

Faith-based Affordable Housing



Putting Faith in Housing: A Primer for All Partners

By Richard Burns, President and CEO, The NHP Foundation



RICHARD F. BURNS

Many areas in the U.S. currently face an affordable housing crisis. Due to recent legislative changes, a quarter million fewer affordable housing units will be built over the coming decade, exacerbating the housing shortage. As American cities look to house greater numbers of low to middle income individuals, there is one resource that has been overlooked. A successful collaboration between a faith-based organization and private developer, either for profit or not-for-profit, should yield a new complex that is a credit to the community and give the faith-based organization long-term financial benefit.

Churches and other faith-based houses of worship are some of the nation's largest landowners. Those that have adjacent land or other buildable assets, some of which were built as far back as the Civil War (and earlier) are particularly well-suited to create housing for their communities.

Faith-based property development is an exciting option for America's cities. Yet there are questions and concerns to address so that the resulting equation works for all parties.



A panel of experts with deep experience in faith-based property development, accounting; tax and real estate law; and city and state protocol engaged in a comprehensive discussion about a faith-based affordable housing blueprint that any institution can put into action.

The panel members agreed on best practices for religious institutions and their partners. There are many ways to improve and streamline the process for these kinds of developments during what is a time of uncertainty for tax-law and finance in our country.

The panel discussion was moderated by **Charlie Herman**, WNYC Radio's Business & Culture Editor, and included:

Reverend Karim Camara, Executive Director, Governor's Office of Faith-Based Community Development Services

Mike Greenwald, Partner, Friedman LLP, a leading accounting and advisory firm serving the affordable housing community

Brian Hsu, Partner, Goldstein Hall, a full-service real estate law firm with a concentration in affordable housing and community development

Nathan Simms, Assistant Commissioner, New Construction Finance at NYC Department of Housing Preservation & Development

Jamie Smarr, Senior Vice President, NHP Foundation, a leading builder of quality affordable housing

Richard Andrew Smith, President, Temple Builders, LLC a frequent consultant to faith-based leaders

Dave Walsh, Senior Vice President of Community Development Banking at JP Morgan Chase, one of the largest affordable housing lenders in the community.

The resulting insights, summarized in this paper, can help push faith-based housing forward, creating thousands of much-needed affordable rental units in New York (where the panelists reside) as well as across the country where much of the same type of opportunities exist.

To better enable and increase these affordable housing options, the panel recommended eight basic steps.

1. Identify the mission

The "mission" can vary. For some faith-based leaders, the aim is to sell the property outright and invest the proceeds in other relevant projects. But for most, the mission is to turn available land into service-enriched, affordable housing that serves those in the community—families, veterans, seniors, and others in need.

The mission may also include a community center or other gathering place for neighbors. Before some institutions can make those decisions faith-based leaders are advised to listen to the congregation's desires and develop a well-defined mission statement. Developing a mission statement requires three important initial steps.

- 1) Obtain an accurate valuation of the available land.
- 2) Determine the buildable square footage—how big can/should you build?
- 3) Figure out a wish list, what does your organization want?



Before beginning the process, cautioned panelist Mike Greenwald of Friedman LLC, “Make sure to look within your organization and say, ‘Do I have the capability to be a partner in this project? Other than my asset, what else do I bring to the table, and what else do I need to have to protect my interests?’”

2. Get an independent, accurate valuation of the property

Before any group enters into a development deal, they should engage the services of an independent appraiser to determine the value of the property and a zoning expert to determine the buildable square footage. This is the amount of building that you’re allowed to construct on a particular building site. NY State’s Camara added, “It’s important to know the buildable square footage of residential and commercial space as you consider constructing a community center or church expansion in addition to housing. Know the square footage of all available space, including air rights.”

Team expertise should also include an understanding of minutiae such as FAR (Floor Area Ratio) to help determine build capacity. Adds NHPF’s Smarr, “This can be daunting since different neighborhoods have different FAR, and zoning code can run thousands of pages.”

Some religious institutions “dream big” and must be educated on some harsh realities. An example discussed at the panel was a project where a church’s average Sunday attendance was about 20 to 30 people and the pastor asked for a sanctuary for a thousand. That is an untenable proposal that would receive a resounding “no” from any qualified developer.

3. Partner with the most experienced and knowledgeable people

A religious institution that has made the decision to develop adjacent land or air rights on its property and has determined the value and build capacity now must vet and interview several players in the industry and assemble a team of “good-faith” actors who will respect the religious institution.

The first step for some is to retain an experienced Development Consultant who can size up the faith-based organization’s needs and bring together the necessary expertise, including:

- **Legal counsel** Seek a firm specifically trained in municipal and state real estate law and with a track record of previous deals.
- **Accountant** Look for the same high-level experience in tax law pertinent to faith-based housing.
- **Developer** Research experienced for-profit and not-for-profit providers, and plan to interview 5-10 contenders.
- **Builder** Whether a congregation is land rich and cash poor or very well capitalized, the builder can budget and plan accordingly to realize the partners’ vision.
- **Financial Partner** Religious organizations have a host of healthy options for financial support, including banks with strong community-lending programs to service affordable or market-rate housing deals.

4. Take advantage of city and state assistance

Supportive agencies at the city and state level stress that although these deals are “long-haul,” two to three years from inception to build if all goes well. State and municipal agencies can offer guidance and help safeguard the investment. Faith-based groups should reach out to these entities as part of their process. In New York, these include:

The first step for some is to retain an experienced Development Consultant.



Governor's Office of Faith-Based Community Development Services

A good place to start is with the appropriate state agency for some guidance through the state-funding process. Karim Camara with NY State notes that they typically ask about the capacity to finish the project. And the best way to determine that, notes Camara, is an assembled team that has completed such projects in the past, particularly with state involvement.

Importantly, some states do have money. In New York, the governor has recently committed \$20 billion to affordable housing development and homelessness.

Finally, know that the state has a very formal unified funding process. Camara cautions, "Plan ahead and make sure you don't think, 'Okay, I've got this property and I want financing next week!' Think in terms of a likely two-to three-year plan."

NYC Department of Housing Preservation & Development

In New York, there is city money available with an annual capital budget for housing, (probably one of the largest in the country), that has increased from \$1.3 billion annually to \$1.9 billion. The city needs to ascertain that the proper team is in place to finance faith-based projects.

There are many factors that impact how the money is spent. These include construction costs, which continue to rise, as well as the future of tax credits (addressed later in document). In short, cities have resources, and it behooves partners to look into what's available.

5. Learn common pitfalls and how to avoid them

Deficient developer fee information

It is incumbent upon the team to ask the right questions to determine the development fee and how it will be paid. Due to changes in tax law, a lot of developers are changing the way they take fees, with many looking for "carried interest" vs. actual upfront fee. This affects the future of a property. To the extent that there's a refinancing or sale down the road, carried interest allows developers to receive capital gain treatments. It's also important to know your balance sheet when calculating the risk associated with the guarantees being made. Some faith-based organizations have stronger financial statements than others so it pays (literally) to know.

Lack of appropriate expertise and leadership

The pastor or other religious leader may not be the best candidate to lead the housing effort. In fact, many recommend appointing someone else within the organization, less emotionally involved, and perhaps with some experience and time to oversee the effort.

Misunderstanding tax law

Tax code is extremely complicated, and experts have to stay up-to-date on changes. For example, recent changes to the tax code have created a situation where the very productive existing (LIHTC) low income housing tax credits of 4% and 9% are now worth less since the corporate tax rate was cut from 35% at the top to 21%. Investors in the LIHTC now pay less for each dollar of credit because the net after tax benefit is worth a little bit less to them, necessitating more creative ways to close funding gaps.

These include additional city or state subsidies as well as the NMTC (new market tax credit). Allocated by the federal government, it resembles the LIHTC, but with key differences. Qualified intermediaries are allocated NMTC from the government then sub-allocate the credits to community businesses in low income areas. The 39% credit, allocated over seven years, doesn't support housing per se, but can be used to support a new supermarket on the ground floor of an affordable housing building in a low income area.



The industry is also looking forward to implementation of the “opportunity zone.” These state and IRS-designated zones, typically in lower income areas, enable a taxable developer to build housing, and if ownership holds the asset long enough, to avoid capital gains tax.

Creating UBTI (unrelated business taxable income)

“There are tripwires related to some very complicated rules about what not-for-profits can and can’t do in order to make money,” warned panelist Greenwald. For example, a not-for-profit considering a multi-use build-out is at risk if they don’t properly separate for-profit activity from not-for-profit.

If a not-for-profit owner constructs market-rate or high-end housing, it will fall outside the mission of the non-profit. Without the proper separate ownership structure, taxable income from such property could jeopardize a not-for-profit’s status.

Often partnerships will create “condo split” structures to avoid this. A new mixed-use development can be split into separate condominiums and owned by different, likely unaffiliated entities. For example, one condominium owns and operates the retail space, while another owns and operates the affordable portion. A third condominium owns and operates the market-rate units, all within the same complex. This arrangement isolates risk and enables each entity to obtain its own financing.

Insufficient financial advice

There are many examples of poorly structured deals predicated by a lack of financial education on the part of the faith-based partner. Look to the financial team members to explain tools like LC (letters of credit) a payment guarantee that funders like the State or City finance agencies require to guarantee the funding they give a project, or a performance bonds which are provided by the contractor to the developer to ensure the building is finished as contracted—even if the contractor has difficulties during the development.

Financial advisors can also ensure that the church is an equitable partner in the deal as opposed to solely a tenant. The right partners will help faith-based owners maintain some form of ownership in perpetuity. It all begins, said panelist Smith, with finding a team that respects the faith-based vision and takes the leaders along for the journey. “If the developer is just showing up to have you sign papers, that’s not really a relationship,” added Smarr, of NHPF. “Ideally, we try to leave churches in a better position, managerially and financially, in order to better help communities. “

Veteran banker Dave Walsh of Chase Bank reinforced the importance of an experienced financial team. The bank looks at whether an organization has the capacity to undertake a project and if it has completed a similar project in the past. And while steering clear of making partner recommendations, he does want to know who makes up the team: the developer, the contractor and the property manager, e.g. He also advises affordable housing prospects to gain familiarity with existing programs. It may seem daunting, but interested parties should know that Walsh loves to finance community-based-type development “because the organization is so engrained in the communities they are looking to develop in.”

6. Incorporate all your constituencies in the decision-making process

One aspect of faith-based development stressed throughout the discussion was the importance of buy-in from a congregation to undertake a housing initiative. If affordable housing is being built, this includes helping congregants understand that the new apartments might be subject to a housing lottery and other forces at work which, including income limitations, that will determine who will live in the units.

Financial advisors can also ensure that the church is an equitable partner in the deal as opposed to solely a tenant.



There are other groups to bring into the process as well. First, faith organizations should include community voices in the discussion through City Council and other meetings. Some neighborhoods will likely protest if a Civil War-era church is facing demolition, for example. But, in many cases, according to Richard Smith, builder and architect, “If a building is in disrepair and is not landmarked, the cost of restoring may be impractical and the church will have to come down and be rebuilt to better suit the overall development.”

Some communities also face the prospect of unwanted gentrification and may view new construction as part of that, so partners need to paint a clear picture of what the construction will do to the neighborhood character and how it aims to strike a healthy balance. As well, communities need to be made aware of the day-to-day disruption that construction may bring and will want to hear what the team will do to mitigate.

Another constituency that must be factored in is the governing body of the religious institution, like the Catholic Diocese, for example. Those seeking to build affordable housing or to sell off their property must have approval from those in authority, if applicable. As well, in New York and other states, the Attorney General’s office must approve all faith-based deals.

Partnerships seeking to build affordable or market-rate housing should also be in touch with their local municipal Department of Development. These departments can help churches and synagogues with usages and rezoning often necessary to realize their vision.

A faith leader may start the process with one vision and come to realize a very different one, at the end.

7. Reevaluate and collaborate to determine the most realistic and beneficial vision for the property

Once a partnership has gone through the rigors of valuation, costs and community input, it’s time to take a hard look at what kind of property will yield the best all-around results. Often there have been changes in law or zoning in the years since a church began the path towards building. These changes can affect a final decision.

For some, the decision to sell their land makes the most sense. For others, a fully affordable complex best meets their needs. And for still others, a hybrid will work. This may be a new mixed-use development including condominiums and retail space, as well as market-rate units all within the same complex. While making these decisions it’s important to factor in the long-range implications of each. Will your congregants be able to live in the units? Will the construction help boost a flagging congregation? How will the tax structure benefit or harm the property owners? A faith leader may start the process with one vision and come to realize a very different, and hopefully most beneficial one, at the end.

8. Communicate, communicate, communicate

With approvals and financing in hand and contractors and architects signed up, it’s time to communicate with all your stakeholders, honestly and often about the building process and how it will affect their lives.

Time, expense and other factors must be communicated as well. Those seeking to move into the planned housing must be informed about the all-important qualifiers and lottery selection process.

It’s also important during this phase to implement community and media relations. This includes everything from inviting congregants and local civic leaders to status meetings to issuing press updates to local media.



Important benchmarks like groundbreaking, topping-out ceremonies, ribbon-cuttings and rental application days must also include your constituencies. The panel also promoted hard-hat tours for city and state officials and media as well.

With these steps in place, and as residents move into their new dwellings, owners can take pride in a job well done and look forward to managing their community with satisfaction and equanimity.

Conclusion

The city of New York, like the nation, is experiencing a shortage of quality affordable housing that will only worsen as the population increases and available land diminishes. Our religious institutions, both in their inherent missions to provide for others, and their ownership of property, become excellent sources for housing that will make a difference in people's lives.

But, as the distinguished panel pointed out, the best faith-based housing outcomes are borne of knowledgeable, respectful, and experienced teams. Successfully assembling these joint ventures is the key to a smooth, productive process for religious institutions and their constituencies moving forward.

It is our hope that churches, mosques, synagogues, and other faith-based organizations engage in the prescribed "best practices" to help them—and everyone in the industry—create successful housing through equitable partnerships that benefit the organizations, the community, and society at large.

"Putting Faith in Housing: A Primer For All Partners" is based on a panel discussion produced by The NHP Foundation with the support of Chase Bank, Friedman LLP, and Goldstein Hall, PLLC. The panel and primer are part of a continuing series of thought leadership initiatives which further the mission of NHPF. Headquartered in New York City with offices in Washington, DC, and Chicago, IL, The NHP Foundation was launched on January 30, 1989, as a publicly supported 501(c)(3) not-for-profit real estate corporation. NHPF is dedicated to preserving and creating sustainable, service-enriched multifamily housing that is both affordable to low and moderate income families and seniors, and beneficial to their communities. NHPF also provides a robust resident services program to more than 28,000 community residents. Through partnerships with major financial institutions, the public sector, faith-based initiatives, and other not-for-profit organizations, NHPF has preserved 81 properties, including 6,801 units, in 16 states and the District of Columbia.



6 Must-Haves for Faith-Based Development Partnerships

The NHP Foundation’s Richard Burns outlines the keys for success.

By Richard F. Burns



RICHARD F. BURNS

Religious institutions are among the country’s largest owners of usable land. But simply owning land doesn’t in itself qualify a church or synagogue to enter into an agreement to build housing. There are several factors developers and investors should look at before they take a “leap of faith.”

The NHP Foundation (NHPF) has successfully completed two such deals, Roundtree Residences in Washington, D.C., in 2014 and Harvest Homes Apartments, a newly constructed 36-unit family development, in Chicago’s East Garfield Park neighborhood in 2017. Harvest Homes is the realization of a plan initiated by the People’s Community Development Association of Chicago in partnership with NHPF as part of a low-income

housing tax credit (LIHTC) deal. Other faith-based development partnerships are in the planning stages.

There are six must-haves for strong faith-based housing.

1. An independent, accurate property valuation

You have found a faith-based organization with property that appears suitable for building housing. Before any partner enters into a development deal, they should engage the services of an independent appraiser to determine the value of the property and a zoning expert to determine the buildable square footage, including commercial space (a community center or church expansion) as well as air rights. Faith-based organizations will want to realize the full value of their assets, and appraisals need to be part of the due diligence for any real estate transaction. In our experience, we also recommend each party retain its own counsel to assess zoning regulations and determine what is most appropriate to be built at a faith-based site. Amassing this data ahead of time puts both partners in a good position to negotiate a fair and equitable deal.

2. Experienced and trustworthy industry expert

Now is the time for a developer to work with their religious partner and assemble a team



of good-faith actors who will respect the religious institution and make sure the deal is a sound one for the developer. The first step for some is to retain an experienced development consultant who can size up the faith-based organization's needs and bring together the necessary expertise, including:

- **Legal counsel** trained in municipal and state real estate law and with a track record of previous deals.
- **Accountant** with high-level experience in tax law pertinent to faith-based housing.
- **Builder** suited to the project. Whether a congregation is land rich and cash poor or very well capitalized, the builder can budget and plan accordingly to realize the partners' vision.
- **Financial partner** with a strong background in affordable housing. Experienced developers have a host of healthy options for financial support, including banks with strong community-lending programs to service affordable or market-rate housing deals.

3. Clear understanding of state and municipal assistance options

State and municipal agencies offer guidance and help safeguard the investment. Developers can leverage existing relationships with state and local entities to facilitate the process for faith-based groups. As of today, few jurisdictions offer the resources of the New York Governor's Office of Faith-Based Community Development Services to provide navigation through the statefunding process, but sound advice can be obtained from city housing authorities and entities such as departments of housing preservation and development. These agencies provide guidance as well as funding.

4. Knowledge of the potential pitfalls

Deficient due diligence: Research and know the property and the community inside out. No one wants a surprise as construction is about to begin.

Short-term thinking: A project has to have longevity in order to succeed. The most well-developed projects have an appointed committee of responsible individuals, including but not solely the top church or synagogue leader who may not be with the project from start to finish.

Changing tax law: Tax code is extremely complicated, and it pays to stay up-to-date on changes such as avoiding the creation of UBTI (unrelated business taxable income). There are tripwires related to some very complicated rules about what nonprofits can and can't do in order to make money. As well, the current 9% and 4% LIHTC qualifications require constant vigilance to be certain that projects qualify.

5. Communication with all parties

The importance of buy-in from a congregation to undertake a housing initiative is critical to its success. If affordable housing is being built, this includes helping congregants understand housing lotteries and other forces at work that will determine who will live in the units.

There are other groups to bring into the process as well. Developers need to work closely with faith-based organizations to include community voices in the discussion through city council and other meetings. Some neighborhoods will likely protest if a Civil War-era church is facing demolition, for example.

Some communities also view new construction as unwanted gentrification so partners need to paint a clear picture of what the construction will do to the neighborhood character and how



it aims to strike a healthy balance. As well, communities need to be made aware of the day-to-day disruption that construction may bring and will want to hear what the team will do to mitigate that.

Another constituency that must be factored in is the governing body of the religious institution, like the Catholic Diocese, for example. Those seeking to build affordable housing or to sell off their property must have approval from those in authority, if applicable. As well, in New York and other states, the attorney general's office must approve all faith-based deals.

Partnerships seeking to build affordable or market-rate housing should also be in touch with their local municipal department of development. These departments can help churches and synagogues with usages and rezoning often necessary to realize their vision.

6. A realistic and beneficial vision for the property

Often there have been changes in law or zoning in the years since a church began the path toward building. These changes can affect a final decision.

For some, the decision to sell their land makes the most sense. For others, a fully affordable complex best meets their needs. And for still others, a hybrid will work. This may be a new mixed-use development, including condominiums and retail space, as well as market-rate units all within the same complex. A good development partner will help a congregation answer questions like: Will congregants be able to live in the units? How will the tax structure benefit or harm the co-owners? A faith leader may start the process with one vision and come to realize a very different and hopefully most beneficial one, at the end.

The nation's religious institutions have a unique opportunity to combine their inherent mission to provide for others along with property ownership, ultimately producing housing that will make a difference in people's lives. And thoughtful, experienced developers can turn these opportunities into reality.

The best faith-based housing outcomes are borne of knowledgeable, respectful, and experienced teams. Successfully assembling these joint ventures is the key to a smooth, productive process for religious institutions and their constituencies moving forward.

It is our hope that developers and investors will seek out ventures with churches, mosques, synagogues, and other faith-based organizations to create successful housing through equitable partnerships that benefit the organizations, the community, and society at large.

POSTED ON DECEMBER 19, 2018



Medium

U.S. Faith Communities Are Tackling the Housing Crisis

Churches, mosques, and synagogues across the country are trying to develop low-cost housing

By Charlotte West

The ribbon-cutting ceremony for Harvest Homes with Pastor Michael Eaddy, Mayor Emanuel, NHP Foundation CEO Dick Burns, and various community members.



PHOTO: ROOSEVELT HOLLOMAN, ESSENTIAL PHOTOGRAPHY

Fast-growing metropolises such as Chicago, Denver, and Seattle are all feeling the affordable housing crunch. As large property holders, communities of faith are helping to fill the gap at a time when land for affordable housing development comes at a premium in cities across the country.

When Sarah Anderson moved out of her mother's house and into her first apartment on Chicago's West Side, she turned to her congregation, the People's Church of the Harvest, for help. Anderson's new apartment is one of 36 units that make up Harvest Homes, which was the first new housing development built in the neighborhood in the past 15 years.

Harvest Homes offers two-, three-, and four-bedroom apartments to families with annual household incomes between \$22,000 and \$60,000. It was developed in a partnership between not-for-profit real estate organization NHP Foundation and the People's Community Development Association of Chicago, the independent community development arm of the People's Church.

"I was pastor in a community that had not had new affordable housing, in a sizable quantity, in some time. So there was a great need for it. As a matter of responding to that need, we began to pursue an affordable housing mission," says Pastor Michael Eaddy.

Eaddy's congregation acquired 32 city lots through the 1990s and initially constructed



its church building on eight of them in 2000. In 2011, the church began its first affordable housing development on the remaining land; the first residents moved into Harvest Homes in 2016. Through its community development association, the church also offers other tenants and community members services such as an after-school program, financial literacy classes, first-time homebuyer education, and food distribution programs.

While Harvest Homes' apartments are available to any qualified community member, Anderson said she found out about the program through the church. Her apartment is within walking distance of both the church and her eight-year-old daughter Navayah's school. After living with family members, she's happy to have her own home. "I'm the first resident to be living here in this apartment that's been built from the ground up," Anderson says. "It's a very good feeling to be in your own space after living with a lot [of other] people. I love where I'm living."

Jamie Smarr, who oversees joint-venture partnerships between the NHP foundation and other nonprofit organizations, says that communities of faith have a long history in the affordable housing space. In the 1960s, the U.S. Department of Housing and Urban Development encouraged the development of senior housing through the 202 Program. Many churches, by organizing as a nonprofit, oversaw the development of affordable senior housing projects until the program was phased out in the late 1980s. Some existing senior housing stock came out of the 202 Program.

"Recently, a lot more faith-based organizations are beginning to rekindle this idea," Smarr says.

He says many churches are facing declining attendance and are looking for new ways to engage with the local community. According to Smarr, some churches, mosques, and synagogues are repurposing unused land, and others are razing existing buildings and rebuilding new structures that include a church, with the rest dedicated to housing.

Nathan Hunt, director of economic justice at the Interfaith Alliance of Colorado, adds that many churches want to be part of solutions that address the root causes of problems, such as a lack of affordable housing, in their neighborhoods. "Communities of faith have as part of their mission and identity a call to serve the community, and that's often framed in terms of loving their neighbors," he says.

Faith communities of all religious backgrounds often look at their land as an asset that they have been given to steward. According to Hunt, land costs are often around 20 percent of an affordable housing deal. "Congregations can play a big role in helping to take a good chunk of that cost out of the process or just make sure that land falls into the hands of responsible developers who are going to build equity and inclusion into their properties," he says.

There are several different models that faith-based organizations can pursue, such as tiny home villages, permanent supportive housing, permanent affordable housing for low-income families, and owner-occupied homes, which often involve community land trusts. Some churches have converted existing buildings into housing, while others will sell their property to developers of affordable housing at below-market rates.

In Denver, Hunt has worked with dozens of churches that have expressed interest in providing their land for affordable housing. While there are no national statistics available, the Interfaith Alliance estimates that there are nearly 5,000 acres of unused church-owned land in the greater Denver metropolitan area.

In neighboring Aurora, the Second Chance Center, a nonprofit working with formerly incarcerated individuals, has partnered with Elevation Christian Church to build a 50-unit





permanent supported housing project, which will also provide additional services such as mental health care. The project will provide housing to former prisoners, disabled individuals, and people who have experienced chronic homelessness. After a protracted battle with local authorities over zoning issues, the partners will break ground in January.

Seattle is another city experiencing growing pains where the faith community has been actively involved in addressing the city's affordable housing shortage. The city's first tiny home village is hosted on church land, and several other congregations have dedicated land to affordable housing options.

University Christian Church (UCC), for instance, sold a plot in Seattle's University District to Bellwether Housing, a nonprofit developer, at below-market rates with the stipulation that it be dedicated to low-income housing. Bellwether purchased the land, which was appraised at \$6.8 million in 2013, from UCC for \$4.8 million. Arbora Court, a seven-story, 133-unit building, moved in its first tenants in April 2018. Forty units are dedicated to people coming out of homelessness, and the remaining units serve households earning less than \$60,000 for a family of four.

Lisa Smith recently moved into Arbora Court on a Section 8 voucher, which subsidizes rent for low-income families. Because her spouse has a criminal record, they had previously been unable to rent from Bellwether. But in 2017, Seattle became the first city in the United States to ban the use of criminal history when considering rental applications. Access to affordable housing has helped Smith, who was formerly homeless, maintain sobriety and go back to school. "We're on the seventh floor. We have a great view. And there's a community here with people here interacting, and the kids are playing together," she says.

While there is no panacea for the affordable housing crisis facing cities across the country, faith-based organizations as large landholders, as well as engaged neighbors, have proven to be reliable partners for developers and municipal governments. The People's Church of the Harvest in Chicago is in the process of applying for low-income tax credits for its latest affordable housing project, which it hopes to launch next year.

Pastor Eaddy says the church's track record with Harvest Homes has given them a chance to both meet a pressing need in their community and influence the City of Chicago's five-year housing plan. "We're constantly being asked to come to the table, because the city sees that they can't do it alone. They know that they must work with partners to make it happen," he says.

POSTED ON JANUARY 8, 2018



How Can Religious Institutions Ease the Affordable Housing Crisis

MHN spoke with NHPF Vice President of Acquisitions Frank Cerbini, an expert on faith-based partnerships, and Pastor Michael Eaddy from the People’s Church of the Harvest in Chicago, about this solution on the background of America’s affordable housing shortage.

By Laura Calugar



FRANK CERBINI

MICHAEL EADDY

The affordable housing crisis in the U.S. is achingly obvious. According to The Gap, a National Low-Income Housing Coalition report released in March, nearly 73 percent of the country’s severely cost-burdened renters, who spend more than half of their income on housing, are extremely low-income renters—households with an income at or below the poverty guideline or 30 percent of the area’s median income.

Also, there is a shortage of more than seven million affordable and available rental homes, which means only 35 units exist for every 100 extremely low-income renters. Following recent changes in the tax legislation, the affordable housing shortage is expected to grow. According to an analysis by Novogradac & Co., the tax reform would reduce affordable rental housing production by nearly 235,000 homes over the next decade.

However, one resource for affordable homes has been overlooked in recent debates—collaborations between faith-based organizations and private developers. It is a known fact that churches and religious institutions are among the country’s largest landowners. Many of them have adjacent sites that are suitable for development. Multi-Housing News spoke with Frank Cerbini, vice president of acquisitions at the NHP Foundation, and Michael Eaddy, pastor of the People’s Church of the Harvest in Chicago, in a bid to find out how feasible this solution is. Cerbini and Eaddy weighed in on how faith-based property development can be an answer to the country’s deepening affordable housing crisis.

How can faith-based institutions help ease the affordable housing crisis?

Cerbini: They can help in several ways, for example by advocating for the increase of supply



of housing in their area. This can be accomplished by engaging their community, encouraging residents to do specific, necessary tasks such as seeking out zoning bonuses and incentives to support the preservation and creation of affordable housing. To the extent that they own land, or can acquire land that can be used to develop new units, they can also actively engage with affordable housing development companies to create the new housing directly.

Eaddy: There is a need for more faith-based institutions to view their presence in distressed communities as the mandate to address the affordable housing crisis. They also must build capacity to fulfill the mission through the acquisition of available vacant land and formulating a development team.

Could you offer some examples of successful collaborations between private developers and religious organizations?

Cerbini: We have two of our own. Roundtree Residences in Washington, D.C., is a 91-unit LIHTC property developed by NHPF with the local Allen Chapel AME Church, which sought to build a senior housing project on their land, but could not get the necessary financial support to build their dream. NHPF brought the development expertise and financial capability to secure soft money and tax exempt bonds from the District of Columbia as well as equity and a construction loan from Bank of America. Today, where a weed strewn lot was, is a new project affordable to seniors at 50 percent of the area's median income. It filled up immediately upon opening.

Harvest Homes Apartments is a 36-unit LIHTC property adjacent to People's Church of the Harvest, a congregation with deep roots on the west side of Chicago and a long history at its location in East Garfield Park. Harvest Homes Apartments resulted from a more than 20-year effort by the leadership of the Church to play an active role in revitalizing the surrounding neighborhood by creating high-quality, affordable housing for families with children on land that had been razed three decades ago.

People's Community Development Association of Chicago (PCDAC), non-profit affiliate of the church, had gained control of the land a number of years ago, but could not get all of the financial support needed to build the housing. NHPF was brought in as development partner.

Eaddy: The Lawndale Christian Development Corp. in Chicago has developed hundreds of rental units and numerous single-family homes with a total value of \$140 million. Harvest Homes Apartments LLC—created by PCDAC and NHPF—constructed 36 affordable housing units valued at \$13.5 million.

What is obstructing more faith-based property development across the country?

Cerbini: The first obstacle is lacking the necessary mission to get the project started. It's a long-term, complicated and expensive process and organizations can be dissuaded by the task. Some other obstacles are lack of the financial resource and perhaps as important, lack of the necessary information and knowledge to go through the development process.

It's not at all uncommon to spend two years or more from having the original development concept to the groundbreaking that marks the start of construction. For the most part, the faith-based partner needs to look outside of itself to find that expertise. That takes time and will also require the organization to spend predevelopment funds to move the project forward. Also, a typical property will have many different funding sources. You'll likely have one or more levels of governmental support and approval, lenders and equity partners, all of whom have to be in agreement on the particulars of the project. It's not uncommon to have five or more separate and distinct sources of funds.

“It’s not at all uncommon to spend two years or more from having the original development concept to the groundbreaking that marks the start of construction. For the most part, the faith-based partner needs to look outside of itself to find that expertise.”

—FRANK CERBINI



How much land can a faith-based institution dedicate to affordable housing development?

Cerbini: That will vary by location and also depends on several factors including local zoning, depth of the rental market, amount of community and church space which will be part of the final development. There is a minimum size that will be determined by the financial feasibility.

Eaddy: This varies according to where the faith-based institution is located: urban—minimally one acre; rural—two acres or more.

Are there any changes in the current legislation that should be made in order to encourage more faith-based institutions to accept affordable housing projects on their land?

Cerbini: There are changes to the legislation that were not made and that might have helped make it easier to attract the necessary capital to make the development more manageable. One technical change would have been to lock the rate at which tax exempt bonds can generate tax credits for affordable housing at four percent and not have it float to market. The biggest positive change would be to increase the overall supply of sources available for the development of affordable housing.

Eaddy: A tax credits application process and requirements that are less complicated and more simplified on the city and state levels. Also, designating distressed communities with the greatest need a higher scoring classification within the application review process.

POSTED ON MAY 4, 2018

“There are two primary obstructions to faith-based property development: access to construction financing resources and engaging expertise in affordable housing development.”

—MICHAEL EADDY



30th Anniversary
The NHP Foundation
Preserving America's Affordable Housing

122 EAST 42ND STREET, SUITE 4900, NEW YORK, NY 10168 • 646.336.4940
1090 VERMONT AVENUE, NW, SUITE 400, WASHINGTON, DC 20005 • 202.789.5300
150 N. MICHIGAN AVENUE, SUITE 2800, CHICAGO, IL 60601 • 312.216.5103

www.nhpfoundation.org



Where You Live Matters