



Living Word Church's Trinity Plaza in Washington, DC

Faith Based Development

Looking for land? Start here. *By Joel L. Swerdlow*

In one of the poorest neighborhoods in Washington, DC, Trinity Plaza, a project of the nearby Living Word Church, offers 49 one-to-three bedroom apartments; all affordable—church-provided services available to tenants include educational and health programs. And in the Coolidge Corner neighborhood of Brookline, Massachusetts, just outside Boston and in one of the nation's most trendy, affluent areas, the 1.8-acre site formerly home to St. Aidan's Parish has become 59-units of mixed income housing, including nine condominiums in the renovated church, with stained glass windows and other unique features.

What these projects have in common: church property and affordable housing.

"It's hard to know for sure if this is a growing phenomenon, but it certainly seems to be," says John Welch, Vice President of the Alexandria, Virginia-based AHC Inc., which has been building affordable housing since 1975. "We have two religious groups looking to construct affordable housing, which now gives us four in total. That is an increase for us recently. Members of various congregations read about the intense need of

affordable housing and want to address the issue. It also fits in with their timing and needs—to update their own buildings, or to downsize in some fashion."

There's even an acronym for this phenomenon: FBD, faith-based development. And there are experienced, effective non-profit organizations specializing in making it happen.

No one knows how much property is potentially available for FBD. In 2005, student teams directed by Dr. Sam Marullo, then-chairman of Georgetown University's Sociology Department, mapped church-owned property in Washington, D.C., which in this regard, is probably a typical American city. "We were shocked to find 158 properties owned by 62 churches, [totaling] over 2 million square feet of property with an assessed property value of over \$52 million" in one of the poorest neighborhoods in the city," he told reporters. Marullo's research revealed that faith-based institutions in D.C. own almost 30 million square feet of property on several thousand lots of land—with an overall assessment of more than \$3 billion.

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Housing, of course, has long been essential to the core mission of faith-based groups. B'nai B'rith, the Jewish service organization, launched its housing program for "senior citizens [of all faiths] with limited incomes" in 1968; and in 1977, the U.S. Conference of Catholic Bishops declared that "decent, safe, and affordable housing is a human right."

But most faith-based housing efforts have been—and still seem to be—immediate and crisis oriented, facilities and services for the homeless, ill, and elderly. Now, however, faith-based institutions are realizing they possess an asset they are not fully utilizing: real estate.

"The Catholic Church in Boston has, since the 1960s, looked at much of its surplus property as a vehicle for continuing the mission of the Church by developing it for affordable housing. Since the mid-2000s using church property in this way has significantly increased, as ethnic groups move to the suburbs and urban parishes close, schools are closed, various orders phase out for lack of young people, and other large demographic changes occur," says Lisa Alberghini, President of the Planning Office for Urban Affairs, a non-profit housing developer created by the Archdiocese of Boston "to serve as a catalyst for social justice through its work in housing development, neighborhood revitalization and affordable housing advocacy."

Alberghini, with 30+ years of experience, has led the Office in completing nearly 1,000 units since 2004, the vast majority built on church property, assembling more than \$280 million in debt and equity financing. "We combine development expertise with a deep understanding of, and a commitment to, the needs of the parishes. In doing that, we translate the complexities of affordable housing and Low Income Housing Tax Credit deals into significant opportunities for both the FB groups and our financing partners, as a sort of one-stop shop for simplifying the process and making good things happen with the Church's excess property," she says. "Bank of America has provided construction loans and direct tax credit equity investment in most of POUA's deals, proving this works for lenders. There is huge opportunity for all involved, and the supply of these properties is growing and largely untapped."

No one seems to be keeping a good tally of faith-based property potentially usable for affordable housing.

"Many faith-based groups," explains Edmund Delany, Senior Capital Officer, Community Development Finance at Capital One, "own land that has appreciated significantly in value as neighborhoods improve and density increases. Churches serving the poor and minorities in urban areas find themselves owning land that could be valuable as gentrification occurs; or, owning land near their church that could be used for affordable housing; or able to purchase underutilized; abandoned property next to their churches on which to build."

Similar observations come from David Bowers, vice president and Mid-Atlantic market leader for Enterprise Community Partners, based in Washington, D.C. Also an ordained minister, Bowers heads Enterprise's Faith-Based Development Initiative (FBDI)—which, like POUA, serves as a "one-stop-shop" for faith-based involvement in affordable living. "Many mainline Protestant Christian churches," Bowers says, "have seen diminishing membership and are left with buildings that can be repurposed. In many, though not all, cases land owned by houses of worship has little or no debt on it – allowing them to bring a valuable asset to the development transaction."

Bowers' route to faith-based land highlights the need for developers to take the initiative. "In late 2005," he says, "our office was pondering how to get new units of affordable housing developed in a high land cost market here in the DC metro area. Most of the work in the industry focused on preservation of units and preventing displacement of low income residents. This is critical work, and we at Enterprise are very active in that space. That said, if you're always playing defense it's hard to win the game. We as an industry needed to find creative ways to get more new units on line that served low and moderate income residents. We convened a group of faith leaders who told us of their foresight to acquire land/properties but also their apprehensiveness because they did not know the development business and their reluctance to get involved in an area that they had limited knowledge and experience. We saw it as an opportunity to meet their expressed need for education, technical and financial support to get these developments done."

In pursuing such opportunities, the development community must understand the faith-based perspective. "For a house of worship wanting to develop its land, you don't even know what you don't know," explains a lawyer who has done pro bono legal work for FBDI. And an FBDI-issued report describes how at meetings, "A mem-

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ber 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.’”

Adds a developer, FBD “often means that decisions have to be made by committees or boards and there may be a regional denominational board. The clergy leader of the house of worship may be the ultimate decider, which can make it easier sometimes or harder if the leader is not accessible.”

The time frame of reference for people in the development community is quarterly, for those in the faith community it is eternity,” says Bowers. “So the sense of urgency or timeliness of a house of worship may be very different from that of a developer. There is a need for patience, open and honest communication on both sides. When it works well, the developer will view the house of worship as an equal partner and not take an ‘You don’t know development, have a seat and let us do the deal’ attitude.”

Alberghini agrees, noting that the partnership must be respectful and informed; developers should understand that faith-based groups have financial needs, as well as caring a lot about the work of their ministries.

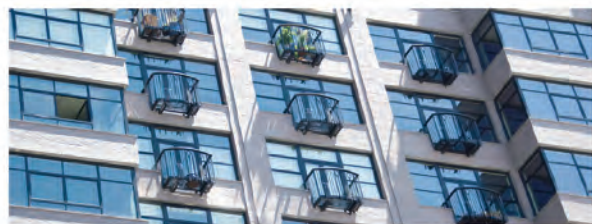
Use of faith-based real estate seems to involve deals with just about every combination, ranging from FB involvement being limited to sale of the land, to FB purchase of adjacent land to expand their affordable housing efforts. But certain constants also seem clear: financing of deals, and use of various tax credits is no different; local zoning and planning authorities do not treat these projects differently; and like any owner, FB groups do best with tenants if they have good property managers.

Successes to date seem to be breeding more successes. “Some houses of worship and their leaders are inspired by seeing other houses of worship that are doing affordable housing development,” says Bowers. But the best indication of what the future holds may be how the money flows. “Affordable housing projects involving faith-based institutions are significant to us,” says Edmund Delaney of Capital One. **TCA**



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