



Creating Affordable Housing —A Guide for Faith-based and Neighborhood Partnerships



Evangelical Lutheran Church in America
God's work. Our hands.

Purpose of this manual

In searching for a way to serve the community, many congregations become interested in affordable housing projects. However, in their enthusiasm they frequently ask for help on these projects only after critical decisions have already been made. This manual asks the questions that you should be able to answer before beginning development. It can help you determine if an affordable housing project is appropriate for your congregation. It also gives a general idea of how affordable housing projects develop to enable you to make that decision.

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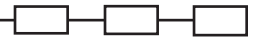
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Neither of my parents ever owned their own home as long as we lived in the South. Most if not all of the housing on the “Colored” side of our town was company owned, including the utilities. We lived in an apartment complex called the “Ark.” The floor plan consisted of the “front room” or living room (which also doubled as a bedroom for my brother and me) the “middle room” which was my parent’s bedroom, and the “back room” or kitchen. The kitchen was outfitted with a wood burning stove and a refrigerator, but no sink with running water. One of the main reasons I enjoyed high school was because I could take a shower at school instead of trying to bathe in a #4 tin tub at home.

Our apartment had a tin roof and the rainy season spelled disaster for everything inside. We had to put pots and pans in almost every room to catch the water that leaked in. The apartment complex sat in a low spot with the outhouse elevated above the back yard. When it rained it almost always flooded, with runoff from the outhouses.

My father Willie and grandfather Joe “saw milled” (logged) for a living. They never made more than \$50 to \$100 per week for backbreaking, very dangerous work. They both sustained numerous hand and back injuries as well as broken ribs. During the rainy season and winter months, the logging camps were closed. Then my father drew around \$100 per month unemployment. But I never heard my dad or my grandfather complain how hard they worked, or about the difficult conditions they were subjected too. My mother, Annie, took a job as a housekeeper and for a brief period she worked in food service at the school I attended. My grandma, Connie, worked as a short-order cook.

My parents were hard-working, earnest people, and like many hard-working Americans today, no matter how hard they worked, they could not afford decent housing, let alone own a home. Many of the barriers to decent housing, then and now, are artificial in nature, e.g. issues of living wages for those who labor and the reality of skyrocketing costs of decent and affordable housing. We in the faith community have a moral imperative to love and assist our neighbors. That imperative can take the form of making decent, affordable housing a reality for our neighbors in need.

Joe Young, director for Community Development Services,
ELCA program unit for Church in Society

Many thanks to members of the ELCA churchwide staff, ELCA clergy, and lay leadership for their significant contributions to developing this important resource.

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Introduction: A Passionate Conviction



People of faith believe God has created this world and provided us with all the necessities of life. Luther put it this way: *I believe that God has created me together with all that exists. God has given me and still preserves my body and soul: eyes, ears, and all limbs and senses; reason and all mental faculties. In addition, God daily and abundantly provides shoes and clothing, food and drink, house and farm, spouse and children, fields, livestock, and all property—along with all the necessities and nourishment for this body and life.*¹

“Shoes?” The confirmation youth laughed. “My mother buys me shoes. God doesn’t provide me with shoes.” The class and pastor engaged Luther’s words further. They concluded: God does create a world in which the necessities of life are provided. God intends everyone to have shoes. And no one should go without them. That confirmation class was passionate about that. We bring the same passion to our conviction that no one should go without adequate housing. Fueled by such conviction people of faith work to ensure all enjoy the “necessities and nourishment” for this life including shoes and adequate, affordable housing.

If you are thinking about doing this, know that housing ministry is demanding. This guide is offered to those who share our passionate conviction that all individuals ought to have available to them adequate and affordable housing. Allow that passionate conviction to lead you into a period of discernment. Look at your sense of vision. Is it strong enough to capture the imaginations of your entire group? Begin and continue with prayer and Bible study so that your focus is God-driven, not people-driven, and so that your decisions suit the time, not your passion.

Seek partners to increase your capacity to achieve your vision! Collaborate with other congregations, non-Christian faith communities, and those who do not belong to a faith community. Beware of “doing for others” when you should be doing “with” others. Build relationships with those in your congregations and communities who themselves seek affordable housing. Cultivate and maintain a broad base of relationships. The ability to build affordable housing depends upon the mix of diverse gifts, skills, and wisdom.

Next, identify the assets you bring to this endeavor. Evaluate your community and the environment for such a ministry. One does not enter into a housing ministry easily! We offer this guide to assist you in deciding whether or not to pursue this kind of ministry—whether the time and your community are right for this. And, if you decide to proceed, we offer some of the wisdom collected over the years. As you proceed, may God bless you with persistence and determination.

¹ Kolb, R., Wengert, T. J., & Arand, C. P. *The Book of Concord: The Confessions of the Evangelical Lutheran Church*, Small Catechism, Minneapolis: Fortress Press, 2000, 354.

Consider this!

The ELCA provides a rite to bless a home describing it as *a celebration of vocation in the deepest and broadest sense. We thank God for the gift of a home while honoring the ways people practice their faith in their life at home: chores and hobbies, cooking and eating, ways of relaxing, relationships within the household and beyond it, caring for our bodies, connecting with the creation.*²

As you explore a housing ministry begin by having your own homes blessed! Hear again the incredible news that God has made a home with us. The house blessing begins:

Blessed be the holy Trinity, one God, who spreads forth the heavens like a tent, who shelters our lives, who comes to make a home with us. Amen.

Evangelical Lutheran Worship suggests ending the house blessing with an affirmation of vocation. The leader offers this prayer:

Almighty God, by the power of the Spirit you have knit your servants together into the one body of your Son, Jesus Christ. Look with favor upon them in their commitment to serve in Christ's name. Give them courage, patience, and vision; and strengthen us all in our Christian vocation of witness to the world and of service to others; through Jesus Christ our Lord. Amen.

Then the rite closes:

Dwell here in peace. Christ is with you. Thanks be to God.

Indeed, it is our passionate conviction that all people ought to dwell in peace with the assurance that God is with them.

—Reverend Michael Merkel, retired, former pastor of Bethesda Lutheran Church, New Haven, Connecticut, president of ECCO Nehemiah Housing Corporation (1998-2005)

² Evangelical Lutheran Church in America. *Evangelical Lutheran Worship Pastoral Care: Occasional Services, Readings and Prayers*. Minneapolis: Augsburg Fortress Press, 2009, 337.



Defining your Vision and Mission

Isaiah calls us to create healthy communities through the work of justice and compassion, not just within our congregations, but also in our communities. This means evangelism-reaching out in new ways. That’s the starting point for thinking about God’s vision for the community—what needs to be done to witness, evangelize, and make concrete the gospel.

*The world is crying out for a church that tangibly demonstrates a love that breaks across all racial and economic barriers. Affordable housing puts a tangible and visible structure on love.*³

Before you answer this call, clarity and agreement of your congregation’s vision and mission are critical foundational steps. So is examining your relationship with the surrounding community.

This guide assumes that you are considering affordable housing as a possible next step in moving into mission, a way to connect with those in need in the community. But before you jump into a housing project, ask yourself, your committee, your congregation: **What are our vision and goals for service in the community?**



Isaiah’s Call for Justice

They shall build houses and inhabit them; they shall plant vineyards and eat their fruit. They shall not build and another inhabit; they shall not plant and another eat; for like the days of a tree shall the days of my people be, and my chosen shall

long enjoy the work of their hands. They shall not labor in vain.—Isaiah 65: 21-23a (NRSV)

If a brother or sister is naked and lacks daily food, and one of you says to them, “Go in peace; keep warm and eat your fill,” and yet you do not supply their bodily needs, what is the good of that? So faith by itself, if it has no works, is dead.

—James. 2:15-17 (NRSV)

³Shook, J., ed. *Making Housing Happen*. St. Louis: Chalice Press, 2006, 4.

What is Affordable Housing?

Affordable housing includes a host of housing possibilities. The following terms will help you understand some of the possibilities:

- *Affordable housing* (by state and federal agencies) refers to housing that can be owned by families of: moderate income (50 to 60 percent of the Area Median Income – AMI); low and very low income (below 60 percent and 50 percent of AMI, respectively). Affordable housing can be more readily supported by state and federal funds.
- *Subsidized housing* is housing where the tenant or owner (on behalf of the tenant) receives monthly income for the difference between the apartment’s contract rent (usually the going market rate) and the amount paid by the tenant toward rent. This is also called assisted housing.
- *Senior housing* is housing in which all or 80 percent of the units have an age-restriction. It is designed with the amenities and facilities required for seniors. These can include subsidies, assisted-living care, adult daycare, or other senior requirements. Or, it may be a temporary home installed on a single family site so that seniors can remain close to their families.
- *Housing for people with disabilities* is housing built to be accessible and to accommodate the needs of people with disabilities such as hearing or visual impairments or mental or physical challenges.
- *Multi-generational or co-housing* is housing where the family is strengthened with other supportive participants.

Reclaiming Affordable Rental Housing

For many years, the goal of home ownership has been emphasized in the United States, and as a country we lost sight of the value of rental housing in a balanced national housing policy. The end of the housing bubble and a wave of foreclosures have underscored the importance of affordable rental housing. We now have an opportunity to reset the policy agenda, restore rental housing to its proper place, and reshape the policy environment so that it both encourages rental housing preservation and makes it easier to do.

—Jonathan Fanton, president,
John D. and Catherine T. MacArthur
Foundation
(MacArthur Foundation Press Release
2/26/09)

What is Affordable Housing?

(*cont.*)

- *Group homes* are small, residential facilities located within a community and designed to serve children or adults with special needs. These homes usually have six or fewer occupants and are staffed 24 hours a day by trained caregivers.
- *Transitional housing* is of three kinds.
 - There is transitional housing for refugee resettlement from other nations. To adjust to a new culture, these people are generally placed where there is already an existing population of their nationality.
 - There are transitional housing needs for displaced people requiring resettlement due to natural or other disasters. For example, many of the people of New Orleans need transitional housing after Hurricane Katrina.
 - There is transitional housing for homeless people and those who need an experience of adequate housing before moving on to home ownership in their own right.
- *Mixed-use housing* are projects with both retail and residential units.

- *Mixed-income housing* are projects where different units are filled with low-income families or individuals while other units in the same project are market-value without restriction on the income of the residents.

Transitional Housing

Proposed Project: Moving homeless individuals into transitional housing

Partners: Our Savior's Outreach Ministries, (OSOM) Minneapolis, Minnesota

Perceptions Gained: Our Savior's Lutheran Church began sheltering homeless individuals in the church basement. Incorporating as a not-for-profit, it purchased an office building for use as a homeless shelter.

However, individuals with the desire to locate in more permanent housing needed to establish a record of meeting obligations to qualify. To fill that need, OSOM purchased two houses situated between the church building and the shelter. These provide longer term residences with support services.

Why Choose Affordable Housing Projects?

Franklin Roosevelt's Economic Bill of Rights included "the right of every family to a decent home." Since 1944, the federal government has drastically diminished its commitment to affordable housing. Foreclosures, lack of affordable rental opportunities, and homelessness are now a visible part of many communities. So there is great need and opportunity for action on affordable housing.

But there are many arenas of congregational action that address the needs and wants of economically challenged people in the community. Affordable housing is just one of them. Sorting out whether this is the best fit for your congregation is critical.

While developing affordable housing is an exciting and challenging task, it is not for the faint of heart. It usually takes a long time and has many obstacles. Some call this process the "agony and the ecstasy." But housing development can be a visible, tangible witness to God and the congregation's care for people and for the community.

To Fulfill our Mission:

- Whom will we serve?
- Where will we do it?
- How will we do it?

After answering these questions, prayerfully and carefully move through the steps, cautions and examples of this handbook in your journey of ministry discovery and action.



Ah, you who join house to house, who add field to field, until there is room for no one but you, and you are left to live alone in the midst of the land! The Lord of hosts has sworn in my hearing: Surely many houses shall be desolate, large and beautiful houses, without inhabitant.

—Isa. 5:7-9 (NRSV)

Affordable Housing Checklist—Have We Done Our Initial Homework?

Some questions to consider:

- Have we defined our vision and goals for service to the community?
- Does an affordable housing project match these goals?
- What other groups are doing similar work in our area? Can we connect with them?
- Is affordable housing the greatest need in our community?
- Does the community want affordable housing?
- Are we prepared to risk our “five loaves and two fishes” to make possible this effort? Our own “equity” is critical to success.
- Do we have relationships in the community and beyond (politicians, government, etc. that leverage resources and opportunities?

Jesus, looking at him, loved him and said, “You lack one thing; go, sell what you own, and give the money to the poor, and you will have treasure in heaven; then come, follow me.”—Mark 10:21 (NRSV)

Working on an Affordable Housing Project

An affordable housing project is a long-term project. Such a project can only succeed with the contributions of many people. Before moving forward, ensure that the appropriate people are engaged, involved, and invested in the project. Your bedrock for an enduring project is made of the people on your committee and the congregation.

Once begun, you face constantly shifting sands while trying to reach your goals. Financing, the community, governments, and other institutions all change as to personnel, commitment, acceptance of your project, and even honoring signed contracts.



Acceptance within the community is thus paramount for a successful project. The importance of relationships within your committee and across your community cannot be stressed enough.

Building these relationships will take time. A primary question to ask yourself is, in the face of the excitement of this project, do we have the patience to start small and build slowly, waiting for the proper time to expand toward our goals? Taking the time for discernment, identifying the true nature of your task, is the responsibility of those who take up the task of affordable housing.

Discernment can help you evaluate the feasibility of a project and to make the necessary go/no go decisions.

Delight is in the law of the Lord and on his law they meditate day and night.

—*Psalm 1:2 (NSRV)*

Prayer, Reflection, and Bible Study

An affordable housing project will guarantee one thing—change. And as we all know, change is hard on everyone. Look for tools to help you maintain the focus of your project, ensure that you meet your goals, and generate the energy needed for the long-term. Prayer, reflection, and Bible study are the best tools to help any faith-based project maintain its efforts.

Being at your strongest in a project like this can be stressful. Be prayerful and seek God’s will on how your project should move forward at each step. As an ongoing practice, prayer can keep your committee unified.

Reflection will ensure that you are making the right choices. Excitement, opportunities, upcoming changes may all incline you to swift action. Reflection ensures that you make the correct choices and that they are made at the appropriate times.

Bible studies make your project God-based rather than people-based. Through this study you will grapple with the deeper issues as well as the surface ones.

Through the process of study, discernment, and prayer, you take the responsibility for the project out of the hands of people and put it into the hands of God. Then better perceptions will be available to you in all the choices you make.

Nehemiah’s Example

Begin by building relationships.

Nehemiah simply kept asking questions.

Internalize the pain. Nehemiah sat down and wept, fasted, and prayed.

Consider the resources.

Build first actions on relationships.

Start with what you have, then influence leaders.

Assess the situation yourself.

Nehemiah had lots of personal interactions.

Publicly articulate the problem.

Nehemiah spoke of what the people said.

Turn the problem into an issue. “Come let us rebuild the wall of Jerusalem, so that we no longer suffer disgrace.”

People determine the issues. Nehemiah chose the issues, stated by the people, that benefited the common good.

People create the strategy. People developed the strategies addressing everyone’s self-interest.

People carry out the actions.

People confront obstacles. People faced the threat of violence and political opposition.

People celebrate the victory.⁴

I appeal to you therefore, brothers and sisters, by the mercies of God, to present your bodies as a living sacrifice, holy and acceptable to God, which is your spiritual worship. Do not be conformed to this world, but be transformed by the renewing of your minds, so that you may discern what is the will of God—what is good and acceptable and perfect.

—Romans. 12:1-2 (NRSV)

⁴ Linthicum, R. *Transforming Power*. Downers Grove, IL: Intervarsity Press, 2003.

Timing Issues for an Affordable Housing Project

Too often we run ahead of God, leaving our team in the dust in our eagerness to accomplish a task. Timing and process must be honored if we expect God to bless our efforts. We must honor people by allowing sufficient time for God to impart the vision into their souls.⁵

Taking the time, not rushing, awaiting God's will—these are all things we all find difficult to do. In an affordable housing project, with so many partners, timing can be everything.

Allow the time for:

- The congregation to feel that an affordable housing project is right for their church vision.
- The committee members to adapt to new ideas, new solutions as unexpected issues crop up on a regular basis.
- The community to understand and accept the vision of your project.
- You and the committee to truly understand—Does the community really need an affordable housing project? What kind of housing? Where should it be located?
- And finally, can you wait until the time is right for action?

Bethel New Life Adaptive Reuse

Proposed Project: Bethel New Life converted a seven-building hospital campus with lots of prayers, persistence, creative financing, and *ten years*. The project included four phases for development of 125 units of HUD subsidized independent living for seniors, 80 units assisted living, children's day care, and performing arts centers.

Partners: The Catholic owner of the hospital helped finance the purchase. Community groups helped advocate with city authorities. The development team found creative responses to each challenge. The church prayed it through.

Perceptions Gained: *Co-locating programs and elderly residences creates a community within a community and each part makes the whole work. Prayers, partners, and persistence make it happen.*

—Mary Nelson
president emeritus, Bethel New Life

When a man grows aware of a new way in which to serve God, he should carry it with him secretly, and without uttering it, for nine months, as though he were pregnant with it, and let others know of it only at the end of that time, as though it were a birth.

—Martin Buber

⁵ Shook, J., ed. *Making Housing Happen*. St. Louis: Chalice Press, 2006, 236.



National, Regional and Community Context

It is important to know the context for your affordable housing project. This connects your housing plan to the goals of the community.

For example, if you make your plans (independently) for the city center, yet the population is moving to the suburbs, you are not putting the housing where it is needed. Within the community consider all issues.

Is gentrification an issue? Is rental housing what your area needs and wants?

It's not a matter of "If you build it they will come."

Fit what and where you build to the needs and wants of the community and region. At the same time, understanding national housing plans can aid you in finding funding sources.

In developing a comprehensive plan consider land use, natural resources, economic development, transportation, and the status of housing in the area.

Community context includes:

- Community needs--What do people want that is currently not available? How will the

community feel about your project? Will they support your ongoing effort?

- Politics--What do the officials in your community want and need? What factors shape their decisions?
- Community assets--How will you incorporate community assets such as transportation, shopping, hospitals, location to parks, rivers, etc. into your plan?

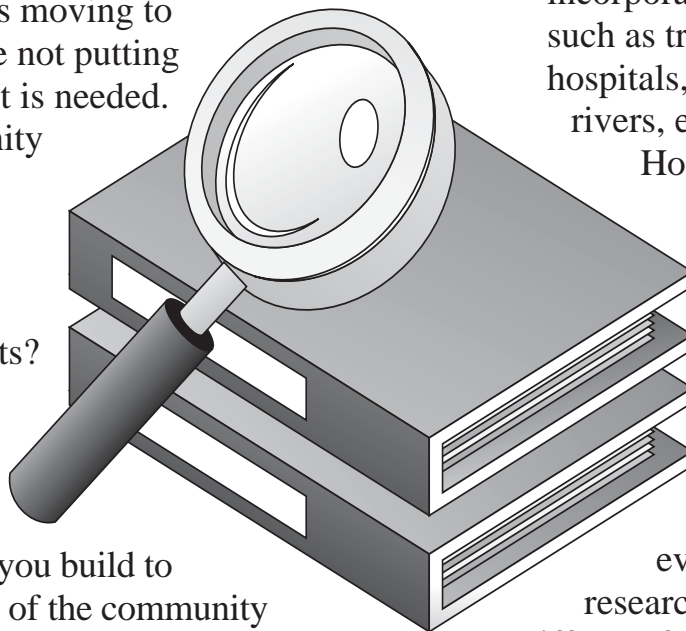
How will you initiate and maintain relationships with community organizations?

The Only Constant is Change

With an affordable housing project

even after extensive research, things will change.

Different factions in the community can suddenly express unexpected needs. Central shopping outlets can close down. Officials lose access to promised funding or simply disappear altogether from the political scene. However, a project that does not address national, regional and community aspects from the beginning will more likely, and more frequently, run aground. The Web site www.policylink.org provides an equitable development tool kit. It is a national research and action institute advancing economic and social equity.



Assessing Your Assets

Asset-Based Community Development (ABCD) is looking at the community as a glass half-full. By looking at the positive aspects of your community, you can find unexpected assets on which to build. It leads to discovering talents and skills. With ABCD you use possibilities and perspectives to build new assets.

External experts such as hired consultants tend to focus on shoring up deficits. ABCD encourages you to widen your circles—of families, neighbors, co-workers, and colleagues—bringing outsiders into groups and groups together to work on projects in new ways.

There are five types of assets to consider:

1. Individual talents and skills of people
2. Associations and our networks of relationships
3. Institutions and professional entities
4. Land, property, and other physical assets
5. Economic assets

Best ABCD Resource

Asset-Based Strategies for Faith Communities by Susan Rans and Hilary Altman, Ph.D.

Learning that Receiving is Giving

Proposed Project: Expand relationships in the church soup kitchen. The church began to interview the people coming to the kitchen and found most could cook. Eventually everyone involved in the kitchen could function as both server and recipient.

Partners: New Prospect Missionary Baptist Church soup kitchen staff and homeless people near Cincinnati, Ohio.

Perceptions Gained: The congregational staff learned to receive, the homeless clients to contribute. By using the skills of the homeless people coming to the kitchen, the group changed the language from *helper, helped, client and homeless, to friend, neighbor, and partner.*

We cooked and ate together. Became friends and allies. Now we stand together for the future of our neighborhood.

—Rev. Damon Lynch
New Prospect Missionary Baptist
Church, Over the Rhine, Ohio⁶

If you take notice of the one wearing the fine clothes and say, "Have a seat here, please," while to the one who is poor you say, "Stand there," or "Sit at my feet," have you not made distinctions among yourselves, and become judges with evil thoughts?

—James 2:3-4 (NRSV)

⁶ Rans, S. and H. Altman, *Asset-Based Strategies for Faith Communities*. Chicago: ACTA Publications, 2002, 18-20.

What Are the Community Needs and Wants?

Factor what the community wants into your plans for affordable housing. Understand your community's needs and wants through extensive research. But be aware, if you get lost in the facts, you may miss discovering what the community really wants.

Research includes:

- Housing policies
- Long term protection of the neighborhood needs
- Demographic information from the library and the census bureau
- Local housing market, including what stock exists and what kind of housing stock will be needed
- Population concentrations
- Applicable regulatory requirements for the area
- Impact on the infrastructure
- Environmental requirements that may limit building in the area (wetlands, lands requiring environmental clean up, etc.)
- Transportation options and proximity to jobs or other areas such as hospitals, libraries, grocery stores, parks, etc.

Let the Community Shape Your Decisions

There are a variety of considerations to take into account as you research community needs.

Use a variety of sources from within the community such as, but not limited to: community service workers, daily contacts, retail clerks, bank tellers, people in other congregations, and social service case managers. You can use focus groups or surveys but ensure that your informants include both potential consumers and key informants in the area.

Adjust your plan as the housing needs change. Remember, there is no “one-size-fits-all” housing unit. If single family homes are not favorable at this time, consider rental units or rehabbing older housing stock.

Research the particulars of various housing needs including requirements for singles, seniors, families, single-parent households, empty nesters, and people with disabilities. In addition, remember each group can have a variety of needs. For example, not all seniors want and need the same kind of housing.

See, I am sending you out like sheep into the midst of wolves; so be wise as serpents and innocent as doves.

—Matthew 10:16

Market Surveys

You can research current market conditions using existing market surveys (not older than six months) or hire someone to do a survey. Anecdotal responses from people in the community that you will be serving will breathe life into the statistics you gather.

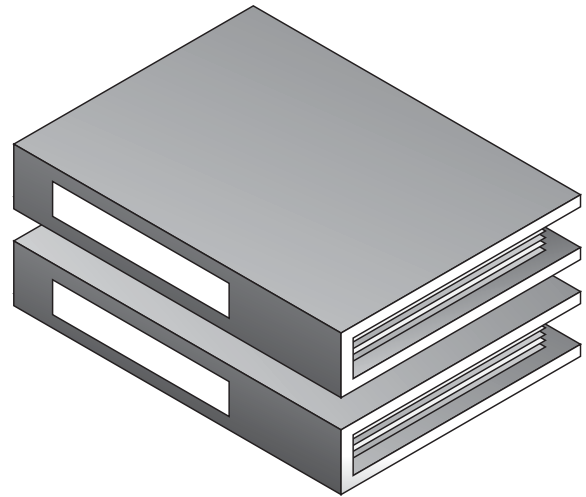
Market survey information includes:

- What defines your market area?
- What is the current and projected economic picture, employment base and rate of pay for the community?
- What transportation is available for people living the community or working in your project?
- Are there a variety of housing options that match the needs and wants of the different groups in the community?
- Is the median home price outpacing income growth?
- What is the range of rents being charged in the community?
- What is the current condition of community housing?
- How many other affordable housing projects are already operating in your community?
- How stable is the mix of the population?
- How desirable (readily marketable) is the proposed site?

Resources

ELCA members can contact the Office of Research and Evaluation of the ELCA which can provide maps based on zip codes. These will show income ranges, numbers of people in households, age categories, location of other community services, etc.

You can also get census information online at www.census.gov.



Being a man or woman is a matter of birth. Being a man or woman who makes a difference is a matter of choice.

—Byron Garrett

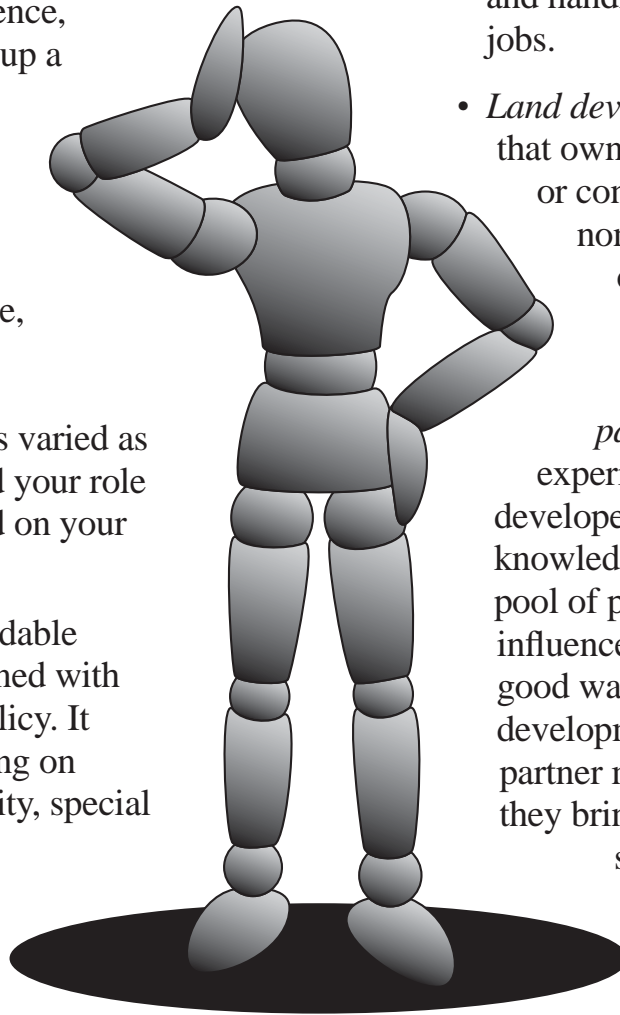


Roles and Useful Partnerships

A church can play many important roles in an affordable housing project. Let your assets determine your role. Rather than trying to learn new skills, partner with others who already have those skills. Many groups begin by playing an advocacy role. Through involvement and experience, they may eventually set up a nonprofit corporation and become a developer. The role of developer is high risk and generally requires a lot of expertise, time, and resources.

The different roles are as varied as the possible projects and your role should be selected based on your strengths and desires:

- *Advocates* for affordable housing are concerned with changing public policy. It may involve working on issues of affordability, special use housing, partnering with other groups to deal with government, banks, etc.
- *Facilitators* enable the process to reach its conclusion. This can be an important role in projects that may take multiple years to complete.



- *Catalysts/sponsors* frame the idea and engage others, using resources and influence to sponsor or initiate the development process. They may then support another organization as the lead entity. They define community interests, work with governments, and handle some specific up-front jobs.
- *Land developers* are churches that own land that can be sold or conveyed to a faith-based nonprofit developer. The church can maintain an ongoing role.
 - *Joint venture partners* join with experienced housing nonprofit developers that need local knowledge of the community, a pool of potential clients, political influence, etc. Joint ventures are good ways to learn about housing development. However each partner must realize the value they bring to the partnership, and share the same ultimate goals. Consult an attorney when considering a joint venture.

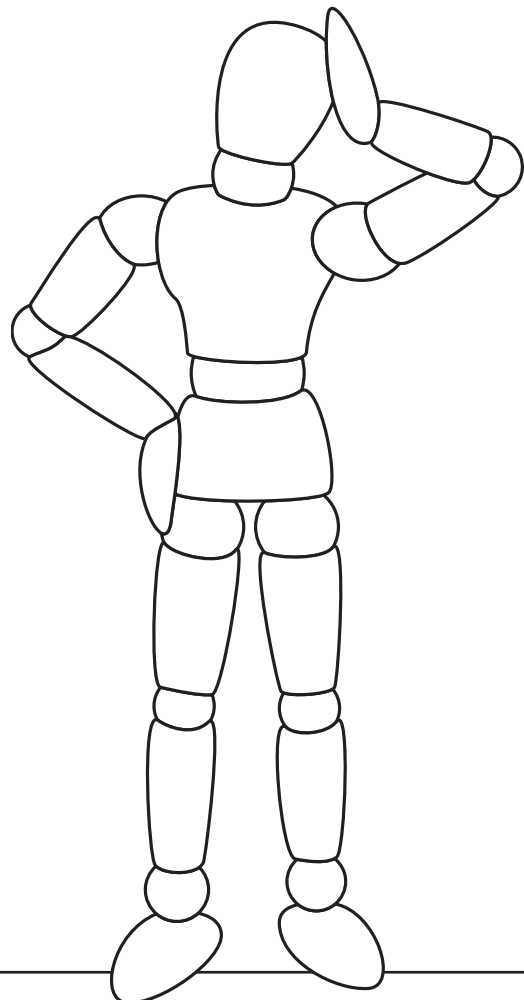
Roles and Useful Partnerships

(*cont.*)

- *Developers* of housing projects (single family or multifamily) acquire property, make the decisions, and assume the risk. This role requires a high degree of knowledge and resources.
- *Investors/donors* invest cash or in-kind in the development of affordable housing, with or without a financial return. By investing time, talent, and resources, the nonprofit becomes vested in the project and helps ensure its success.
- *Home buyer counselors* identify potential homebuyers in the community and assist them in preparing for home ownership. They partner with existing housing counseling programs, invite a housing agency to conduct workshops, etc.
- *Property managers* ensure that the property is maintained in good repair, handle tenant leasing, collect rents, etc. The management fee is usually 3-5 percent of the gross rents.

Possible Partners/Resources

- Neighboring congregations
- Clergy associations
- Community non-profits
- Community loan funds or foundations
- Thrivent Financial for Lutherans
www.thrivent.com
- Mortgage Insurance Fund
- City Hall



Partnering for Skills

You will need partners in order to have access to all the skills needed for an affordable housing project. Nevertheless, the change inherent in this kind of project and the basic skills you will need to effectively participate in one mean you will be learning...a lot.

Required skills include:

- Networking - Networking enables you to find the people who know what you need to know, be it about the community, your congregation, potential committee members, architecture, the building process, funding, and many other aspects you will discover as you move into your project.
- Project management - You will need to be able to manage some parts of the project, as well as new aspects that come up as events and as people alter the course of your project.
- Leadership development - To keep the fires burning over the long term, find and bring out the leadership skills of many types of people. Develop your own leadership skills.
- Organizational management - Within your organization create an environment that supports continuous improvement of individuals and their organizations. Understand the issues facing the organization,

maintain operational functions, develop personnel skills, and manage human resources.

- Fund-raising - No affordable housing project has just one source of funding. You usually have to stitch together funds from multiple sources.

A Multiple Partners Project

Proposed Project: Eighty new, single family homes on the vacant land around multiple neighborhood churches. Two faith-related home builders created cost-efficient design and construction in clusters near churches. Local churches helped acquire government subsidies for first-time home buyers. Marketing was done first to church members, then to the community.

Partners: Twenty neighborhood churches, each given two board positions, loaned \$10,000. Near-consensus board decisions were made on the style of homes, project team, etc. Bethel New Life provided development staff. Good Board pastoral leadership guided the five-year partnership.

Perceptions Gained: Clear guidelines are important in working together, as well as continued communication and transparency among the partners and actions of the group.

The earth will be full of the knowledge of the Lord as the waters cover the sea.

—Isaiah 11:9 (NSRV)

Partnering Checklist

The best way to both garner all the skills needed for an affordable housing project and to ensure you are grounded in the community is to partner with groups in the community. This checklist is one way to ensure you successfully partner with groups in the community.

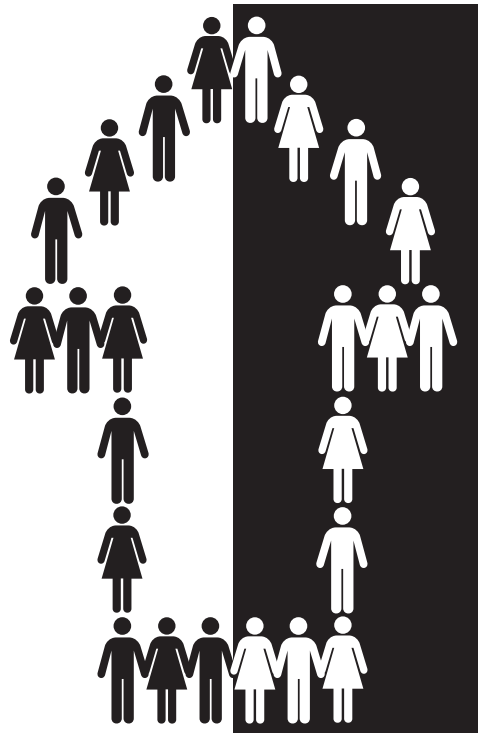
- Are we seeking relationships with the people we are intending to serve?
- Are we taking the time to build trusting relationships with our partners?
- Do our partnerships (current and proposed) enhance and support our vision?
- Do we have good relationships with officials, city staff, banks, developers, nonprofit organizations?
- Are there other groups better suited to carry out the actual tasks of our project (churches, para-church organizations, relief and developmental organizations, missionary aids, faith-based and secular organizations, for-profit developers)?



Keeping Right with Your Congregation

Starting right and staying connected to your congregation is absolutely essential. They are the bedrock of your project and your actions, from the very beginning, must reflect that. Ask:

- What are our congregation's mission and goals and does this project help us to reach them?
- Can we concretely identify the connection between our vision and our role in current housing activities in our community? Has this been discussed with the whole congregation?
- Do we have a method for regular communication with our congregation about the housing project?
- Does the mission include an anticipation of both personal and public transformations?
- Are our committee members a match for this vision? Do they have consensus on organizational management, decision-making, etc.?
- Are potential partners a match for our vision?



Grace Lutheran Center

Proposed Project: Seventy-three very-low and low income independent senior housing units, adult day care center, community center, electronic library center, Good Samaritan Hostel for people coming to Puerto Rico for medical care

Partners: J B Grace Corporation and Grace Lutheran Church, Puerto Rico

Perceptions Gained:
When God gives you a vision, how do you start? We had all of the dots but how do you connect them? We soon realized that unless we began with prayer we were going to get nowhere. When we stopped and started praying specifically for God to show us the next step to take, things started

falling into place. The dots started to connect in an orderly fashion giving us a clearer vision of where we were going and how to get there. Step by step is now our motto.

—Pastor Martha McCracken
Grace Lutheran Church,
San Juan, Puerto Rico

Are We Prepared to Deal with the Realities?

The reality of an affordable housing project is that it will take longer than anyone imagined. Cost overruns, construction delays, changes in demographics, leadership changes in both your organization and others you depend upon, and other unexpected events will require faith, flexibility, and patience. Having answers to the following questions will ensure you have the mechanisms in place to help cope with the stress.

- Have we methods for addressing tough issues such as race, diversity (or lack thereof) in our body of decision-makers, ensuring people hear what is being said, and ensuring our housing project does not promote segregation?
- Can we maintain our integrity as we deal with opposition, even if the opposition resorts to dirty tricks?
- Do we dwell among the people for whom the project is being built, and, if not, how do we avoid the us/them scenario?
- Have we set up methods for practicing reflection?
- How will we celebrate milestones?
- How will we thank people?
- How will we thank God for benefits even in times of hardship?
- What will be our method of evaluating the ongoing project?

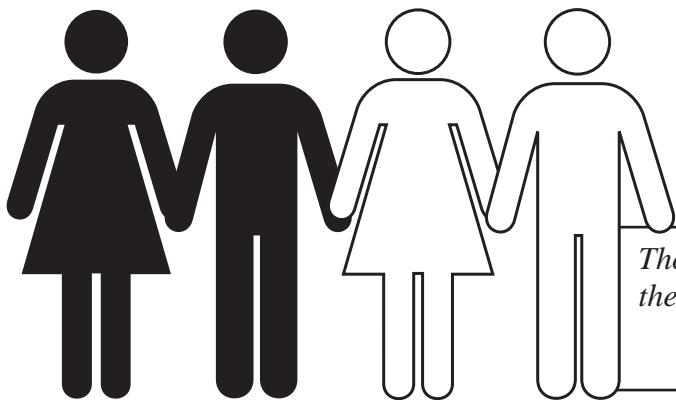
Unless the LORD builds the house, those who build it labor in vain. Unless the LORD guards the city, the guard keeps watch in vain.—Psalm 127:1 (NSRV)

The Development Team

The first step in determining the role that a faith-based organization will play in bringing a project to fruition is to survey the existing talent or resources within the church. Begin building an outreach ministry team.

A faith-based organization must have a pool of committed individuals that share the vision of the pastor or ministry leader. These individuals serve as the core ministry team upon which the project development team will be built.

The project development team will generally possess more professional and technical expertise relative to the selected project. They should be diverse, committed, and able to provide expertise in a wide range of technical disciplines and access to the community and resources.



Selecting Your Development Team

Project: Seventy-three very-low and low income independent senior housing units, adult day care center, community center, electronic library center, Good Samaritan Hostel for people coming to Puerto Rico for medical care.

Partners: Grace Lutheran Church, Puerto Rico, architect, and financial consultant

Perceptions Gained: *We had never done a building project before. As a small congregation we had to move beyond our own membership for people with expertise to walk with us on this project. As you move forward, ensure that everyone on the development team embraces the vision. Sometimes we walked at a very slow pace and at other times we ran hard but always with our eyes on the vision.*

If there are people on the development team that are holding you back, thank them for their time, but in a gentle but firm way they need to be removed from the team.

—Pastor Martha McCracken
Grace Lutheran Church,
San Juan, Puerto Rico

Those who say it cannot be done should not interrupt the person doing it.

—Chinese Proverb

Gaining Community Acceptance

There are two levels of community acceptance for an affordable housing project. First, will those in the community for whom the project is intended feel a part of the decision process? Will they participate in your project? This is important because some or all of the people who will fill your housing come from the community.

On the other hand, in the 1960s and 1970s urban renewal projects resulted in projects that were not well designed for use. Frequently they became blights on the neighborhood causing a decline in property values for blocks around. This has fostered a Not In My Backyard (NIMBY) reaction to many affordable housing projects. Now many people balk at the idea of a project in their neighborhood.

To circumvent NIMBY, the community needs to see your project as an asset. Inspiring the community helps. It also helps if you include examples of similar projects that are unexpectedly beautiful as you introduce your project. Ask does your project:

- Inspire participation through an overarching theme that resonates with the community?

- Inspire participation through the beauty of the design?
- Add to the economic value of the community?
- Involve the community in discussions about the project through meetings and sufficient promotion?

Select an Outreach Team

The outreach team is important for your efforts to gain community acceptance. It is assembled by first identifying latent talent within the congregation. This can be accomplished through several methods:

- A survey or spiritual gifts analysis of the membership.
- The clarion call to the ministry of service from the pastor or ministry leader through preaching and teaching the Word of God.
- Close observation and then extending personal invitations to select members with needed skills.

You must be the change you wish to see in the world.

—Mahatma Gandhi

Gaining Community Acceptance (*cont.*)

To minimize conflicts and opposition to your housing initiative, begin with a proactive and collaborative approach to working with the whole community. This will gain you buy-in and acceptance for your housing initiative.

According to the Corporation for Supportive Housing (*www.csh.org*), there are six steps to building community support:

1. The development team meets early to research, assess, and plan in key areas.
2. Prepare a political strategy that coordinates all your work toward getting the acceptance you need.
3. Prepare a strategy to build active community support for your proposal.
4. Prepare a strategy to work through community concerns and deal with active opposition.
5. Prepare a strategy to protect and use your legal rights.
6. Prepare a public relations/media strategy to send your message to decision makers and the public.

Listening to the Community

Proposed Project: West Angeles housing for large families with courtyard buildings and Internet access

Partners: West Angeles Cdc Housing

Perceptions Gained: West Angeles has gone on to become a national example of church-based housing due to their approach of listening for needs, wants, and assets. At first it was thought the neighborhood needed child care, but the mothers of the community responded, “Child care? I need a job!”

In the next neighborhood, three miles away, the response was, “Jobs! Who’s going to take care of my baby? I can’t work!”

In the next area, West Angeles Cdc Housing used high school students to ask both the best and the worst things about the neighborhood. Parents wanted housing where children could play while adults watched them, an area for homework, and access to computers.⁷

Everyone then who hears these words of mine and acts on them will be like a wise man who built his house on rock. The rain fell, the floods came, and the winds blew and beat on that house, but it did not fall, because it had been founded on rock. And everyone who hears these words of mine and does not act on them will be like a foolish man who built his house on sand.

—Matthew 7:24-26 (NRSV)

⁷ Shook, J., ed. *Making Housing Happen*. St. Louis: Chalice Press, 2006, 233.

Gaining Community Acceptance Checklist

To promote a positive response to your project, it is important that you involve the community from the beginning of the project. This will ensure that your project addresses the true needs of the community. To ensure you have participation from the community, ask yourself:

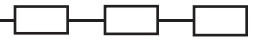
- Does the input from the community have a realistic place in terms of how we make decisions about the project?
- Do we dwell among the people for whom the project is being built, and, if not, how do we avoid the us/them scenario?
- Do we have methods for addressing tough issues such as race, diversity in our body of decision-makers, ensuring people hear what is being said, and ensuring our housing project does not promote segregation?
- How will we maintain our integrity as we deal with opposition, some of whom will resort to dirty tricks?
- How will we celebrate milestones?
- How will we thank people?
- How will we thank God for benefits even in times of hardship?
- How will we evaluate the ongoing project?

Encountering Changes

Proposed Project: Virginia, Minnesota Youth Foyer Project - supportive housing for chronically homeless, at-risk youth including flexible services for those with dual diagnoses for both mental and general health issues

Partners: Greater Minnesota Housing Fund, Twin Cities architectural firm

Perceptions Gained: This project had a beautiful design, 18 months of outreach to the community, and signed contracts with the city. However a few members of the community developed a fear of the project. City council members reneged on the contracts for the development. Besides causing a loss of \$1 million dollars in development funds, the lack of housing for these youths, and the loss of faith by the consortium of groups funding the effort, this action also discriminated against a protected class with disabilities. Only a lawsuit *forced the city to honor its agreements.*



Selecting Appropriate Housing Type and Location

There are many aspects to consider in selecting the type of project and location best suited for your project. Suit your planned housing to the type of people you anticipate in the area, current residents' needs and wants, current working personnel, and people expected to move into the area in the coming years.

Your housing project goals should:

- Be realistic and attainable and reflect market need as well as current market reality.
- Quantify by type the number of affordable units needed.
- Identify how you will achieve your goals.
- Identify a timeframe for completion, parties responsible, and resources or partners.



It Takes More Than One Project

Proposed Project: provide decent, safe, affordable housing to families with middle and lower incomes by purchasing and rehabilitating multi-family buildings in Rockford, Illinois' mid-town district

Partners: Zion Lutheran Church and Zion Development Corporation with neighborhood representatives as one-third of the board members. A range of financing partners including the ELCA Mission Investment Fund, local

banks, community foundations, continual fund-raising efforts, etc.

Perceptions

Gained:

Revitalizing a community requires a variety of projects. Zion Development Corporation completed construction of 12

new, energy-efficient townhouses; assembled over \$5 million to totally renovate the Grand Hotel into 45 units of permanent supportive housing for homeless individuals; and rehabbed the Evergreen Addiction Treatment Center into 65 apartments for low-income seniors with a world-class wellness center.

They shall build up the ancient ruins, they shall raise up the former devastations; they shall repair the ruined cities, the devastations of many generations.

—Isaiah 61:4 (NRSV)

Considerations for Different Types of Housing

In considering your affordable housing project, it's important that you look at what best meets your opportunity, resources, and capacity. Again, we recommend for first developers that you look for an experienced partner. Here are some further considerations:

- Are you developing ownership housing, which means your participation ends when the unit is sold? Or are you developing housing that will need management? Proximity to the church building may complicate the relationships.
- Property management is difficult. Constant attention needs to be paid to the changing market. It can involve maintenance and landlord/tenant issues. These are even tougher when you have to evict a church member.
- Rental housing requires ongoing attention to the regulations of the financing source; government regulations are always changing and can be challenging to keep up with.
- There are neighborhood issues in maintaining relationships with public officials, schools, and neighbors. Sometimes rental housing has issues of crime and drug use.

- Rehabbing is often full of surprises...what's behind the walls, environment issues (such as lead paint, underground storage tanks, asbestos, etc.), cost overruns, historic designation, etc. Rehabbing also poses the issue of displacement of existing residents. While many inspiring projects have succeeded, this type of ministry is not for the faint of heart.

Housing for Seniors

Proposed Project: Housing for seniors, Jefferson Area Lutheran Social Ministry in Punxsutawney, Pennsylvania, purchased a building that had housed the first hospital in their community with the goal of converting it to apartments and community spaces. Conversions of other types of buildings, including two single family homes, are contemplated in two nearby communities.

Partners: Jefferson Area Lutheran Social Ministry (two Lutheran congregations)

Perceptions Gained: Needs of seniors who are "house rich and cash poor" (people living on farms they no longer work but who cannot afford to move and have too many assets to qualify for subsidized housing) included the ability to maintain their independence while living closer to services, shopping, churches, and a supportive community.

Considerations for Different Types of Housing (*cont.*)

- Explore including green technologies in your plans. This includes things like solar panels, heat exchangers, super insulation, transit relationships, green roofs (energy efficiency), and roof gardens. A green component can lead to other sources of funding. The green component should reduce energy costs of operation. More information about sustainable LEED green technologies is available from www.usbgc.org It may also inspire the entire community to be more energy conscious.
- Consider the context and larger plan for the community. The larger plan may include both new housing and rehab and/or mixed use housing. Find which piece of the whole is appropriate for your efforts. Make these decisions in partnership with the other elements in the community.
- A final consideration is the issue of gentrification (the alternative to displacement). True to our values, we want to make sure we are not fueling displacement through gentrification. Bob Lupton of Atlanta has a number books on gentrification with justice.

- www.policylink.org provides an equitable development tool kit. It is a national research and action institute advancing economic and social equity.

Green Construction Values

Project: Bethel New Life in Chicago, sought to develop energy-efficient housing within walking distance of a transit stop. Several different house designs developed. A builder built ten homes with super insulation and efficient heating design. With a different architect designer, Bethel built four passive solar, low-cost homes with energy-efficient Swedish hot water baseboard heating systems. Bethel built four single-family homes with solar panels on the roof. Bethel built a Gold rated LEED commercial building with green roof, solar panels, super insulation, and light wells.

Partnerships: Architects and builders who are familiar with LEED energy efficient ratings and design.

Perceptions Gained: To determine the viability of green construction weigh the cost/benefit (over an appropriate number of years) of the additional costs of the LEED designs and construction with the added ease of attracting funds, marketing benefits, and reduced operating costs.



Land You Own or Land You Buy

Whether you own land or contemplate buying a parcel for your project, there are many aspects to consider.

For land owned by the church:

- Make sure that the land size is appropriate for the land mass needed for your project, and that the site has appropriate access, and infrastructure connections. Also check on maintaining tax exempt status of the land.
- Check the environmental condition of the land (past use, remaining basements, or residual structures). Environmental assessment is costly and time delaying. Especially do environmental work before receiving any gift land, otherwise you could be liable for the clean up.
- Consider whether the contemplated end use for the land is compatible, complimentary, or competing with the activities of your congregation.

Before buying land:

- Research comparable market values and the interests of the seller. When buying land, owners may be enticed to “bargain sales” for the tax benefits from below market sales.
- Check for prior use liens, fines, and zoning restrictions before entering into negotiations.

- Meet with civic authorities about acquiring tax exempt status for the land early on, to identify any resistance to this or the plan in general.
- Think about possible expansion of the project, considering sufficient parking spaces, infrastructure, etc.

Build for the Neighborhood

Project: Create affordable rental and ownership homes. Redeemer Lutheran Church in Minneapolis, Minnesota, formed a nonprofit corporation to rehab several existing multi-unit buildings and several single-family dwellings in a block of property surrounding the church.

Partners: Redeemer Center for Life, Minneapolis, Minnesota, and a consulting firm to conduct an analysis of the regulatory issues, demographics, market for rental and ownership housing, and to identify potential development and funding partners

Perceptions Gained: Occupancy has been fairly consistent but has never achieved 100 percent. One new duplex has remained unsold after almost four years. Explanations for the lack of buyers, in addition to the current economic downturn, include: 1) priced out of range of market capacity, 2) derelict lots nearby, 3) neighborhood improvements do not equal the quality of this property, and 4) neighborhood residents have little or no experience with home ownership.

Housing Location and Type Checklist

Questions to ask about your project concerning location and the type of housing include:

- Is our model possible in the location we have selected? (Have you researched zoning, access, etc.)
- Does our type of housing fit the location?
- Does the model fit with our mission?
- Does the model fit the needs and wants of the community?
- Is the model sustainable over the long term?
- Have we researched management systems?
- How have we included potential residents in the decision process?

Risks You May Encounter

There needs to be a balance between a clear understanding of the risks and the compelling sense that this project needs to be done. The most prominent risks include time and cost overruns, and insufficient

cash to complete the project. Time and cost overruns can be the result of planning errors, poor management, or both. Time and cost overruns occur during both the preconstruction and construction stages.



preconstruction sets the stage for risk conditions during the construction phase.

Identification of the land and gaining site control also pose a major risk—is the land contaminated? Phase One

and Phase Two Environmental assessments should be done before purchasing the land.

Environmental clean up is expensive and often makes a site unfeasible. Other issues that come up are encumbrances on property

Development Risks

Preconstruction overruns often stem from a lack of understanding of the many steps needed to finance and permit a project. Many projects do not budget the resources to cover preconstruction costs (land control, taxes during preconstruction, architect up front costs, legal costs, permit fees, etc.). It always takes longer than one expects. Having consistent and focused leadership during this period is critical. Also, poor planning during

title (liens, title restrictions, reverter clauses) and lack of access to appropriate infrastructure (water, sewers, alleys, etc.). Appropriate zoning and what barriers zoning changes might include are other issues to research.

Construction Risks

Time overruns during construction translate much more directly into cost overruns. This can result in under-capitalization. Liquidity or cash flow during construction requires analysis of many factors.

Ensuring that a 10 percent project contingency reserve is in the project budget is critical (rehab might need more). Retaining 10 percent of each advance until 30 days after completion may ensure a consistent cash flow.

A second major contributor to time/cost overruns is inexperience on the part of the contractor. Selecting an experienced, well-capitalized contractor and architect go a long way to mitigating against this risk. Requiring builder's risk insurance or a performance and payment bond on the general contractor are other ways to manage this risk.

Market Risk

Good market analysis is mandatory. It helps to ensure the building of houses that sell and apartments that rent as anticipated. A careful and professional market analysis at the very beginning is essential.

Market analysis also lets you know what the existing housing market is for your target market—where are people living now and at what price? What factors are most important to them? Is your site near jobs, public transportation, retail, health care, and commercial services? Don't assume people will want to live where you build.

Connecting with or doing housing counseling can oftentimes be a way to develop a pipeline of interested buyers or tenants.

Unexplored Land

Proposed Project: Build and sell 33 two-family homes (for families below AMI) with land provided by the Housing Authority of New Haven, Connecticut (HANH).

Personnel: Elm City Congregations Organized (ECCO) a community organization of 20-plus congregations. Loans at zero or little interest from churches created a 'bank' of \$2M to fund the construction.

Perceptions Gained: *The first phase resulted in 8 two-family homes. Despite thorough review in entering into agreements with HANH and the city, ECCO-Nehemiah was unable to proceed with Phase Two because HANH land was contaminated! Disputes with the city and housing authority were tension-filled and drawn out. We finally reached agreements to repay our funders approximately 85 percent. Failure? Yes. Success. Yes. Sixteen families have affordable homes in New Haven.*

—Reverend Michael Merkel, retired, former pastor of Bethesda Lutheran Church, New Haven, Connecticut, president of ECCO Nehemiah Housing Corporation (1998-2005)

Risks You May Encounter (cont.)

Management and Operations Risks

Perhaps even greater risks are associated with the long-term operation of an affordable rental project. The source of operating risks often lies in site, design, construction, and budgeting decisions made during the development period. Site situations, shoddy construction, and other unmanaged risks make it difficult to meet operating expectations.

Another major operating risk is an unrealistic rent/operating cost structure. This is especially true when one did not adequately take into account market conditions, or account for appropriate inflation of costs such as utilities and repairs, etc. Inappropriate management of the properties may also cost more in repairs and upkeep.

Inadequate budget item projections usually mean difficulty in meeting the terms of the loan paybacks and jeopardize the project.

One of the best ways to decrease some of these risks in projects is to identify a development partner who has successful experience with your type of affordable housing project and who works well with faith-based groups. This development partner then shares the risk.

Build a Community for the Church

Proposed Project: Keep First Church (United Methodist) of Los Angeles alive for the coming generations through building Hope Village, six units of 1- to 3-bedroom family housing and Villa Flores, seven units of senior housing.

Personnel: First Church of Los Angeles, with varying membership from 200 to 5,000, School of Architecture at USC, Los Angeles Community Redevelopment Agency; board members from UCLA, Bank of America, Metropolitan Transit Authority, a contractor, community members and church members

Perceptions Gained: *What one thing can I do to ensure First Church is around in twenty years? Build a community—a neighborhood—and then from the neighborhood you will build a congregation. What a big surprise. I thought I was to build a congregation, but the word was to first build a community. To succeed in your project you must evince both an outward expression “to act justly and to love mercy” and an inward one “to walk humbly with your God” of faith.*

—Reverend Darrell T. Weist
First United Methodist Church
Los Angeles⁸

⁸ Weist, D. “Build a Community” in *Making Housing Happen*. Shook, J., ed. St. Louis: Chalice Press, 2006, 92-93.

Your Affordable Housing Project as a Separate Nonprofit Entity

Affordable housing projects are long term and require multiple funding sources and consequently their financial viability is frequently at risk. This ultimate risk, if your project is not a separate nonprofit entity, can result in the loss of major assets such as church buildings and land. At the same time, there are some risks to forming a nonprofit, or it may not be the appropriate time for creating a separate entity.

The advantages of forming a separate nonprofit entity for your affordable housing project are:

- It will insulate the church from legal liability or financial responsibility for the project.
- It makes fund-raising for the project easier.
- It widens the range of volunteers who might be more likely to join a project that benefits the community rather than a “church” project.
- A wider range of partnerships becomes possible.
- Decisions can be made more rapidly.
- Your project can be insulated from the politics and personalities of the church.
- You can better pursue potentially controversial ministries.

Timing in Forming a Nonprofit

Proposed Project: Grace Manor and Torre de Paz in San Juan, Puerto, low income and very low income independent senior housing corporations

Personnel: JB Grace Corporation and Grace Lutheran Church

Perceptions Gained: *When you form a non-profit corporation depends on your funding resources and what their requirements are. Grants from the Federal Government all require a 501 (c) 3 federal tax exemption. This may also be a requirement of other private and public foundations and corporations. Be aware of the approximate time it takes for the government to respond to your application. As soon as you become a non-profit corporation, start filing local, state, and federal tax forms.*

Don't be in a hurry to form your corporation. Wait until you are aware of what your costs are going to be, especially your preconstruction costs.

— Pastor Martha McCracken
Grace Lutheran Church,
San Juan, Puerto Rico

Give us this day our daily bread.

—Matthew 6:11 (NRSV)

Checklist to Evaluate Forming a Nonprofit

Use these questions to evaluate the risks of forming a nonprofit. Remember, you can always wait and form one when the time is right. Or it may be imperative to form one now.

- Do we have enough support from key church staff and lay leaders for a new nonprofit?
- How will we ensure that the church members remain stakeholders in the mission of the nonprofit?
- How will we ensure that the nonprofit does not become disconnected from the mission of the church?
- Are we equipped to administer and fund-raise for a second nonprofit?
- Is our congregation undergoing significant transition in staff and board positions? Consider delaying the project.
- Have recent conflicts in our congregation led to a sense of distrust?

Steps to Forming a Separate Nonprofit

After careful consideration, if forming a separate nonprofit seems advisable the following steps may help.

Remember, this is one phase where you can readily involve members of the community or congregation, particularly in pro bono legal services to complete forms and filing.

- Choose a unique name; consider those that reflect your mission, goals, and may be appealing to donors, partners, or volunteers.
- File articles of incorporation with the state's corporate filing office. In this document, you fill out some basic information and include specific language to ensure that you'll receive tax-exempt status.
- Apply for IRS tax-exempt status by submitting a federal 501 (c) 3 tax exemption application to the IRS.
- Apply for a state tax exemption; this step does not apply to nonprofits in all states. Contact your state tax agency to find out what steps you must take.
- Draft bylaws. A nonprofit's bylaws are the internal governing rules.
- Appoint directors. A nonprofit's directors make the major policy and financial decisions for the nonprofit.
- Hold a meeting of the board. At the first meeting the directors adopt the bylaws and elect officers. File minutes of the meeting in the nonprofit's records binder.
- Obtain licenses and permits. Check with your state department of consumer affairs for information concerning state licensing requirements for your type of organization.



Finance Maxim 1: Multiple Funding Sources

Unlike other projects, affordable housing projects, because they are supportive and not profit-oriented, are generally funded by 10 or more sources. With an affordable housing project, particularly in the current financial environment, you must be prepared to gather together program dollars from many sources. Who decides to support your project will vary based mainly on the population that will be served by the housing and the location of the project.

Examples of funding sources include:

- Philanthropic foundations
- Churches
- United Way and similar organizations
- State, county, city, and federal governments

Be prepared for funding from government entities to require a greater degree of paperwork, oversight, and adherence to particular parameters and reporting schedules. In addition, be prepared for funding to take as much as two years to pull together—and even then it may fall apart. Juggling so many funding sources is generally the most challenging aspect of an affordable housing project.

San Francisco's Funding Sources

San Francisco pays for “affordable housing” from a crazy-quilt source of funding and programs administered by various departments. In short, there is no single

“budget” and no single “budget process” but instead a haphazard and opaque allocation of various funds done with little or no public review.

The City’s “affordable housing budget” is made up of a mixture of local, state, and federal funds, although the vast majority of the funds (65 percent in the 2007-2008 budget year) come from local sources.⁹



⁹ Why the Current Affordable Housing Process Does Not Work download from www.propb2008.org; accessed 01/23/09

Finance Maxim 2: Design is Worth an Increased Budget

The design and quality of your housing project should be impeccable. Innovative design and quality construction will turn your project into a community asset rather than a feared project. It can help undercut the NIMBY reaction from the beginning.

Even an increase of cost of 10-15 percent is worth the expense because it can:

- Foster community acceptance
- Inspire donors
- Maintain durable economic value
- Create a better quality of life for the residents
- Create a better quality of life for the neighborhood
- Enable mixed income housing (high-end tenants and owners will participate because of the design)



Jesus cared for the poor, the homeless, the orphaned, the widow, the naked... Few acts are more essential, more holy, than the act of providing shelter. Housing, in a generic sense, is a respite for the naked... We deserve sleepless nights if we fail to render homes for the homeless and dependent.

—Gary L. Wheeler
Co-CEO of Front Porch
Alhambra, California

Build houses and live in them; plant gardens and eat what they produce. ... But seek the welfare of the city where I have sent you into exile, and pray to the LORD on its behalf, for in its welfare you will find your welfare.

—Jeremiah. 29: 5, 7 (NRSV)

HOUSE MORTGAGE DOWNPAYMENT
OWNER PAYMENTS **ADVICE** BUY OPTIONS

Finance Maxim 3: Remember to Fund Operations

Operations budgets are critical for rental housing projects. Projects with insufficient operations budgets have had a devastating effect on the reputations of affordable housing projects. It has reduced the positive image of housing projects both for those who would reside in them and those who would accept them in their neighborhood.

Equally important is the choice of who will oversee the operations of a project. For operational success:

- Ensure there is a sufficient budget for ongoing operations.
- Pick a role for yourself in the project that is suited to your skills. If you have little experience in maintaining tenant properties, find someone with the requisite skills.
- Senior projects may require incrementally increasing staffing needs as the units are sold or membership increases. Develop a plan to ensure that staffing needs are not out-run by sales.

Housing for Victims of Katrina

Proposed Project: Rebuild affordable residential rental housing for properties damaged by Hurricane Katrina for those living at or below the median income level for the Mississippi Gulf Coast.

Partners: Lutheran Episcopal Services in Mississippi, and the Mississippi Associations of Realtors.

Perceptions Gained: A major success factor of this project was flexibility. This program was designed to accommodate the budgets and agendas of many funders and agencies.

It also addressed the need for affordable rental housing in an area where governmental aid programs favor homeowners. It addressed the larger issues beyond home ownership, including: landlords needed rental income to survive; displaced renters were even poorer after the storm and not eligible for most homeowner programs; while most of the rental stock was decimated by Katrina, FEMA was asking those in trailers to provide a housing plan.



Planning the Finances for an Affordable Housing Project

Pre-development financing varies depending on the size of the project and local conditions. In-kind contributions, such as donated legal fees can be more readily collected at this stage. Most organizations look to foundations for earlier at-risk development money. Once you are secure in your mission, your development committee, you have an idea of the needs and wants of your community, and you have identified a possible location, do the following:

- Commission market research to determine: true community need; kind of housing required; best location for housing; best population to be served.
- Perform a feasibility analysis to discover if it is possible to build and operate or sell your project at the location with your resources.
- If building, hire both an architect and engineer to execute a preliminary design and provide an accurate sense of the costs.
- Get a lawyer and ongoing advice.
- Use a consultant to complete initial financial projections and map out a development strategy.
- Develop an operating budget for rental housing.

As you collect and analyze this information, begin to apply for funding. It will take several months to package and finance your project. Begin looking early for funders who will subsidize the project.

Development consists of finalizing funding, beginning construction, and locating equity investors and conventional lenders. You will also need to find funding sources for an operations budget if you are rehabbing or building existing rental housing. Ensure that your budget includes sufficient funds for operations during the construction phase. At this time you need to develop a plan for recruiting renters or home owners.

As construction continues, execute your plan for finding residents for your housing. You also need to develop a plan for asset management if your housing project is rental property.

For everything there is a season, and a time for every matter under heaven ... a time to plant, and a time to pluck up what is planted ... a time to break down, and a time to build up ... a time to mourn, and a time to dance; a time to throw away stones, and a time to gather stones together; a time to embrace, and a time to refrain from embracing ... a time to keep silence, and a time to speak

—Ecclesiastes 3 (NRSV)

Habitat for Humanity

Proposed Project: eliminate poverty housing and homelessness from the world and make decent shelter a matter of conscience and action.

Partners: Habitat invites people of all backgrounds, races, and religions to build houses together in partnership with families in need.

Perceptions Gained: *Habitat [for Humanity] has opened up unprecedented opportunities for me to cross the chasm that separates those of us who are free, safe, financially secure, well fed and housed, and influential enough to shape our own destiny from our neighbors who enjoy few, if any, of these advantages of life.*

—Jimmy Carter



Planning a Budget

Budgets are the financial work plans for projects, or programs and organizations. Budgets that work are based on realistic assumptions, use good cost estimates, and come from organizational processes that include board and staff members. Costs include pre-development costs, cost of acquiring land, construction costs, soft costs, and an operating budget. Sample budgets can be found at www.enterprisecommunity.org or on the next page.

A budget has several important functions:

- It is a dollars and cents forecast of your organization's finances over a certain period of time — usually looking a year or more into the future.
- Once adopted, a budget is a measuring stick for performance.
- As a forecasting tool, budgets allow an organization to test various scenarios for programs and other vital initiatives.

Pre-development costs are the expenses associated with determining the economic feasibility of the project. Such costs include:

- Site control, (having ownership of the land)
- Appraisal
- Survey market study to determine feasibility and marketability for the project

- Environmental assessment to assure no adverse environmental hazards exist
- Architectural design and building cost specifications
- Professional services, e.g., assembling project plan, legal, accounting, consultants, etc.

Construction costs are incurred in the completion of a construction job. These costs include purchase of materials, labor, and equipment. Construction costs are best estimated by obtaining three bids from qualified contractors. The financial consultant, architect, and project manager can assist in this process.

Soft costs are other eligible and necessary expenses related to planning financing and constructing the project, not related to construction material, labor, and equipment. Soft costs include legal fees, permits, taxes as applicable, title, hazard and liability insurance, financing fees, interest paid during construction period, and contingency fees.

The operating budget takes effect at the completion of construction; it includes estimated income and expenses.

For which of you, intending to build a tower, does not first sit down and estimate the cost, to see whether he has enough to complete it? Otherwise, when he has laid a foundation and is not able to finish, all who see it will begin to ridicule him, saying, "This fellow began to build and was not able to finish."

—Luke 14:28-30 (NRSV)

TOTAL COST SINGLE FAMILY REHAB	\$187,500	
ACQUISITION		
Building Acquisiton	\$100,000	53.33%
Land Acquisition	\$0	0.00%
SITE IMPROVEMENTS		
Demolition and Off-site Imp.	\$0	0.00%
Landscaping	\$900	0.48%
CONSTRUCTION		
Rehabilitation	\$50,000	26.67%
Contingency	\$5,000	2.67%
Permits	\$150	0.08%
Energy Audit (pre & post rehab)	\$1,500	0.80%
PROFESSIONAL FEES		
Survey	\$700	0.37%
Title and Recording	\$1,000	0.53%
Consultant, Environmental and Other	\$0	0.00%
Developer Fee	\$15,000	8.00%
CONSTRUCTION FINANCE		
Constr. Loan Interest, Fee, Origination	\$0	0.00%
Appraisal	\$500	0.27%
Title and Recording and Other	\$0	0.00%
PERMANENT FINANCE		
Title and Recording	\$1,000	0.53%
Other	0.00%	
SOFT COSTS		
Marketing Expense (6%)	\$9,000	4.80%
Insurance	\$500	0.27%
Property Taxes (9 months)	\$900	0.48%
Maintenance (snow removal, lawn mowing)	\$450	0.24%
Utilities (9 month average)	\$900	0.48%
DEVELOPMENT COST	\$187,500	100.00%
VALUE GAP GRANT SUBSIDY	\$10,000	5.33%
SALE PRICE	\$177,500	94.67%
AFFORDABILITY GAP LOAN	\$20,000	10.67%
AFFORDABLE HOUSE SALE PRICE	\$157,500	84.00%

Funding Resources

Relationships and networks help you find the patchwork of funding you will need. From networks you find funds, both in direct donations and through connections to other groups that fund affordable housing projects.

To foster relationships:

- Start small and build relationships carefully
- Use community building strategies: receive gifts and skills; trust God to work through others; build faith relationships across unlikely boundaries
- Seek relationships, creating a pipeline of people to sustain the work
- Leverage power by enlisting the support of those in authority
- Live out justice in your actions.

Funds can come from a variety of sources:

- Project Sponsor/Owner's Equity—Equity can consist of cash, land, subordinated debt, or in-kind contributions.
- Commercial Bank Loan—Banks will determine the amount of the loan they are willing to provide.
- Public Financing—There are local city, county, state, and/or federal government agencies that administer various housing loan programs for low-income housing.

- Private Investors—Private investors look for a high return on their equity and may have a reduced willingness to take risks.

Creative, Multiple-Use Project

Proposed Project: To provide affordable independent and supportive living for residents 55 and older by locating housing in a parking lot across from the church in the densely populated Lake View neighborhood.

Personnel: Saint Luke Church and Renaissance Companies, Chicago

Perceptions Gained: This venture provides housing opportunities for senior citizens who, because of fixed-incomes, are forced out of the very community they worked all their lives to support and advance.

The second project was for seniors who needed help with some of their daily activities. This facility was built on property owned by the congregation for their highly successful parochial school. The roof was converted into a playground for the school children.

Funding Resources (*cont.*)

- Grants – There are many foundations, corporations, and other philanthropic organizations that have grants available for nonprofit organizations.
- Capital Funds – These funds are a combination of corporate, public, or foundational investment/ contributions. Each fund has certain terms and conditions.
- Low-Income Housing Tax Credits – By the Tax Reform Act of 1986, each state receives tax credits per person to allocate towards leveraging principal capital into new construction or acquisition and rehabilitation of affordable housing. The nonprofit, project sponsor/owner is awarded the tax credits. The tax credits are then sold at a discount to private, for-profit investors, who apply them against their federal tax liability. The nonprofit receives the proceeds from the sale of the tax credits and applies it as equity in the project.
- Municipal Housing Bonds – Generating capital to stimulate local affordable housing development, local taxing authorities may issue long-term housing finance bonds. Make inquiries with your local housing finance agency.



Awe came upon everyone, because many wonders and signs were being done by the apostles. All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need. Day by day, as they spent much time together in the temple, they broke bread at home and ate their food with glad and generous hearts, praising God and having the goodwill of all the people. And day by day the Lord added to their number those who were being saved.

—Acts 2:43-47 (NRSV)

Creative Funding

Start fund-raising with your own congregation or organization.

The financial support from your congregation will be key in gathering other resources. Encourage church members to remember the project in their wills, as insurance beneficiaries, and in giving memorials to honor or remember family and friend.

Donations

Other items that churches could donate are office space, staff time, supplies and equipment, and vehicles.

Donations from vendors such as plumbing and heating companies, janitorial suppliers, landscaping companies, and hardware stores can assist in financing maintenance. Request a donation that is designated as a line item for the project in the budget.

Remember green items in requesting donations and in writing grants. These include energy efficient products, solar panels, recycling of water, and green roofs. Outside donors on an individual basis can also be a source of income. Professional and trade organizations can provide monetary or in-kind donations.

Partnerships

Check with the local United Way and other associations of non-profits, such as fraternities and sororities, and fraternal and civic organizations. Co-

sponsor projects or parts of projects with other local churches. Don't forget other religious entities. Co-sponsor event-oriented fundraisers such as, an art auction, silent auctions, or a dinner-dance with neighborhood associations and block clubs.

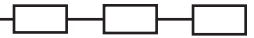
Capital Campaigns

Often professional fundraisers help with capital campaigns. Coordinate these efforts with the synod and other organizations.

The Winds of Change

Identify what is hot and what's not. Currently green construction has extensive federal funding and support and will inspire funding as well as making housing more affordable for your prospective tenants and owners. As you plan your housing project, research what issues locally, regionally, and nationally will make more funds available.





Appendix A: How to Select a Consultant

Housing development, especially affordable housing, most often requires the use of a number of consultants including architects, marketing professionals, environmental specialists, financial managers, project managers, etc. It is important to find consultants experienced in your kind of project and in concert with your goals and mission.

Guidelines for selecting consultants when doing a sizeable project include:

- Contact several competing consultants and hear what they could do for you, what it would cost, what their charge rate is. Get written proposals from several. Do personal interviews to let you know if that group seems appropriate to your project. Be sure to check references for your top contenders, even visiting completed projects, etc. Finally, consider cost of deliverables, terms of payment, and the time line.
- Formulate your written contract. Clearly define the outcome you want, the role they are to play, along with the deliverables, time line, and benchmarks.
- Negotiate the total costs of the contract, and spell out any extras. Put caps on them (such as travel, printing), with a cap on the total price of contract and with penalties for not meeting deliverables.
- Be clear in the contract about the costs and payments. Do not pay all at once, but make interim payments based on meeting milestones. Be sure to hold back sufficient portions until the final deliverables are handed over to you. Be sure to understand the billing differential between senior and junior members of the team.
- Check with your funding source for any mandates and forms that they need, but get partial and final waivers of lien if it is appropriate to the project.
- Achieve your obligations in a timely manner, whether in providing information, access to a site, or partial payments; and communicate regularly with your consultant, sharing progress and challenges.

Appendix B: Resources

This guide can only give you some idea of the twists and turns, requirements, and needs of an affordable housing project. For more help with your project, make use of the following resources.

Public agencies can provide resources, and technical assistance:

- American Homeownership Education and Counseling Institute
Provides training sessions and references
1156 15th Street, NW, Suite 1220, Washington, D.C. 20005
888-243-2499; www.aheci.org
- Federal Home Loan Bank System
Consists of 12 regional banks with resources, lending primarily to financial institutions but also with some homeownership programs.
1255 23rd Street NW, Washington D.C. 20037-1174
www.fhlbanks.com
- US Department of Housing and Urban Development (HUD)
451 Seventh Street SW, Washington, D.C. 20410
202-708-1422; www.hud.gov
Also see HUD Community Connections (www.comcon.org)
- Local: Cities and urban communities with populations of 50,000 or more receive federal funds directly; smaller programs go through states.

Non-profit intermediaries and associations can provide grants, debt and equity investments, or technical assistance:

- Center for Community Change – Washington Office
1000 Wisconsin Ave. NW, Washington, D.C. 20007
202-342-0567, www.communitychange.org
- The Center for Housing Training
1012 N Street NW, Washington D.C. 20001-4297
202-667-3002 www.thecommunitiesgroup.com
- The Enterprise Foundation (also Enterprise Social Investment Corp)
American City Building
10227 Wisconsin Circle, Suite 500, Columbia, MD 21044-3400
410-964-1230
- Housing Assistance Council (HAC)
1025 Vermont Ave., NW, Suite 606, Washington D.C. 20005
202-842-8600, www.ruralhousing.org

- Local Initiatives Support Corporation (LISC) (also National Equity Fund)
1825 K Street, Suite 1100, Washington, D.C. 20006
202-785-2908, www.liscnet.org
- National Low Income Housing Coalition (NLIHC)
1012 14th St. NW Suite 610, Washington D.C. 20005
202-662-1530, www.hlihc.org
- National Cooperative Banks
1401 I Street, NW Suite 700, Washington D.C. 20005
202-336-7700, www.ncb.com
- Neighborhood Reinvestment Corporation
1325 G St NW, Suite 800, Washington D.C. 20005
202-376-2400, www.nw.org

Lutheran Church Related Resources

- Thrivent Financial for Lutherans, www.thrivent.com
- Lutheran Services in America - for assessment and technical assistance, www.lutheranservices.org
- ELCA Mission Investment Fund - loans, grants, technical assistance, www.elca.org
(search Mission Investment Fund)
- Community Development Service - ELCA Church in Society program unit,
www.elca.org (search Community Development Service)

Books and Periodicals

- Faith-Based Affordable Housing Development and Finance Resource Guide -
College of Biblical Studies, Houston (Funded by Fannie Mae) www.cbshouston.edu.
- Making Housing Happen: Faith-based Affordable Housing Models, - Jill Shook,
editor, St. Louis: Chalice Press, 2006.
- Asset-Based Strategies for Faith Communities - Susan Rans, Hilary Altman; Acta
Publications, 2002, actapublications@aol.com.
- Community Transformation: Turning Threats into Opportunities - Luther Snow; Acta
Publications, 2001, acta@one.org.
- Starting A Non-Profit at Your Church - Joy Skjegstad; Alban Institute, 2002
- The Power of Asset Mapping for Your Congregation - Luther Snow; Alban Institute.

- Building Prosperity and Abundance in Your Community - Faith Center for Community Development, Inc., and the Fannie Mae Foundation; 212-785-2782.
- Putting Faith in Neighborhoods - Steven Goldsmith; Hudson Institute, www.hudson.org.

Web Sites

- Foundation Center, www.foundationcenter.org
- Faith-based and Community Initiatives, www.hud.gov/offices/fbci
- Policy Link, www.policylink.org
- For work with the homeless, www.endhomelessness.org and www.nationalhomeless.org
- For education and advocacy, try the National Low Income Housing Coalition, www.nlihc.org
- Working to eliminate poverty, Habitat for Humanity, www.habitat.org
- Developer of affordable housing, www.mercyhousing.org
- A comprehensive approach to helping low-income families, www.familypromise.org
- Affordable housing design advisor, www.designadvisor.org
- To inspire, train, and connect Christians who seek to reclaim and restore under-resourced communities, www.cdda.org
- Department of Housing and Urban Development (HUD), www.hud.gov
- Fannie Mae Foundation, for creating affordable homeownership and housing opportunities, www.fanniemaefoundation.org

Appendix C: Glossary

This glossary is adapted from the Affordable Housing Yearbook produced by Enterprise Community Partners, Inc. www.enterprisecommunity.org

Area Median Income (AMI)

A term used by federal programs to describe income standards for various areas of the country that are used as benchmarks for determining households' eligibility for federally funded programs. For example, homebuyers may be limited to incomes at or below 80 percent of area median income. AMIs are calculated and published annually by HUD.

- **Extremely Low-income Household** - As widely defined by governmental and nonprofit organizations, a household with an income at or below 30 percent of median income. See "area median income."
- **Very Low-income Household** - As widely defined by governmental and nonprofit organizations, a household with an income at or below 50 percent of area median income. See "area median income."
- **Low-income Household** - As widely defined by governmental and nonprofit organizations, a household with an income at or below 80 percent of area median income. See "area median income."
- **Moderate-income Household** - As widely defined by governmental and nonprofit organizations, a household with an income between 80 percent and 120 percent of area median income. See "area median income."

Conventional Financing

In the low-income housing industry, a term often used to refer to any loan made with non-subsidy sources. Among private, single-family lenders, a term to describe a loan that is made with a minimum 20 percent down payment and conventional underwriting criteria—a maximum 80 percent loan-to-value ratio and maximum 28/36 underwriting ratios.

Fixed-Rate Mortgage Loan

A mortgage loan for which the interest rate does not change over time.

HUD

The U.S. Department of Housing and Urban Development.

Rent Subsidies

Programs that subsidize, through certificates and vouchers, the rent of low-income tenants in privately-owned apartments and are typically administered by local housing authorities. Generally tenants pay 30 percent of income for rent and utilities and HUD pays the rest directly to the landlord.

Rural Housing Service (US Dept of Agriculture)

Provides housing grants and loans to housing projects in small cities and rural areas; similar to HUD in urban areas.

Section 502

A program of the Rural Housing Service that provides low-income borrowers with direct low-interest loans or loan guarantees to buy a new or existing home. The guarantors are used as an incentive for private, institutional lenders to make home purchase loans at interest rates slightly below market.

Soft Costs

A jargon term for non-bricks-and-mortar costs of a real estate development project. Includes architectural costs, surveys, appraisals, other fees, holding costs, etc. Soft money is funds used in development.

Special Needs Housing

A loosely defined term for affordable or no-cost residential facilities for people with special medical problems, the homeless, or people enrolled in self-sufficiency programs. In the broadest sense, it includes emergency shelters, longer-term shelters, transitional housing, halfway houses, and group homes.

Subsidy

In housing, money put into a deal to lower the monthly debt service on an individual home or in a larger project. Low-interest second mortgage loans are the most common source of subsidy. Tax-credit investments can also act as a subsidy. Rent subsidies are given to landlords to reduce rents paid by tenants.

Variable-Rate Mortgage Loan

A mortgage loan for which the interest rate may change over time in relationship to some index.



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—A Guide for Faith-based
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Evangelical Lutheran Church in America

God's work. Our hands.

