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AFFORDABLE HOUSING FINANCE

Blessed Homes

Old churches and underutilized properties are finding new use as affordable housing.

By [Donna Kimura](#)



Alexander Vertikoff

Immanuel Church in Long Beach, Calif., has been transformed into 25 homes for low-income seniors by Thomas Safran & Associates and Clifford Beers Housing.

People go to church to seek comfort, guidance, salvation. They go for fellowship and inspiration. They go to find something they're missing or to give something they have. They go to worship, to celebrate unions, to bid goodbyes. Some go because they want to, others because they are forced to.

Churches—whether they be parishes, cathedrals, synagogues, mosques, or temples—serve as foundations in communities. Houses of worship. Historic and geographic landmarks. Moral compasses. Meeting halls. Soup kitchens. Shelters.

Perhaps, it's only fitting that a few end up as affordable housing. In recent months, a number of notable developments involving the conversion of a church property into housing have opened or gotten underway.

The projects are varied and complex. For the churches—some of which are seeing declining memberships or have surplus property—they're a way to raise money and fulfill their missions. For the affordable housing developers who are working with the religious organizations, they're an opportunity to access precious land. For low-income families, they're a shot at an affordable home. Amen to that.

Immanuel Place in Long Beach, Calif.

The nearly century-old Immanuel Church has come back to life as 25 homes for low-income seniors in Long Beach, Calif.



Alexander Vertikoff

During the two-year building process of Immanuel Place, the development team restored large stained-glass windows, huge exposed trusses, and an impressive 1963 Aeolian Skinner pipe organ

Originally built in 1922, the church housed traditional Baptist worship services and was operated as a community center before becoming vacant in 2012. The three-story building was then purchased by Thomas Safran & Associates (TSA), an experienced affordable housing developer and owner.

Like many others, the historic church saw its congregation dwindle over the years. Fortunately, Safran and his team knew how the building could continue to serve the community.

Working with Clifford Beers Housing, a nonprofit affordable housing provider, and city leaders, the developers adapted the building into housing while maintaining the aging church's unique features.

"You have to find creative ways to build affordable housing these days," says Andrew Gross, president of TSA's development company, which has also converted the old Dunbar Hotel in Los Angeles into housing as well as completed a number of new construction projects.

The reuse of Immanuel Church is a prime example of how affordable housing developers around the country are reusing church sanctuaries or other land owned by churches.

During the two-year building process of Immanuel Place, the TSA and Clifford Beers team restored large stained-glass windows, huge exposed trusses, and an impressive 1963 Aeolian Skinner pipe organ. The church sanctuary, which houses the organ, has been repurposed as a community room.

The site has been given new life as 25 one-bedroom apartments for seniors 62 years and older, including 15 units for special-needs residents who were formerly homeless or at risk of homelessness.

Immanuel Place features solar thermal roof panels that heat its water, high-efficiency lighting and appliances, and low-flow fixtures.

In another move, the development team relocated a nearby 1920s-era house to provide resident parking.

One of the most challenging pieces of the project was to raise financing for the \$13.2 million project. TSA worked to assemble several key sources, including:

- \$6.9 million in low-income housing tax credit (LIHTC) equity from Union Bank;
- \$2.55 million from the Long Beach Community Investment Co.;
- \$1.8 million from the Community Development Commission of the County of Los Angeles;
- \$1 million in a Proposition 1C infrastructure grant from the California Department of Housing and Community Development; and
- \$360,000 from the Federal Home Loan Bank of San Francisco's Affordable Housing Program.

The Los Angeles County Department of Health Services is also providing operating subsidy and service funding.

NYC reaches out to churches

Nearly 3,000 miles away, five faith-based organizations are taking part in an innovative effort to bring more affordable housing to New York City.

The New York Land Opportunity Program (NYLOP) is the first-of-its-kind initiative to help mission-driven groups find partners to develop affordable or supportive housing on their underutilized land.

The program fits into the Local Initiatives Support Corp.'s (LISC's) work to bring technical and financial resources to underserved communities. LISC typically works with nonprofit community development organizations, which have real estate development and affordable housing as its mission, but NYLOP is different.

"In this case, the city came to us with a problem," says Sam Marks, executive director of LISC NYC. "They're facing an affordable housing crisis and looking for every inch of vacant land to transform into housing. Meanwhile, they're getting calls from churches and faith-based organizations that were routinely receiving offers from developers to buy their properties, but the churches didn't have the expertise to understand whether these offers made sense."

In response, LISC worked with the city Department of Housing Preservation and Development and the Mayor's Community Affairs Unit to create NYLOP.

For the churches, it wasn't just about dollar signs. Instead, they wanted to learn how to think about their assets in the context of their role as essential community anchors and how they can leverage their resources for the maximum social benefit, Marks says.

Through four information sessions, LISC NYC met with about 300 people. It then received 33 letters of interest, and eventually 19 full applications were submitted. From 10 finalists, five organizations were judged to be in the best position to take advantage of the resources offered and to have sites with the most opportunity for affordable housing development.

The selected participants are the Community Church of New York Unitarian Universalist in Manhattan; St Luke's Episcopal Church in the Bronx; Shiloh Church of Christ in Harlem; Wakefield Grace Methodist Church in Wakefield, Bronx; and St. John's Global Ministries near downtown Jamaica, Queens.

The goal is for the groups to release requests for proposals (RFPs) in January, inviting the development community into the process, according to Grace Chung, community development officer at LISC NYC.

In one case, a church owns a large vacant lot behind its sanctuary that it wants to develop. Other organizations have aging structures that they would like to demolish and replace with new sanctuaries along with affordable housing, says Chung.

These old buildings have become expensive to maintain and operate.

“Our goal is not to turn these faith-based organizations into real estate developers,” Marks says.

“There’s already a sophisticated ecosystem of partners who do real estate development, particularly affordable housing.”

Instead, LISC is helping the groups develop an RFP and selection criteria. It would then be up to the organizations to select a development partner.

The participants will receive a small grant to help them engage in legal assistance to ink an agreement.

NYLOP is privately funded by the Booth Ferris Foundation with additional support from BankUnited, Deutsche Bank, M&T Bank, and Santander Bank.

Bethany Apartments in Hanover, Mass.

Few housing organizations have worked as closely with churches and religious orders as has the Planning Office for Urban Affairs (POUA), a private nonprofit that’s affiliated with the Archdiocese of Boston.



Terry Cracknell

The Planning Office for Urban Affairs is developing the \$15 million Bethany Apartments on the campus of the Cardinal Cushing Centers in Hanover, Mass.

About 50% of the organization's 2,700 units have been built on former parish or archdiocesan property, or property owned by religious orders, says Lisa B. Alberghini, president of POUA.

The developments fall into three main categories—the conversion of churches; the conversion of convents, schools, or other parish buildings; and then the use of excess land for housing.

The redevelopment of actual churches is often the hardest because these buildings have so much volume and are expensive to adapt into housing, says Alberghini. In many cases, they require careful preservation of historic building elements.

POUA converted the site of St. Aidan Church, where John F. Kennedy was baptized, into The St. Aidan, a 59-unit mixed-income development in Brookline, Mass., several years ago. Because of the costs involved with the rehabilitation, the units inside the church are market-rate rather than affordable housing. The team then developed additional buildings on the campus to provide affordable rental and homeownership opportunities, as well as additional market units, to create economic diversity.

In Dorchester, Mass., the nonprofit recently turned the former St. Kevin's Parish into Uphams Crossing. The \$32.3 million, 80-unit community consists of three buildings. Two are new construction (one of which replaced a convent building), and the third is an adaptive reuse of the former St. Kevin's Parish school and church building, in which the developer added a third floor to the two-story building.

The one-, two-, and three-bedroom units serve households earning between 30% and 60% of the area median income (AMI). Twenty of the units serve formerly homeless families who came from seven shelters in Boston. A project-based subsidy through the Massachusetts Rental Voucher Program has been provided for those units.

The projects often fill two needs for the church or religious orders—they're a way to meet their missions, and they're a way to raise revenue to help support their ministries or operate their schools and other programs, according to Alberghini.

POUA's work continues with several more projects underway or in the pipeline.

The roughly \$15 million Bethany Apartments is under construction on the campus of the Cardinal Cushing Centers, a facility established by an order of nuns to serve people with intellectual disabilities in Hanover, Mass. There, POUA is converting a former dormitory into 37 units of mixed-income housing, serving a range of residents, from low-income households with special needs to moderate-

income families. The construction also includes a health center for use by the nonprofit Cardinal Cushing Centers and a contribution to capital improvements being made to a shared wastewater treatment plant on the campus.

“Working in collaboration with the Cardinal Cushing Centers, we are excited to reuse this dormitory building that formerly served students by welcoming in residents of the broader area,” Alberghini says. “It provides us with an opportunity to create an inclusive new residential community that honors and builds upon the work of the Cardinal Cushing Centers.”

Financing for Bethany Apartments includes \$2.25 million in funding from the Massachusetts Department of Housing and Community Development; \$1.25 million in workforce housing funds and a \$7.7 million bridge loan and permanent mortgage from MassHousing; a \$9.3 million construction loan from Bank of America Merrill Lynch, in addition to \$8.7 million in equity through the purchase of low-income housing and historic tax credits; \$633,242 from the Community Economic Development Assistance Corp.; \$500,000 from the Federal Home Loan Bank of Boston; and \$296,000 from the town of Hanover. Additionally, Rockland Trust is participating in the Bank of America financing.

St. James Plaza in Alexandria, Va.

Developer AHC, Inc., is making great inroads to address the affordable housing crisis in Alexandria, Va., by working with two separate churches.

The nonprofit is constructing 93 units of affordable housing on 3 acres previously owned by St. James Methodist Church in the Beauregard neighborhood.



Cunningham Quill Architects

Developer AHC, Inc., is building 93 units of affordable housing on 3 acres previously owned by St. James Methodist Church in Alexandria, Va.

When church leaders decided to close St. James, AHC obtained an option to buy the land in 2013, rezoned it for residential use in 2014, and then assembled the financing to build a mix of affordable

studio, one-, two-, and three-bedroom apartments for residents earning between 40% and 60% of the AMI. The nonprofit is under contract to sell about half of the property to Craftmark, a market-rate developer, to build 31 townhomes adjacent to AHC's development.

Families are scheduled to move into St. James Plaza in March. The \$33.1 million development's financing partners include the city of Alexandria, Capital One, Hudson Housing Capital, and NeighborWorks Capital. Another key partner is Campana Center, a nonprofit education organization that will operate a day care facility in the new building. This partnership will provide residents with direct access to affordable day care, giving them greater flexibility in their work opportunities and educational advancement for their children.

While St. James Plaza nears completion, AHC officials also have their sights on a project with the Episcopal Church of the Resurrection (ECR) that calls for replacing a large church with 113 units of affordable housing in Alexandria's West End.

Like many other churches, ECR has seen its congregation dwindle over time. That led leaders to come up with a plan to demolish the existing church, build a new smaller sanctuary, and develop housing for families earning between 40% and 60% of the AMI.

Church members recognized the need for affordable homes in Alexandria and the greater Washington, D.C., area, says John Welsh, AHC's vice president of the multifamily group.

"They felt like this was going to be important for them to have this legacy of perpetual affordable housing," he says.

The church selected AHC, with its deep history of building affordable housing in the region, as its partner.

Under the proposal, AHC will have a 65-year ground lease for the housing community with an option to renew. The nonprofit is moving through the local approval process and plans to compete for housing tax credits in 2018. The total development cost is estimated to be about \$45 million.

The church benefits because it will receive financing from AHC to build a new sanctuary, and it will be fulfilling a mission to help people in the neighborhood. As a bonus, the housing development may also bring new members to the congregation.

AHC benefits because it has come up with a creative solution to finding developable land in the region.

St. Stephens Senior Housing in Santa Cruz, Calif.

MidPen Housing recently opened St. Stephens Senior Housing in Santa Cruz County along California's Central Coast.



Emily Hagopian

St. Stephens Senior Housing provides homes for 40 low-income seniors in Santa Cruz County, Calif. MidPen Housing developed the site in collaboration with St. Stephen's Lutheran Church.

Built in partnership with St. Stephen's Lutheran Church, the new development provides 40 homes for low- and very low-income seniors on vacant church property.

The project helps meet the need for affordable housing in the seaside community and fulfills a longtime church goal to transform its underutilized site into a worthwhile use.

"St. Stephen's Lutheran Church is honored to serve our community of 64 years, through the good stewardship of the land that was given to us many years ago," says the Rev. James P. Lapp, pastor of the church. "We hope that others will see our work as inspiration and empowerment to find ways to build much-needed, high-quality affordable housing in Santa Cruz County, and serve those who are often forgotten in our market culture."

The property, which sits behind the church, was given to St. Stephen's many years ago, with the understanding that it needed to be used by the church.

Recognizing the need for affordable housing, especially for seniors, in their community, church leaders reached out to MidPen Housing, a nonprofit that has developed several other housing projects in the region.

St. Stephen's provided MidPen Housing with a 99-year ground lease for the 1.8-acre parcel in Live Oak, just outside the city of Santa Cruz, one of the most expensive housing markets in the state.

Within a three-week application period, the housing complex received more than 800 applications for the homes. St. Stephens has 32 one-, four two-bedroom, and four studio apartments for seniors earning no more than 60% of the AMI. Five apartments are reserved for senior veterans, and five are home to frail elderly residents.

The church and the housing operate separately, but the vision for the project is collaboration, says Jan Lindenthal, vice president of real estate development at MidPen Housing.

The church offers numerous programs that residents can enjoy. It also operates a preschool, which provides opportunities for the children and seniors to socialize.

"This new community would not have been possible without the patient, collaborative partnership with St. Stephen's Lutheran Church," says Lindenthal. "Their commitment to their vision never wavered, and their leadership resulted in a model that we hope other faith-based communities will follow, using their resources to address the shortage of affordable housing for seniors in their region."

The idea for the housing dates back to about 2010, and the church and developer stayed with the project as they tried to secure the needed funding. It took the team four attempts to receive an award of housing tax credits from the California Tax Credit Allocation Committee (CTCAC).

It was tough to win an award because the project was competing in CTCAC's Central Coast regional set-aside, which spans a big swath of the state's coastline so it has many applicants but a limited amount of tax credits available each year.

The competitive nature of the credit allocation was compounded by the fact that developments with a senior set-aside make up only 15% of the total CTCAC pot, so it was even more competitive. There was a round or two when all of the senior set-asides went to rural allocations first before the geographic regions.

The \$18 million development was eventually able to win credits in 2015, which raised approximately \$11 million in equity from investor Wells Fargo. Santa Cruz County provided \$5.4 million in funds, and the Housing Authority of Santa Cruz County provided project-based Sec. 8 vouchers.

The housing authority played a significant role in this deal coming together when it changed its long-standing policy to limit project-based vouchers. The agency's prior philosophy was that voucher holders should be given maximal choice in where they live instead of having a portion of the vouchers only available in fixed locations. However, the housing authority realized two things: Voucher holders were having a very difficult time finding places that accept Sec. 8, so they didn't really have "choices" after all, and the project-basing of vouchers could help get more units built, according to developers.

The housing authority's commitment of vouchers on 100% of the units at St. Stephens helped MidPen increase the project's tiebreaker score in its final tax credit application, which helped the development finally get its LIHTC award, says Lindenthal.

In this increasingly resource-constrained environment, project-based vouchers are becoming much more critical to the financial viability of projects.

St. Paul's Commons in Walnut Creek, Calif.

Resources for Community Development (RCD) and St. Paul's Episcopal Church are working to fill two important needs in Walnut Creek, Calif.



PYATOK architecture + urban design

Resources for Community Development and St. Paul's Episcopal Church are created a mixed-use development in Walnut Creek, Calif. St. Paul's Commons will be a new home for the church's existing programs and the Trinity Center, a nondenominational weekday program that provides services to the homeless. On the three floors above, RCD will provide 45 affordable apartments.

They have joined forces to build St. Paul's Commons, a building that will serve as the new home for the church's existing programs and the Trinity Center, a nondenominational weekday program that provides services to the homeless. On the three floors above, there will be 45 affordable apartments operated by RCD, a nonprofit that has developed over 2,200 housing units in the region.

The project recently earned an allocation of housing tax credits from the CTCAC that will generate an estimated \$11.6 million in equity to help finance the \$20 million development.

By collaborating on St. Paul's Commons, which is scheduled to begin construction on church grounds this year, both the church and RCD will be able to reach a goal that they might not otherwise have been able to accomplish on their own.

The church needed a way to replace an aging multiuse building that was in poor condition. Having program space and the homeless day center on the ground floor of St. Paul's Commons makes that happen.

At the same time, the partial donation of the land makes the affordable housing feasible, says Alicia Klein, senior project manager at Berkeley-based RCD, which will have a long-term lease for the housing.

"It provides affordable, service-enriched homes for residents with very limited incomes,

creating opportunity for them, and it expands and improves facilities for successful services programs that serve the community," says Dan Sawislak, RCD executive director. "We are excited to see it move into construction and expect it to be leasing in spring 2019."

Half of the apartments will have project-based Sec. 8 rental subsidies from the Housing Authority of the County of Contra Costa.

The design by PYATOK architecture + urban design integrates the building with the neighboring church, connecting them by a large courtyard that provides open space and maintains mature trees on the site. The development will also include a number of green features, including solar photovoltaic panels and improved insulation levels.

While RCD moves closer to starting construction on St. Paul's Commons, it is also working on another project, Victory Village, that involves a church partner.

The nonprofit plans to build 54 units of affordable senior housing on the site of the Christ Lutheran Church in the Marin County community of Fairfax.

In this case, the church is winding down operations, and the congregation wanted to leave a legacy, says Klein, who is assembling financing for the project.

In addition to selling the property to RCD, the church has played a big role in building community support for Victory Village. Church members “opened doors and kept them open” as the development team has worked through the local approval process.

They were quick to point out to any critics that the housing development was their idea, according to Klein, who has attended roughly a dozen community meetings about the development.

Another advantage of working with churches is that their leaders are often willing to wait as an affordable housing project goes through a lengthy development process. “They can have a sense of patience to put a deal together,” says Sawislak.

Wesley Village in Garden Grove, Calif.

Jamboree Housing Corp. and the Garden Grove United Methodist Church recently celebrated the opening of Wesley Village in Garden Grove, Calif.



For Jamboree by juantallo.com

Wesley Village provides 47 affordable homes in Garden Grove, Calif., Developed by Jamboree Housing Corp., it is built on excess parking space and vacant land owned by the Garden Grove United Methodist Church.

Built on 2.2 acres of the church’s excess parking space and vacant land, the new multiuse campus includes 47 units of intergenerational affordable housing. The team built two residential buildings—a 31-unit development for working families and another with 16 units for seniors.

Several community service providers—Alzheimer’s Orange County, Boys & Girls Club of Garden Grove, Lestonnac Free Clinic, and Project Hope Alliance—have offices inside the new family building.

These organizations will provide adult day care, behavioral health services, and after-school activities to Wesley Village residents and the surrounding community. A third building houses an Orange County Head Start Learning Center that can accommodate 102 children.

Jamboree, a leading affordable housing developer and owner in the state, entered a 60-year ground lease for the property, which will provide ongoing financial support for the church's charitable activities. For Jamboree, the partnership provided critical land to build affordable housing for residents earning no more than 59% of the AMI.

"This innovative collaboration with the Garden Grove United Methodist Church and the city of Garden Grove underscores the need for both more creative thinking and the value of public/private partnerships to meet the growing demand for quality affordable housing," says Laura Archuleta, Jamboree president. "We believe Wesley Village will serve as a model for other developers and local governments to partner with institutions such as churches and schools to help fill the affordable housing gap."

Wesley Village creates not only quality affordable housing for families and seniors but is a platform to expand important community services such as Head Start that will benefit the surrounding neighborhood and residents.

"One of the fundamental principles of the United Methodist Church is that we have a responsibility to innovate, sponsor, and evaluate new forms of community that will encourage development of individuals and families to reach their fullest potential," says the Rev. Bau Dang. "In keeping with this principle, we see Wesley Village, which is named after the founder of the Methodist Church, John Wesley, as a way our church in concert with the city of Garden Grove and Jamboree is providing land for the creation of a new community that will strengthen the lives of people and promote their health and well-being."

The Methodist church may not be alone. Archuleta has been meeting with other churches to discuss how they might be able to work on similar projects. In several cases, the churches are seeing a shrinking congregation and thinking about new ways to fulfill their mission and activate the church.

This was the case for the longtime Garden Grove church, which wanted to create some new energy. It has had child care on site, and that's helped bring in new parishioners. The intergenerational housing was then seen as a potential way to generate business for the child care center and interest in the church.

The church congregation embraced the project early on and have continued to support it, according to Archuleta.

“You always have NIMBYism when you build affordable housing,” says Archuleta. “But when you have church parishioners at the city council and community meetings, saying we support this, it gives you a very different public hearing.”

The Wesley Village campus features about 10,000 square feet of open space, with about half of that provided on a podium deck courtyard that is part of the family building. The development, which features Energy Star appliances, water-efficient plumbing, and energy-efficient building systems, has earned LEED for Homes Gold certification.

The \$18.9 million development was financed through several sources, including \$7.45 million LIHTC equity from Boston Financial Investment Management. The city of Garden Grove provided \$2 million in HOME funds through the Department of Housing and Urban Development (HUD) and a \$1.6 million Housing Authority loan. In addition, it received \$4.8 million in permanent financing from the California Community Reinvestment Corp.; \$460,000 in Affordable Housing Program funds from the Federal Home Loan Bank of San Francisco with member City National Bank; and \$11.1 million in construction financing provided by U.S. Bank.

Grace Garden in West Fargo, N.D.

The YWCA of Cass Clay was searching for a way to expand its permanent supportive housing program at the same time the Lutheran Church of the Cross was looking for a use for land it owned in West Fargo, N.D.



Shultz + Associates Architects of Fargo, N.D.

Beyond Shelter, Inc., is developing Grace Garden, a 30-unit permanent supportive housing development in West Fargo, N.D. It will be built on underutilized land next to the Lutheran Church of

the Cross.

They have joined forces, along with affordable housing developer Beyond Shelter, Inc., and Schultz + Associates Architects, to build Grace Garden, a 30-unit development for women and families. After assembling critical financing in 2017, the team plans to begin construction on the community later this year, says Dan Madler, CEO of Beyond Shelter.

The name of the development is fitting, Grace is given and Garden represents growth and life—key aspects of both the church and the YWCA.

The permanent supportive housing development will target women and families who have experienced or are at risk of homelessness as well as women who have experienced domestic violence.

Located next to the church, the site had been underutilized, with two sand volleyball courts, a fire pit, and a picnic shelter. Using the land for Grace Garden allows the church to further its mission and the YWCA to expand its housing offerings. Beyond Shelter brings its development and finance expertise to the project.

The 30 apartments will range from one to four bedrooms. From two offices, YWCA advocates will provide coaching and guidance for women and their families to overcome barriers. A community room, a playground, and a patio are included in the preliminary designs.

Being on the church campus will also give residents the opportunity to take part in programs and activities offered by the Lutheran Church of the Cross, according to Madler. In addition, the church is working on starting a day care and operating a preschool, and, if successful, the church would reserve day care spots for residents at a reduced rate and reserve spots that would be paid for by the church at the preschool.

The approximately \$7 million development received a \$672,500 reservation of LIHTCs from the North Dakota Housing Finance Agency, which also made a commitment of \$325,549 from the National Housing Trust Fund and \$500,000 from the state Housing Incentive Fund. The North Dakota Division of Community Services and the city of West Fargo have also committed \$250,000 of Community Development Block Grant funds to the development.

In another key move to make the project feasible, the Housing Authority of Cass County will provide project-based vouchers to the project.

For supportive housing developments, one of the biggest challenges is how to pay for supportive services, says Madler. To help overcome this challenge, Gate City Bank has committed \$1.5 million to the project, with the majority of the funds dedicated to covering operational expenses incurred for supportive services.

“Grace Garden is a great example of an amazing collaboration of many organizations,” Madler says.