, Board of Directors
Columbia Heights Village Tenant Association

Timeline

1977
Columbia Heights Village (CHV) opens across multiple blocks with a 10-story high rise, three-story apartments and town homes in the Columbia Heights neighborhood.

2002
CASHC partners with Clark Realty Capital to use Low-Income Housing Tax Credits to finance and renovate property.

2012
CHV is refinanced with a Fannie Mae mortgage provided by Bellwether Enterprise, with $5 million set aside for capital improvements and repairs.

2016
Following a 2013 grant from Enterprise that supported strategic planning, CASHC and the CHV Tenant Association explored a transfer to nonprofit ownership that would be shared with the CHV Tenant Association.

2017
CHV is sold to a nonprofit owner committed to preservation (The NHP Foundation) with equity investment from Enterprise Community Loan Fund and Enterprise Conventional Equity, as well as additional mortgage debt through Bellwether Enterprise.

2022
Financing discussions begin surrounding developing a recapitalization of CHV to finance a large-scale rehabilitation.

Finances

CHV was built in 1977 and received a modest LIHTC renovation in 2003. It is currently in need of a full substantial rehabilitation. With 406 units, this would be a large-scale rehabilitation. The sources and uses represents the current estimated cost of this rehabilitation including the costs of property acquisition. Work on this rehabilitation is not expected to begin until 2025.

SOURCES

Senior Perm Debt	$113,718,000
Federal 4% LIHTC Equity	$87,689,178
DC Tax Credit Equity	$15,816,967
Seller Note	$41,862,810
Deferred Developer Fee	$4,750,000
Transferred Cash Reserves $	1,010,000
Interim Income	$11,610,000
Total	**$276,456,954**

USES

Acquisition	$150,150,000
Construction	$65,732,932
Soft Costs	$13,232,113
Financing Costs	$23,247,210
Gross Developer Fee	$21,132,867
Reserves	$2,961,833
Total	**$276,456,954**

The preservation of CHV enables this group of residents who are very low-income to continue to live in a neighborhood where they and their families have resided for many years. These families will continue to thrive in a neighborhood that is becoming more mixed income and diverse. This benefits not only the residents at CHV, but also the neighborhood, creating a real urban neighborhood with many elements that work well together.

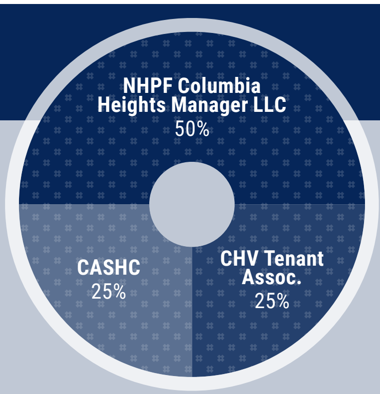
John Hoffer, VP, Project Management
The NHP Foundation

Lessons learned

Planning ahead to preserve and maintain affordability

The effort to maintain the affordability of Columbia Heights Village (CHV) has taken persistence, creative financing, and strong partnerships. Since the development of CHV in 1977, numerous partners have worked to ensure the property continues to provide affordable homes to families with low incomes, even as neighborhood housing costs rise. This long-term protection of affordability reflects CHV's willingness to adapt to new opportunities and reassess their strategic planning. For example, during their 2013 strategic planning supported by Enterprise Community Partners, CASHC and CHV Tenant Association were able to lay the foundation for what would eventually give tenants the opportunity to become equity partners.

Giving tenants a seat at the table through ownership



As part of the 2017 property acquisition, ownership of the property was split four ways:

- 99.99% of the ownership is a general partnership between:
  - » NHPF Columbia Heights Manager, LLC: Managing Partner
  - » Change All Souls Housing Corporation: Limited Partner
  - » CHV Tenant Association: Limited Partner
- 0.01% of the ownership is a limited equity partner through NHPF

The CHV Tenant Association represents a unique tenant association model and reflects the commitment to tenant empowerment built into the vision for CHV from the beginning. Partial ownership allows the CHV Tenant Association to independently manage the funds distributed to it through the building's ownership structure, which it can use for building upgrades, resident programming or covering the salary of an office operations manager.

Resident services expand community impact beyond stable housing

Beyond the housing itself, CHV's unique ownership structure allows residents to engage in strategic decision-making on how to allocate investments in the property, whether through physical improvements or onsite resident programming. With the CHV Tenant Association's stake in the property's ownership, residents are encouraged to play an active role in their community.

Residents benefit from extensive onsite services that help them remain stably housed and enjoy a high quality of life. Each year, the CHV Tenant Association and Operation Pathways work with more than 25 community organizations, including non-profits and city agencies, to provide services ranging from food resources to after-school tutoring. Residents can take advantage of these services and other nearby amenities to meet their current needs and pursue their future goals. Resident Services include computer training, employment assistance, financial literacy, health and nutrition programs, and youth engagement.

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Bay Area Faith & Housing Program

Alameda County, California | Program, Technical Assistance, Capacity Building

Supporting faith and community-based visions of affordable housing on their land

In 2016, voters in Alameda County overwhelmingly passed a housing bond, providing nearly $600 million to create affordable rental and homeownership opportunities. As it began making investments, the County received feedback that its investments were not inclusive of the interests of faith and community-based organizations (FBO/CBOs) who sought to create affordable housing on their land. This spurred the County, a HUD Grantee, to create the Bay Area Faith and Housing Program to provide technical and start-up financing support to FBO/CBOs. In 2018, the County issued a Request for Proposals (RFP) and selected Local Initiatives Support Corporation (LISC) to design and operate the program.

Since 2018, 31 FBO/CBOs across three cohorts have completed the program, which focuses on building the organization's capacity to evaluate its readiness and, if appropriate, proceed to develop affordable housing in partnership with a developer. Much of the effort has focused on technical and early predevelopment support and on FBO/CBOs who have land and are willing to actively evaluate using it for development, as opposed to groups who are seeking to acquire land.

What began in Alameda County, an urban county of 1.65 million people whose 10 cities are all HUD Grantees for CDBG, HOME, and related programming, expanded in its third cohort to other parts of the Bay Area, including Contra Costa, Santa Clara, and San Mateo Counties.

Alameda County and LISC supporting groups from the beginning of their vision over 12-18 months has been critical to the success of the program. The exact time period for each cohort has been determined by funding availability.

LISC used its fundraising and technical capacities to support groups who first decided not to proceed after evaluating their readiness and subsequently returned, groups who cycled through and returned to an earlier phase of development, and groups who come in after selecting a partner and finish in a stronger relationship with the same partner while waiting for funding. Because the cycle for LIHTC particularly in California can take three or more years, some FBO/CBOs and their partners continue on as alumni of the program and participate in light coaching and ongoing trainings.

Program team

HUD Grantee
Alameda County, CA

Program Design and Operations
Local Initiatives Support Corporation (LISC)

Partners
East Bay Housing Organization (EBHO)

Program details

Context

- Like much of the Bay Area, Alameda County is experiencing an acute housing crisis. The minimum price for a detached home now exceeds $500,000, precluding most first-time homebuyer programs.
- All communities and sites across the three program cohorts have fully developed urban markets with a mix of both ownership and rental housing. Most sites have been in communities where the typical income is below 80% AMI, which reduces competitiveness for state programs.
- Though often eligible locally for public support such as HOME, CDBG, local bond monies, and other resources, the sites vary substantially in their readiness for rental housing development.
- The size of the potential development varied from 4 to 75 units, with an increasing number of projects unlikely to use LIHTC given the long wait time for funding.
- In 2023, California passed **SB4**, granting by-right development for FBOs, increasing their potential for development.

Benefits for participants

- Each FBO/CBO received $10,000 as a stipend for participating in the program, funded by the San Francisco Foundation. It also receives the support of a coach, costing $10,000-25,000 depending on the readiness and complexity of the development plan, and up to $30,000 of support for preliminary due diligence and design work.
- In addition to technical assistance, the program emphasized training that included monthly sessions for FBO/CBO members and materials designed to guide group decision making. These materials are available today on the **LISC Bay Area website** as a way to build future capacity beyond each cohort.
- LISC developed a forgivable loan product focused on participants who have a successful plan but have yet to select a development partner or need to close the three-year gap between readiness and award of traditional public funds for constructions.

CONTACT

LISC Faith and Housing Program

Bryant Duong Assistant Program Officer
bduong@lisc.org

Typical project features

Affordability level. All units from participant FBO/CBOs are affordable to households at or below 60% of median income.

Term of affordability. Developments in California typically require 55 years of affordability. While not necessarily a funding requirement, most projects adopt this standard. Some may not be sustainable for 55 years, but most seek to ensure both affordability for 15-20 years and a plan for reinvestment. Preventing displacement is critical to maintaining trust.

Target populations. FBO/CBOs typically focus on very affordable communities and special needs housing (elderly, formerly homeless, transitional age youth, reentry populations).

Non-residential space. When the housing is within or contiguous to the faith facility, non-residential programming by the faith group is often incorporated into the housing, like meal programs, health care. and shared community spaces.

Property stewardship. The program began with the premise that the FBO/CBO, its partner, or both were building for the long-term. This has meant property stewardship requirements for the general partner often tied to a ground lease or other regulatory advice. Asset management has been important to both the general partner and the FBO/CBO.

OUTCOMES TO DATE

COHORT 1

Organization name	Units
Agnes Memorial Church of God in Christ	60
Episcopal Church of Our Saviour	32 (tabled)
Genesis Worship Center Family Church	12
Greater Cooper AME Zion Church	0
Oakland Peace Center	75-100
Richmond Neighborhood Housing Services (Richmond NHS)	18
Ruby's Place	Switched to service only
South Hayward United Methodist Church	30-40 (tabled)
St. Mary's Center	68
United Lutheran Church of Oakland	68+

COHORT 2

Organization name	Units
City of Refuge, United Church of Christ	24 (tabled)
A Diamond in the Ruff, Inc.	4 (land trust)
Ephesian Church God in Christ	80
First African Methodist Episcopal Church Oakland	82
First Congregational Church of Berkeley, United Church of Christ	TBD
Friendship Community Development Corporation - Friendship Christian Center Church	50
St. Paul African Methodist Episcopal Church of Berkeley	50
Mount Zion Missionary Baptist Church	104
Solid Rock Community Services Inc.	12
Canaan Christian Covenant Missionary Baptist Church	55

Source: Faith and Housing, 2022 Impact Report.

Roles and responsibilities across the program

LAND OWNER

A program requirement was that the FBO/CBO had site control of the land to be developed. Typically, they anticipate transferring the land to a limited partnership using a ground lease or sale. In a few cases, the FBO/CBO intends to own the development using partners to assist in the various development roles. Projects under 10 units work best for FBO/CBO ownership.

DEVELOPMENT COACHES

A unique program feature is the assignment of a coach to the FBO/CBO. The coaches work for the FBO/CBO and LISC, with roles and responsibilities outlined in a tripartite MOU. The coach focuses on guiding the FBO/CBO through complexity of the development process, with advice specific to that FBO/CBO. LISC presented each FBO/CBO with multiple options for a development coach that the FBO/CBO interviewed a couple of individuals and then selected the coach that fit them best.

The coaches were paid $10,000 to $15,000 in Cohort One with an increase to as much as $25,000 in Cohort Two and Three to account for how much time they were spending with participants. Coaches were often retired or semi-retired housing developers or HUD Grantee staff. They know the business of development and have no conflicts of interest with the development partner.

SERVICE PROVIDERS

The program included training for all participants in the range of services typical for competitively operated affordable housing. This included traditional resident services and more intensive case management for those interested in permanent supportive housing.

Many cohort members came to the program already engaged in some form of services for their community (both congregations and neighborhoods). Developing space and capacity to continue those services was often an integral part of the development plan.

DRIVER

The FBO/CBO has been the driver of the development during concept through until selection of a development partner. They have been supported with program resources including coaching and early money. Upon selecting a development partner, sharing the responsibility for driving has been the norm, though the FBO/CBO has always remained a critical voice in design, funding, and key aspects of the project.

DEVELOPMENT PARTNERS

A key program objective is to help the FBO/CBO reach readiness to select development partners. To date, 12 FBO/CBO participants have achieved this, with partners ranging from the Related Company to regionally active housing developers including BIPOC and a recently formed nonprofit specializing in modular homes.

The reason for an active coaching relationship prior to selection of the development partner is to ensure that the FBO/CBO has what they need to evaluate and build trust in whomever they select.

DIVISION OF RESPONSIBILITIES

Since most FBO/CBOs are initiating new development, a critical part of the work first with the Alameda County and then with each cohort member was support through the toolkit that accompanies these materials. The program training introduces the myriad roles in development ranging from the role of Alameda County in originating the program to various architectural firms experienced in affordable rental housing.

The coach worked with their cohort member to define the various roles and who might be most appropriate. LISC provided opportunities for the cohort members to meet architects, lawyers, developers, service providers and the several other professionals often required to be successful.

Lessons learned

Insights from three cohorts of experiences

- Each FBO/CBO enters at a different point in the development process so support should be flexible enough to work with groups ranging from those at discernment to picking a partner and seeking funding.
- The stipend facilitated by the San Francisco Foundation is a critical element in the program. It provides all with a sense that their time is valued and provides a practical solution to faith-based leadership availability.
- The self-guided materials prepared for FBO/CBOs made it possible to support self learning which increase engagement and trust.
- Adapting the amount and provider of coaching to the situation is critical.

Keys to success

Program features that made for a successful experience for participants:

- The application process and the clarity that the FBO/CBO needed to be willing to commit to explore using their land for development.
- The use of the MOU between the FBO/CBO, Coach and LISC. This enabled all to be clear on outcomes and expectations.

Overcoming hurdles and surprises

Though successful, the program and its participants did have to navigate challenges, such as:

- Not all decision makers and stakeholders within an FBO/CBO aligned on the interest or readiness to use their land for development.
- Land that was not feasible for development (for environmental or zoning reasons).
- The perception that LISC would be overwhelmed with applications, when in fact recruitment and marketing were critical and challenging initially, with several groups in Cohort One distrusting of the sponsors.

Central to overcoming these challenges were:

- Recognizing that each group is differently ready and accommodating those differences.
- Philanthropic funds combined with public dollars.
- FBO/CBOs willingness to stay in touch if not initially ready, and even allowing groups to fall out and reenter.

FAITH-BASED AFFORDABLE HOUSING CASE STUDY

Enterprise Faith-Based Development Initiative

Washington, DC & Nationwide | Program, Technical Assistance, Capacity Building

A clarion call to capture the potential of faith-owned land

The Faith-Based Development Initiative (FBDI) was launched in 2006 by the Enterprise Community Partners' Mid-Atlantic office to serve FBOs in the Washington, DC, metropolitan area interested in developing new affordable rental housing. The initiative was supported at the outset by the River Clergy-Police and Community Partnership, Georgetown University and Wesley Seminary. It combines training, capital, and technical assistance to FBOs who have land and occasionally other resources and are ready to work with others to build new units of affordable housing.

FBOs own substantial real estate assets. In the Washington, D.C. metropolitan area, for example, FBOs own 800 vacant parcels across five jurisdictions that, together, could accommodate 43,000-109,000 new housing units. But FBOs often lack the capacity, experience, and financial resources to leverage those assets and pursue redevelopment, or even keep up with property and building maintenance and stay financially afloat. Add to this the fact that faith leaders are often inundated with unsolicited letters and calls from developers offering to buy their property. For a FBO that has value in the land but is cash poor, these offers can be tempting.

FBDI aims in part to help FBOs avoid having to do a fire sale and have the capacity to create a positive impact through a different type of ministry. To date, FBDI has had two cohorts. The first included 17 FBOs and concluded in November 2023. The second is currently underway with a dozen FBOs and ends in October 2024. Through its partnerships with FBOs, Enterprise has created or preserved 1,500 affordable homes through $2.2 million in grants awarded to support faith-based development across the U.S.

> *"There is a need in the land. There are people living in great distress. But there is also good news, my friends. Houses of worship own a tremendous amount of land in communities across the country, and there is opportunity, literally, in the land."*
>
> **Rev. David Bowers, VP, Mid-Atlantic Market and Senior Advisor, Faith-Based Development Initiative**
> Enterprise Community Partners

Team

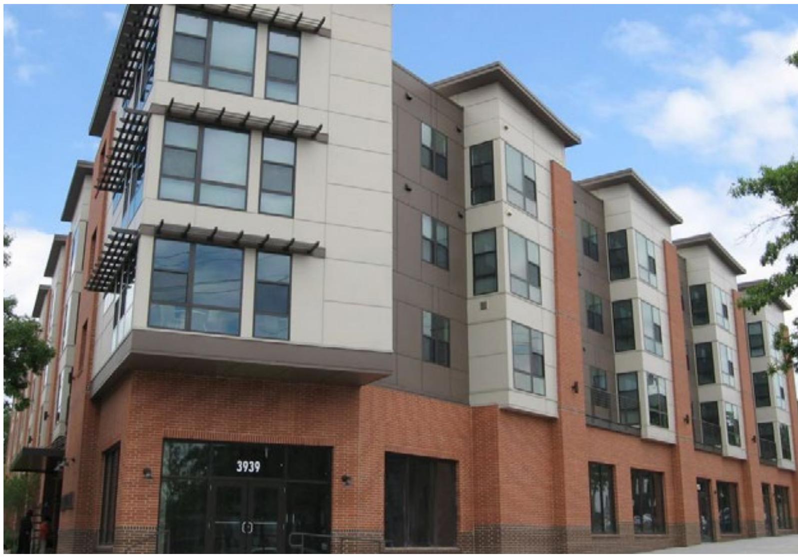
Program Design and Operations
Enterprise Community Partners

RESOURCES

[Faith-Based Development]

[Faith-Based Development Guide [PDF]]

Program details



FBDI goals

- Get **new units** of affordable housing and community facilities developed.
- Expand **equitable procurement** opportunities for BIPOC vendors.
- Strengthen **neighborhood anchor institutions** as FBOs partner in the development process.
- Aim to "build an Enterprise program while nurturing a **national movement**."

Elements of FBDI multi-year cohorts

TRAININGS

- Overview of the development process via 20-hour Enterprise branded FBDI curriculum.
- Exciting opportunities to collaborate with other cohort members.
- Unique engagement modeled after Shark Tank as a chance to seek support.
- Aim is to make senior clergy and lay leaders "comfortably conversant."

CAPITAL

- Grants for early pre-development expenses, including market studies / feasibility analysis.
- Access to Enterprise products.

TECHNICAL ASSISTANCE

- Organizational assessments.
- Assigned time with a development consultant/owners' representative.
- "Shepherding" TA from Enterprise staff.

CONTACT

Enterprise Community Partners FBDI

Rev. David Bowers
dbowers@enterprisecommunity.org

Program phases

CLARION CALL
to announce opportunities and release applications

APPLICATIONS
Open 6-8 weeks
Selection criteria include:

- demonstration of site control
- expressed interest in developing affordable housing or community facility
- consideration of existence of internal FBO team dedicated to the project
- existence or lack thereof of external development team partners
- previous development training experience
- previous affordable housing or community facilities development experience
- relationship with a nonprofit CDC (or similar entity)

SELECTION REVIEW
6 weeks

SELECTIONS MADE & OFFER EXTENDED
FBOs have 30 days to return intake materials

COHORT BEGINS
Enterprise FBDI DC 1.0 began May 2021 and formally completed grant period in November 2023

Enterprise FBDI DC 2.0 grant executed September 2022 and ends October 2024

Outcomes to date

9,000+ UNITS IN THE PIPELINE

1,500+ UNITS PRODUCED & PRESERVED

1 HEALTH CLINIC

- Granted $6M+ to faith-based development organizations.
- $125+ million in loans (Enterprise Community Loan Fund and Bellwether Enterprise).
- $86+ million in tax credit equity (Enterprise Housing Credit Investments).
- Hosted 160+ training sessions and 65 networking luncheons for more than 450 houses of worship and faith-based organizations.
- Policy wins/government support in Miami, Seattle, Washington State, Washington, D.C., Prince George's County, MD.

DC COHORT 1.0

$1M+ in recoverable and direct grants

3,000+ total hours of support training, consultant TA, and shepherding

17 project plans completed

8 development partners selected

1,109 homes anticipated in 7 of 8 wards

Faith institution	Projected number of units	Projected AMI level
Lincoln Congregational Temple UCC (Central Athletic Conference)	42	30-80%
Church of the Pilgrims	75	50-60%
Emory United Methodist Church	65	60-120%
First Baptist Church — Deanwood	48, 40 (rental), 3 (for sale)	50-80%
Metropolitan AME Church	27	40-60%
New Bethel Baptist Church	124	30-50%
Paramount Baptist Church	74	60-80%
Tabernacle Baptist Church	115	50-80%
Pennsylvania Avenue Baptist Church	90	50-90%
Van Buren United Methodist Church	15	60-80%
Zion Baptist Church	87	40-80%
Calvary Episcopal Church	60	TBD
St. Columba's Episcopal Church	45	TBD
First Baptist Church — Petworth	65	40-80%
Mt. Moriah Baptist Church	72	60-120%
New Community Church	90	30-60%
Southeast Tabernacle Baptist Church	62	60-80%

DC COHORT 2.0

$960K+ in recoverable and direct grants

60+ total hours of support training, consultant TA, and shepherding

12 project plans completed

2 development partners selected

900 homes anticipated in 7 of 8 wards

Faith institution	Projected number of units	Projected AMI level
Allen Chapel	*	*
Berean Baptist Church	*	*
Carron Baptist Church	Approximately 92	*
Christian Tabernacle Church	*	Up to 80%
Church of the Epiphany	100	*
Living Word Church	*	*
Florida Avenue Baptist Church	*	*
Mosaic Church of the Nazarene	8	*
Ward Memorial AME Church	*	*
Salem Baptist Church	40+	*
Union Temple Baptist Church	25-30	*
Shiloh Baptist Church	*	*

*Since this cohort is currently underway, these outcomes will be determined in 2024/2025

Lessons learned

Nonprofit entities often need extensive technical assistance

Understandably, unfamiliarity with development process and fear of the unknown often leads to inaction on the part of faith institutions.

Connection to intellectual capital is critical

FBOs need relationships with many other actors, including government officials, developers, attorneys, designers, and more. These professionals can help from navigating the critical "go or no-go" decision point to actually completing the development. In particular, faith institutions need their own real estate or land use attorney who is looking out for their interests.

Be clear up front: what's in it for me?

At times, both FBOs and developers can struggle with mistrust and a lack of appreciation for the value-add the other brings to the table.

"Iron sharpens iron"

Peer learning plays a vital role in faith-based development. When clergy members can connect, they can avoid pitfalls others have experienced and share information about industry professionals who served them well or poorly.

Past successes laid the groundwork

To launch the FBDI, Enterprise pointed to the various faith-based projects it had already completed. Then, $1 million in private funding from Wells Fargo Foundation helped make the case for public investment in this effort.

Acknowledgements

HUD acknowledges the support of the following organizations and individuals in the development of this toolkit:

U.S. Department of Housing & Urban Development
Alicka Ampry-Samuel Regional Administrator, Office of Field Policy and Management
Dr. BJ Douglass Senior Project Officer, Office of the Secretary, Center for Faith-Based and Neighborhood Partnerships (CFBNP)
Ruth T. Jones Nichols, Ph.D. Senior Advisor for Strategic Engagement, Office of the Secretary
Alexis Pelosi Senior Advisor for Climate, Office of the Secretary
Joel Manske Field Office Director, Fargo, ND
Margarita Rodriquez Program Analyst, Office of Field Policy and Management
Ken Rogers Senior Analyst – Manager Technical Lead in the Office of Technical Assistance, Office of Policy, Development and Research
Diane Shelley Regional Administrator, Office of Field Policy and Management

Local Initiatives Support Corporation (LISC)
Tia Braseth
Bryant Duong
Helen Dunlap
Laurel Engbretson
Ethan Guy
Krystal Koch
Heather Moore
Charlotte O'Connor
Nick Welch
Elizabeth Wampler
Cindy Wu

Alameda County Housing & Community Development
Teresa Hester
Jennifer Pearce
Michelle Starratt

BRIDGE Housing
Mary Jane Jagodzinski
Cristina Martinez

BRISA Builders
Ericka Keller

East Lake Management Corporation
Elzie Higginbottom

Enterprise Community Partners
Rev. David Bowers
Jemima Otchere

Grace Memorial Baptist Church
Rev. Marvin Hunter

National Church Residences
Michelle Norris
Corri Page
Stephanie Rhodes

Nehemiah Housing Development Fund Company
Aaron Graf

The NHP Foundation
John Hoffer
John Welsh

New York City Department of Housing Preservation and Development
Adolfo Carrión Jr.

San Francisco Foundation
Demitrius Burnett
Michelle L. Myles Chambers

St. Luke's Episcopal Church
Rev. Canon Britt Olson
Barbara Wilson

St. Paul Community Baptist Church
Rev. Dr. David K. Brawley

YWCA Cass Clay
Erin Prochnow