



Seven Stages of Development for Houses of Worship

Arlington Partnership for Affordable Housing

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Introduction

Many faith communities struggle with oversized and aging facilities along with declining membership and revenues. The congregation may possess significant, underutilized real estate assets that could be repurposed to expand its mission, plus provide financial resources for updating and right-sizing worship and support spaces. Done well, affordable housing development can allow a congregation to grow mission, energy and financial resources. Dozens of houses of worship have produced new affordable housing complexes around the country and hundreds more are considering this path. Below is a short list of the key steps to achieving a successful affordable housing project.

Seven Stages of Development

1. **Discernment and Education**—The first and most important step is for the congregation to discern its calling. What does your community—both members and neighbors--most need? How will new development nourish your congregation's faith journey? A third-party spiritual consultant may be helpful in this phase—and perhaps an ongoing spiritual coach throughout the process.

During this period, the congregation's leaders and/or a **Discernment Committee** should become educated about the community's needs and challenges. Meet with local elected officials, non profit housing organizations and human services professionals. Read studies on community needs and

challenges. Invite the community to help you discern for whom could your land and buildings be of service.

Prepare a **Vision Statement** through this discernment process—what is the ideal scenario in a redevelopment and what is the minimum necessary in order to proceed—as measured in money, mission outcomes and/or new facilities for the congregation. You will regularly return to this Vision Statement as the project evolves.

- 2. Quick Feasibility and Appraisal**—Contact an experienced, reliable, mission-minded affordable housing developer and ask them to conduct a no-cost, no-obligation **Feasibility Study** of your site’s zoning, massing options, market and financing capacity. If there aren’t any housing developers in your community, contact one of the national intermediary organizations, like Enterprise Community Partners (enterprisecommunity.org) for a referral. Can you fit a six-bedroom group house for persons with disabilities on your site? Or, if you rebuilt the aging worship space, could you build a new first floor church topped with 200 units of affordable housing? Where would funding come from? What steps are required for the proper zoning and permits? Also, pay for a commercial **Appraisal** of the market value of your property, “as is” and as rezoned/redeveloped for the highest and best use feasible for the site. Seek an MAI certified appraiser referred by a major bank. At the end of the process, you may not obtain full market value of the property in a mission-minded redevelopment, but the congregation should know upfront what its contribution will be in terms of discounted land value.
- 3. Build your Team: Internal and External**—If the congregation has discerned the call and identified its vision, and the initial feasibility study indicates a path to achieving that vision, then it is time to recruit a committed and experienced internal team to guide the multi-year real estate process. Ideally, the **Development Committee** includes persons skilled in real estate, banking, finance, design, legal and construction. If you do not have those skills within the congregation, think about recruiting pro bono, third party volunteers to join your committee—not individuals working “on spec” for future paid work, but folks who are ready to volunteer their time for no compensation. With the help of your Committee, and possibly a consultant, conduct a **Request for Proposals** for an experienced **Developer/Partner**, including the organization that conducted the initial Feasibility Study. Ask bidders to outline the proposed structure, financing terms, timeline, payments expected to/from the congregation and their development team, e.g. zoning attorney,

- architect, civil engineer, etc. Expect the process of interviewing, vetting and contracting with your proposed partner to take several months. Hire an experienced attorney to represent the congregation in negotiating the terms of the development/partnership/sale agreement.
4. **Secure approvals**—The **Developer/Partner** will lead the effort to secure zoning/entitlement and financing approvals. The initial stages of securing approvals should ideally require no cash or collateral from the institution, although the congregation should be prepared to sign a binding agreement—Joint Venture or Purchase and Sale Agreement—that commits the congregation if the Developer secures the anticipated approvals. Most housing projects are funded with the Housing Tax Credit, which may require a competitive award, and sometimes takes a year or more to secure. This entire approvals stage is highly risky—the zoning approvals could result in less density than anticipated, the financing awards could be smaller than projected, interest rates and construction costs could rise. Your Developer/Partner should carry the bulk (or all) of the risk at this stage—aligning the risk with the terms of their proposal and their execution ability. As owner of the underlying real estate, the congregation should both be prepared to adapt as circumstances change, but also have the opportunity to terminate the agreement if the project no longer meets your minimum expectations as identified in your Vision Statement.
 5. **Design and Construction**— Make sure your Development Committee stays involved throughout the design process, if the project involves the delivery of new facilities for the congregation. Consider hiring your own architect and/or Interior Designer to design the new facilities in a way that best meets your current and future congregational needs. Building a new housing complex can take up to three years. Be prepared for displacement and inconvenience for the congregation. Identify a relocation plan and alternative facilities for the duration of construction.
 6. **Operations**— The housing finance tools require sophisticated, long term compliance and oversight. Be prepared to operate the facility in accordance with the financing requirements for at least thirty years. Your Developer/Partner should provide a property management team that is skilled in compliance, customer service and property maintenance. Identify who is responsible for maintaining the congregation’s facilities and where responsibilities are shared with the housing provider.

Think ahead about services for residents: does the congregation want to be involved in supporting families or seniors with services that promote health and wellness, family stability or education? Could service providers offer programs in shared church/housing spaces? This could be an opportunity to grow the congregation, both with new volunteers and with deepened mission commitment.

7. **Celebrations:** This is a very long journey, requiring four years or more. Plan to celebrate accomplishments at every stage. Don't forget to thank everyone—neighbors, public officials, team members, and, ultimately, residents. Celebrate what you have built, who you are serving, how it nourishes your faith community.

Suggestions:

1. **Leadership patience**—this is a long journey, not for the faint of heart. Recruit your key leaders, both clergy and lay, for a 5-year+ term. Persistence will be important in achieving your vision and protecting the congregation's assets.
 2. **Set priorities**—be clear about what makes the project viable for your congregation. Differentiate “Must Have” from “Nice to Have”. The project will change over time, so be prepared for re-assessing these priorities.
 3. **Limit your risk exposure**—this is an expensive and complex process. Be sure you ask lots of questions, get good advisors and align the risks with the development experts. Your agreements should ensure that your partner and team members are compensated based on successful outcomes.
 4. **Enthusiasm**—Keep pressing for your vision. Don't lose faith amidst the tactical pressures. Keep prayer and faith a part of your development process.
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