Let Us Rise Up and Build
How Enterprise’s Faith-Based Development Initiative is Supporting Affordable Housing in the Washington, D.C., Region
About Enterprise

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes in vibrant communities. For nearly 30 years, Enterprise has introduced neighborhood solutions through public-private partnerships with financial institutions, governments, community organizations and others that share our vision. Enterprise has raised and invested more than $11 billion in equity, loans and grants to help build or preserve more than 280,000 affordable rental and for-sale homes to create thriving, green communities. Visit www.enterprisecommunity.org and www.enterprisecommunity.com to learn more about Enterprise’s efforts to build communities and opportunity.

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Introduction

“In its quest to reclaim the ‘least, the last and the lost,’ Israel Baptist Church envisions a dramatic expansion of its ministries of community outreach and supportive services. Israel would not have been able to make significant progress toward its vision without the valuable workshops and strategic funding opportunities afforded through Enterprise’s Faith-Based Development Initiative.”

— The Rev. Morris L. Shearin Sr., Pastor, Israel Baptist Church

The journey from making the commitment to create affordable housing to realizing a building filled with residents requires significant work, with many obstacles to overcome and issues to tackle. For houses of worship with a desire to transform their real estate property into affordable homes for low- and moderate-income residents and families, a partner with experience and expertise in affordable housing and community development can make that process less complex and the end result more powerful.

The Faith-Based Development Initiative (FBDI) operated by Enterprise Community Partners in Washington, D.C., acts as a trusted partner that can introduce house of worship staff to members of the faith community who have walked the affordable housing development path. Every step along the way, the initiative provides critical advice and training, plus technical and financial resources that are tailored to the faith-based community.

This paper explores the role played by Enterprise’s FBDI in helping the Washington, D.C., region’s houses of worship create affordable housing and community facilities.
"Many faith-based organizations in the District of Columbia have made it their mission to provide social services, community development and housing programs. Enterprise’s Faith-Based Development Initiative is at the forefront of helping these faith-based entities manage their organizations effectively and succeed in their development dreams."

— Darryl Maxwell, Staff Attorney, Community Economic Development Project, D.C. Bar Pro Bono Program

In 2004, the newly formed East of the River Clergy-Police-Community Partnership (ERCPCP) in Southeast Washington had an idea: provide transitional housing for the thousands of adults returning to the community from prison every year. Transitional housing wouldn’t be just four walls to call home, however. ERCPCP envisioned a program that would encourage stability, productivity and independence through housing and supportive services. Such a platform would give clients an opportunity to successfully rebuild their lives as productive citizens.

With resources from a group of churches, ERCPCP purchased a multifamily building located just down the street from its own headquarters. The building had lain vacant for over a year, and its renovation would require far more technical and financial resources than ERCPCP could provide on its own.

The group turned to Enterprise Community Partners for support. Enterprise staff members, Vice President and Market Leader David Bowers, also an ordained minister, and Senior Program Director Deborah Stevenson, were already involved in ERCPCP.

“Not really having a place to call my home had led me to life on the street.”

— Kenneth Glover, ERCPCP resident
Enterprise provided support in numerous ways, including:

- Advice and technical expertise throughout the building process
- An initial $20,000 predevelopment grant in 2004
- A $120,000 low-interest loan to help cover construction costs in 2005, with the promise of loan forgiveness over a 10-year period, provided the property retained its designated purpose
- A $33,000 grant to expand ERCPCP housing program for ex-offenders in 2010

In 2008, the renovated building in Southeast Washington, D.C., opened its doors to 30 formerly incarcerated adults returning to the community. Thirty men now live in a mix of single and shared transitional housing units. Working with the Court Services and Offender Supervision Agency for the District of Columbia, ERCPCP also offers job training, referrals and counseling.

“Not really having a place to call my home had led me to life on the street,” says transitional housing resident Kenneth Glover. “Having this type of setting helped me see that there is something better – something more – than just being out there on the street.”

The support Glover and the other men have found would not have been possible without Enterprise, according to the Rev. Donald Isaac, executive director of ERCPCP: “We simply would not have been able to meet our goal of providing this housing option in our community for ex-offenders without the skilled guidance and financial support of Enterprise Community Partners.”

(photo by Lloyd Wolf)
The Need: Unleashing Potential by Building Capacity

“Enterprise’s educational workshops on growing capacity and strengthening our development, coupled with its financial support, have been priceless. It has been a wonderful experience to have a partner that is sensitive to the faith-based community’s unique needs.”

— LaRuby May, Executive Director, Vision of Victory Community Development Corporation, a nonprofit partner of Allen Chapel AME Church

Together, the Rev. Donald Isaac, David Bowers and Deborah Stevenson knew they were on to something with far-reaching potential for both the affordable housing and faith-based communities. At the same time, their successful partnership had created critical transitional housing, and uncovered an untapped resource to help meet the enormous affordable housing needs in the Washington, D.C., metropolitan region.

In 2005, Dr. Sam Marullo, then-chairman of Georgetown University’s Sociology Department, and his student team mapped all the church-owned properties in the Anacostia Historic District. He remembers: “We were shocked to find 158 properties owned by 62 churches just in historic Anacostia that totaled over 2 million square feet of property with an assessed property value of over $52 million. And this was in one of the poorest neighborhoods in the city.”

Marullo subsequently found that across the entire District of Columbia, 747 houses of worship own nearly 30 million square feet of property on more than 2,000 lots of land assessed at close to $3 billion.

And there is surely a need those houses of worship could fill. The National Low Income Housing Coalition’s report, Out of Reach 2010, ranks the District of Columbia the second most expensive jurisdiction in the country. To keep housing costs “affordable” (defined as 30 percent of income,
including utilities), a D.C. household must earn an hourly wage of $28.73, working 40 hours a week, year-round. Given D.C.’s minimum wage of $8.25, households need 3.5 minimum wage earners working full time to afford the average market-rate rent.

By many measures, the District of Columbia experiences poverty at high and ever-growing rates. According to the DC Fiscal Policy Institute’s 2010 report, *Who is Low-Income in DC?*, nearly one-quarter of the District’s population is low-income. Within this low-income* population, more than 47,000 people live in extreme poverty (less than $5,319 a year). In 2010, the District of Columbia’s homelessness rate was more than five times the national average.**

Historically, houses of worship in the District of Columbia have played a role in helping to meet the city’s affordable housing needs. Following the 1968 riots that ravaged parts of the city, houses of worship were responsible for rebuilding much of the District’s affordable housing. Filling that role in today’s economic environment would require even greater support – something the ERCPCP team understood.

“For a house of worship wanting to develop its land, you don’t even know what you don’t know. And you don’t develop millions of dollars of property by yourself when you have no money to use,” explains the FBDI’s pro bono legal partner, Susan Jones, supervising attorney for the George Washington University Law School’s Small Business Law Clinic. “Even professional real estate developers wouldn’t achieve their goals without teams of experts to help them.”

— Susan Jones, supervising attorney for the George Washington University Law School’s Small Business Law Clinic

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*The report defines low-income as a household of three with an annual income at or below $24,475.
**Metropolitan Washington Council of Governments, Homeless Services Planning and Coordinating Committee, 2010.
The Response: Delivering Comprehensive Support

“The Macedonia Baptist Church has been serving the Arlington, Va., community and Washington, D.C., region in excess of 100 years. We have been able to achieve the goal of developing land that is owned by the church and providing an elite mixed-use project that will not only offer opportunity and affordable housing to residents but also incubate several small and start-up businesses due to our relationship with Enterprise.”

— Dr. Leonard L. Hamlin Sr., Senior Pastor, Macedonia Baptist Church

The building blocks were in place, the need was clear and the gap in the market was persistent. The mortar that could hold everything together was precisely the kind of comprehensive support that Enterprise had provided to ERCPCP.

That realization marked the creation of the Faith-Based Development Initiative, officially launched at a June 2006 “Call to Action.” At a convening sponsored by Enterprise and ERCPCP, 26 faith leaders and congregants discussed faith-based community development.

As one participant remembers, “A member of the clergy spoke up and said: ‘Yes, we have been wise to acquire property, knowing it’s a good investment, and to have land donated or willed to us. But because we are not developers, we have been afraid to make a mistake and move forward.’”

The FBDI was the resource that could support houses of worship as they moved forward to serve their communities through affordable housing, special needs housing and community facilities. With its expertise and mission-based perspective, an initiative like the FBDI was positioned to empower and equip faith-based organizations to utilize their resources to meet vital needs.
The Promise: Sowing Seeds of Success

“My goal is to bring high-level real estate development expertise to communities that aren’t always able to draw on the real estate development experience afforded to projects in upscale, affluent neighborhoods. Enterprise Community Partners’ Faith-Based Development Initiative provides financing and referrals that assist faith-based organizations to retain firms like mine, allowing them to move their project forward and develop capacity at the same time.”

— Gina Merritt, Principal, Northern Real Estate Urban Ventures

From its inception, Enterprise’s Faith-Based Development Initiative has supported a total of 32 different faith-based development partners at various stages of the development process. By June 2011, the FBDI had more than 1,000 units in the pipeline and supported the construction of 228 affordable housing units.

In financial support alone, the FBDI has provided more than $15 million in Enterprise grants, loans and tax credit equity to 17 faith partners. This includes:

- More than $145,000 in grants (supporting 13 projects)
- More than $1.5 million in loans (supporting five projects)
- Over $13.8 million in Low-Income Housing Tax Credit equity (supporting 214 affordable housing units)

By June 2011, the FBDI had offered 25 training workshops and held 10 networking luncheons, with more than 170 faith-based organizations participating.
The FBDI’s major goal in 2012 is to help produce close to 450 affordable housing units (cumulative to date). Longer-term goals are ambitious but achievable, and are based on more than doubling its budget:

- Adding a region-specific training program for Fairfax County/Northern Virginia
- Doubling predevelopment grants for faith-based development, from five to 10 per year
- Providing up to six predevelopment low- or no-interest loans ($25,000 each)
- More than tripling the number of faith-based organizations annually receiving organizational technical assistance, from three to 10

To date, FBDI has:

- Helped complete 228 affordable housing units
- Provided and leveraged over $15 million in equity, loans and grants to support affordable housing
- Conducted 25 training workshops
- Convened 10 networking lunches
A Benediction: “A Wealth of Support and Opportunities”

“It has been exciting to be a part of taking a concept and making it a reality – seeing faith institutions of various sizes and sophistication move from visioning to concrete reality. Without the technical, financial and other forms of support provided by Enterprise Community Partners and its staff, we would have been unable to make such significant progress in such a relative short period of time. Enterprise’s support, encouragement and assistance have been invaluable.”

— The Rev. Donald Isaac, Executive Director, East of the River Clergy Police Community Partnership (ERCPCP)

The Summit at St. Martin’s apartment complex, completed in October 2010, stands tall and proud in Northeast Washington’s Eckington neighborhood. The building offers 178 beautiful, new affordable apartments, including 28 units for working families, and 50 units for people who were formerly homeless.

The Faith-Based Development Initiative played an essential role in turning the complex into housing for people with the greatest needs. In 2002, St. Martin’s Church was renting the nearly century-old convent to Catholic Charities, who was using the space to provide housing for up to 20 formerly homeless men. The convent shared the land with a dirt parking lot that took up most of the property.

Led by Father Michael Kelly, the people of St. Martin’s had a vision to create an affordable housing development on the property. Catholic Charities agreed to partner with the parish in its efforts. Through its networking lunches, the FBDI linked the project’s developers with other faith-based development entities that assured them of the project’s feasibility.
As the project developed, Enterprise offered trusted technical advice and critical financial support for St. Martin’s, with a $10,000 predevelopment grant in 2007. Enterprise also provided $11 million in Low-Income Housing Tax Credit equity in 2008.

Project director Chapman Todd of Catholic Charities highlighted the indispensable role that the FBDI played: “Faith-based organizations are mission driven and have a very clear vision of what they want to see in the end. But on a new initiative like this, they typically won’t have the experience or the expertise to get there on their own. Enterprise’s FBDI provided a wealth of support and opportunities that enabled us to fulfill our vision.”
About the Faith-Based Development Initiative (FBDI)

Mission
The mission of Enterprise’s Faith-Based Development Initiative is to engage and assist the faith-based community as active agents in creating an economically diverse metropolitan area where people of all incomes have access to fit and affordable housing and community development. The FBDI is rooted in the values of justice and compassion, and strives to promote multicultural and interclass harmony. The FBDI seeks to support the growing interest in the faith community to bring affordable housing where it is most needed. The initiative provides critical capital, legal and training resources to help organizations develop underutilized real estate assets into affordable homes and community facilities.

Collaborators
- East of the River Clergy-Police-Community Partnership (ERCPCP): Since the FBDI’s founding, the Rev. Donald Isaac, executive director of ERCPCP, and his staff have played a significant role in helping the FBDI define and hold true to its purpose-driven mission, connecting the FBDI to faith communities in the District of Columbia and Maryland, and providing organizational development advice to faith-based organizations.

- Georgetown University: The FBDI first connected with Dr. Sam Marullo, Georgetown’s former chairman of the Sociology Department, after hearing his presentation on land owned by churches in D.C.’s Anacostia neighborhood. In addition to expanding his research to understand the property ownership of churches throughout the District of Columbia, Marullo, working with his students, conducted case studies for the FBDI and created evaluation tools that the initiative continues to use.

- Wesley Theological Seminary: In August 2010, Dr. Sam Marullo became the director of research on missional communities and professor of sociology at Wesley Theological Seminary, which now collaborates with the FBDI. Marullo works with seminary interns on relevant research projects and publicizes the FBDI’s training workshops to the seminary’s network of churches and faith leaders.
Resources

The FBDI has become known as a “one-stop shop” for faith-based affordable housing and community development. It provides a multifaceted and comprehensive set of tools to support faith-based development, including training, networking, expertise and capital. Not every faith-based organization will need the full range of services the FBDI provides, and there is no requirement that a faith-based development project collaborate with Enterprise or its experts and partners for all of its needs. Rather, the FBDI meets faith-based development projects wherever they are and remains available as a resource throughout the development process.

- **Trainings:** The FBDI generally hosts an average of six trainings each year to introduce the faith community to the concepts and skills necessary for engaging in development. Training workshops, which are generally four hours long, have included such topics as creating a vision, the nuts and bolts of development, public and private resources for financing, organizational development, legal structure, risk management, asset management, Low-Income Housing Tax Credits and New Markets Tax Credits.

- **Networking Luncheons:** Twice-a-year networking luncheons provide the opportunity for people in the faith-based development community to ask questions, share experiences and engage each other in candid, constructive dialogue.
Expertise

• Technical Support: The FBDI staff offers preliminary property and market analyses, makes referrals to the appropriate experts or tools, conducts initial interviews with potential development partners, and develops the training series held each year. The staff also convenes the FBDI’s partners and manages equity, grants and loans from Enterprise.

• Network of Developers and Development Experts: The FBDI can work closely with faith-based organizations to build capacity as needed. Development experts are carefully chosen based on both their professional qualifications and willingness to work with faith-based organizations. Experts can help the organization determine what type of housing to build, and once a vision is established, provide a feasibility analysis, which includes a zoning analysis, market analysis and community profile. Experts also can provide invaluable advice in putting a development deal together, including calculating costs, and potentially become official development partners (often in the form of limited liability partnerships), which can be instrumental in helping to secure funding for the project.

• Organizational Capacity Building: The FBDI and its team of consultants can conduct organizational assessments to strengthen the position of a faith-based development organization beginning a development project and seeking funding. Consultants can also provide houses of worship with 20 hours of dedicated capacity building services, including nonprofit board training, strategic planning and other organizational services.
Partnership with Legal Services: From the beginning to the end of the development process, the FBDI provides houses of worship access to pro bono legal services. Partnerships include: the D.C. Bar Pro Bono Program, the Maryland Volunteer Lawyers Service, American University College of Law, George Washington Law School, Georgetown University Law Center and University of the District of Columbia David A. Clarke School of Law.

These pro bono lawyers perform many vital functions, including:
- Establishing the entity to carry out the development
- Drafting appropriate contracts with third-party vendors
- Advising on regulatory requirements
- Negotiating with regulators or third parties
- Fulfilling the legal requirements for development

Pro bono lawyers also advise faith-based organizations on how to solicit loans, find subsidies and put together a development team (architect, builder, construction manager), including drafting contracts for those parties. The FBDI’s many pro bono lawyers, including some law student partners, are also active members of its training team, and often lead or participate in workshops. The FBDI also makes referrals to fee-based attorneys with specific knowledge and capacity to work with faith-based organizations.

Capital
The FBDI provides faith-based organizations with the supportive financial resources they need to engage in affordable housing development, including predevelopment grants and access to Enterprise financial products like short-term loans, mortgage loans and tax credit equity.

- Predevelopment Grants: Grants of up to $10,000 help houses of worship defray the costs of hiring a development consultant to perform early feasibility analysis. The work performed helps houses of worship determine whether or not to build, and what to build if they do proceed. Houses of worship are required to provide a 25 percent match for these funds.
• Short-term Loans: The majority of the FBDI’s short-term lending tools are underwritten by Enterprise Community Loan Fund, the nonprofit lending arm of Enterprise Community Partners. Short-term loans, which are usually for a 12- to 36-month period, include: (a) predevelopment loans; (b) acquisition loans, which cover the costs of purchasing land or a building; and (c) loans for community facilities such as health care centers, charter schools or day care facilities.

• Long-term Mortgage Loans: Enterprise offers competitive long-term mortgage loans for new construction and rehabilitation of affordable and market-rate multifamily housing. The loans are usually 20- to 30-year loans and can come in as permanent loans repaying non-Enterprise predevelopment or acquisition loans, or as construction loans that convert to permanent financing.

• Low-Income Housing Tax Credit (LIHTC) Equity: Through Enterprise Community Investment, a for-profit subsidiary of Enterprise Community Partners, the FBDI connects faith-based organizations to LIHTC equity, another powerful capital tool. The LIHTC program, which was written into the federal tax code in 1986 and is administered by the Internal Revenue Service, allows investors to receive credits against their tax liability in exchange for providing equity dollars to an affordable housing project. Even more valuable than tax deductions, LIHTC provides a powerful incentive for investment in affordable housing. State housing finance agencies administer the credits and allocate them to developers through a competitive process.

Enterprise serves as a syndicator for LIHTC, brokering deals with investors who pay cash to the developers in exchange for the tax credits. Enterprise is one of the leading providers of LIHTC equity. In addition, Enterprise is one of the nation’s largest allocatees of New Markets Tax Credits, and helps to finance commercial and mixed-use developments in qualifying low-income census tracts.
Frequently Asked Questions

How does the Faith-Based Development Initiative identify faith-based organizations in need of its assistance on development projects?

The FBDI’s original mailing list for its 2006 Call to Action came from the East of the River Partnership and the D.C. Mayor’s Office of Faith-Based Support Services. The FBDI also works with a variety of faith-based and affordable housing organizations to alert the faith community of the FBDI resources. Word of mouth and referrals by FBDI participants also generate participants.

Does the FBDI work only with churches, or with any faith-based organization?

Although most of the FBDI’s work thus far has been with churches, the FBDI enthusiastically welcomes synagogues, mosques and other faith-based organizations to make use of its many services and tools.

Where does the FBDI get its funding?

Enterprise’s FBDI is funded through a combination of private and public sources. Lending institutions and foundations provide funding. The funding is applied toward program operations as well as used as pass-through grants to faith-based organizations for technical assistance and predevelopment activities. The early predevelopment grants have been funded by both public and private sources, including targeted federal government funds designated to build the capacity of nonprofit organizations.

Is there a cost associated with the services that the FBDI provides?

No direct costs are involved in collaborating with the FBDI. However, a 3:1 match of private resources to federal funds is required for certain types of grants.

“Faith-based development is typically mission driven, and less about profit than about helping people meet their needs for affordable housing in the local community.”

— David Bowers, Vice President and Market Leader, Enterprise Community Partners
Is a faith-based organization required to obtain a loan or other services from the FBDI through Enterprise if the FBDI has provided a predevelopment grant?

No, but the FBDI hopes to create the kind of trust and respect that would lead faith-based organizations to use Enterprise programs and assistance, where relevant.

Is it profitable for a faith-based organization to engage in faith-based development?

Faith-based development is typically mission driven, and less about profit than about helping people meet their needs for affordable housing in the local community. Deals are generally financed to reduce the amount of debt necessary, thereby reducing rents for the tenants. After paying expenses and debt services to keep rents deliberately low, very little cash flow remains.