

# **Faith and Mortar: Religious Organizations and Affordable Housing Strategy in Urban America**

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## **Introduction**

Faith and faith-based organizations (FBOs) have played a long, rich, and increasingly varied role in addressing the nation's affordable-housing needs. This role, however, is poorly understood. Given increased political, financial, and regulatory support for FBO service providers in recent years – accelerated by White House and congressional leadership over the past decade and heralded by the Charitable Choice provision in federal welfare reform in 1996 – the gaps in our understanding are costly and unfortunate. They undermine smarter investments by many players – faith leaders, to be sure, but also mayors and other elected officials, housing regulators, realtors, banks, philanthropic organizations, and many others important to the quality and affordability of housing, the most basic of family needs.

FBOs are well positioned as community builders, enjoying support from the left and right in American politics and reaching out to all of the nation's major ethnic groups. Moreover, affordable housing needs are urgent. They have been growing steadily for more than a decade, reaching crisis levels in many of the nation's hottest real estate markets. In many communities, even modest apartments command rents that require several times the minimum wage according to accepted standards of affordability.<sup>1</sup> Home prices and high closing costs make homeownership – the number one route to family wealth building in America – unattainable in many markets as well, especially for low- and moderate-income working families.

For their part, FBOs have shown that they can contribute usefully to the politics as well as the delivery of affordable housing, from national and international networks, such as Habitat for Humanity, to local standouts, such as East Brooklyn Congregations – sponsor of the widely admired Nehemiah homeownership program in New York City. But in terms of the *strategies* that should guide organizations and communities, we know far too little about the comparative advantages or disadvantages of faith institutions

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relative to other players in the housing game, the conflicts that arise in collaboration, or, less competitively, the keys to incorporating faith groups into the effective cross-sector partnerships that now define local affordable housing efforts in America.

As Avis Vidal observes it in a report to the U.S. Department of Housing and Urban Development (HUD), much of our interest in FBOs owes to “the existence of a small number of high-profile successes in housing and economic development sponsored by large churches . . . and high expectations about the potential of faith communities to address problems that others have found intractable.”<sup>2</sup>

We begin this inquiry into the appropriate role of faith-based organizations in affordable housing, then, with two premises:

1. Given appropriate capacity building and other supports, FBOs should be as capable or demonstrably *more* capable than other players of accomplishing certain things (if laying claim to money, political support, reputational “capital,” and other precious resources not in the immediate ownership of the faith communities themselves), as well as reasonably able to compensate for any special *liabilities* or risks that FBOs may bring to the work (e.g., the risk of crossing appropriate church/state boundaries, role confusion where congregational and service delivery demands conflict, etc.).
2. FBOs’ strategic strengths must enable them to *work effectively with others* – not in lock-step agreement necessarily, but through capacities to organize stakeholders and issue agendas, join and leave coalitions, plan, and produce in teamwork with nonreligious players, including government, business, and key secular nonprofits.

### **Faith in Housing: A Quick History**

Faith institutions’ support of affordable housing – in the form of temporary shelter, informal shelter subsidy, and advocacy around shelter needs – goes back more than a century to the period of industrialization, rapid city building, early settlement houses, and urban social reform. The faith motivations of settlement houses and other charitable organizations in Boston, Chicago, and New York are particularly well documented. Even where no proselytizing or other directly sectarian activities were promoted, the faith ties of these early groups were crucial to defining their housing missions, as well as their influence on urban policies and programs.

Since the 1960s the role of FBOs has evolved and expanded rapidly in many parts of the country, tracking federal community action and War on Poverty efforts and later the downsizing of direct government provision of housing and human services. Over the past 25 years in particular, government has become primarily a housing funder and regulator, leading to a surge in private for-profit and nonprofit involvement in affordable housing delivery, from homeless shelter provision and services to ownership and rental housing, including “special needs” housing for the elderly and disabled.

In this period, faith institutions have founded numerous community development corporations (CDCs) and other entities to advocate for, develop, and/or manage affordable housing. In a recent national survey, 1 in 7 of the 3,600 self-identified CDCs indicated a faith affiliation or origin, and FBOs produce an estimated 1 in 6 CDC-produced housing units.<sup>3</sup> A conservative estimate by the Fannie Mae Foundation suggests that at least 355,000 affordable housing units in the nation's precious inventory of the same owes to faith-based development.<sup>4</sup> Habitat for Humanity has produced an estimated 50,000 units in the United States, with project sizes ranging from a few homes to a few dozen, on average.<sup>5</sup>

But these aggregate statistics on level of service obscure FBOs' contributions in special needs housing. A 1988 HUD survey of service providers to the homeless, for example, revealed that about one-third of all emergency and temporary shelters were church affiliated. Furthermore, FBOs develop and/or manage half of all housing produced under HUD's Section 202 program for the elderly.

The FBO presence in the housing sector is particularly significant in communities with a long history of community-based development activity. In the Philadelphia region, for example, a survey in the late 1980s found that about 40 percent of the 70 community development organizations affiliated themselves with churches, parachurch organizations, or coalitions of churches. These groups produced about 40 percent of all nonprofit housing in the metro area and almost 70 percent of its elderly housing. Many other development organizations had clergy in key board or staff positions.<sup>6</sup>

A high number of FBOs participate when local clergy advocate the large-scale transfer of public properties and responsibilities. For example, New York City's programs for vacancy consolidation and disposition of tax-foreclosed buildings transferred thousands of publicly owned apartments to nonprofit ownership and management. Many of these nonprofits were church affiliated.

CDCs and other nonprofit housing organizations are founded by congregations; by well-known national networks such as Catholic Charities, Habitat for Humanity, and Lutheran Social Services; and by freestanding religious groups as well.<sup>7</sup> Some of the oldest and best-known nonprofit housing providers in the country, including Newark, New Jersey's New Community Corporation, are faith based, and these FBOs play particularly significant roles in elderly housing and other special programs that require complex deals and close coordination with business and government.

In the 1990s observers began to refer to the primarily local arrangements for blending resources available in the public, private, and nonprofit sectors as affordable-housing or community development "systems." Faith institutions clearly play important roles in many of these local systems, which involve a complex mix of cooperation and competition, political maneuvering, and operational tinkering.<sup>8</sup> To better recognize and support FBO efforts, during the Clinton Administration, HUD created a special office for

faith and community partnerships led by a clergyman based in the Office of the Secretary, reviving a senior policy development and budget advocacy role first created for a Catholic priest during the Carter Administration. Likewise, the Bush Administration's White House Office of Faith and Community-Based Partnerships has advocated expanded involvement by FBOs in housing service provision and reviewed HUD programs for barriers that thwart such involvement.

Having noted the trend toward increased scale and variety in FBO's housing roles, one should also note that most faith institutions do not become involved formally in housing at all, according to available surveys. Of those involved, the greatest number of faith institutions provide small donations, volunteers, or other *informal* support for other organizations, whether public, private, or nonprofit. For example, many congregations supply volunteers for Habitat for Humanity's self-help homeownership work. African-American churches are particularly active on behalf of asset building and economic empowerment, for which informal support includes providing church space and pulpit "air time" for mortgage lenders and homeownership counselors. In a national survey of congregational involvement in services – defined as activities *either* provided or supported by the congregations – 73 percent of all housing participation and 86 percent of participation in elderly housing were indirect, meaning other organizations provided the services.

So FBO roles span a wide range of housing types and incentive programs, formal as well as informal leadership and support roles, and strategies for the politics – organizing, coalition building, and advocacy – as well as the management of housing and housing-related services.

### **The Knowledge Base**

In light of FBOs' records of accomplishment and rich potential, systematic documentation of the faith-based role in affordable housing is sadly limited and uneven. Many descriptive accounts by faith leaders and activists provide anecdotal evidence on service delivery and important but one-sided accounts of the politics and management of affordable housing. These accounts, however, offer some of the most detailed statements available of the role of religious housing efforts in a larger social ministry, and therefore, of the social and political values that underlie FBOs' work on housing issues. Next, a few detailed third-party analyses of FBO housing strategies and achievements in particular localities, including New York City and Philadelphia, have been conducted. These analyses helpfully place the work of a focal church or other faith institutions in the broader context of the local housing system. Finally, in 1998, HUD commissioned a review and reconnaissance of the available evidence on FBO roles in affordable housing and other community development activities. The report on that review, led by Avis Vidal of the Urban Institute, represents a rich guide to the still-incomplete data available on what FBOs do in housing, how they do it, and at what cost and benefit.<sup>9</sup> As with most social policy fields, housing data rarely include measures of the *quality* of organizational

outputs, let alone impact on the well-being of families and communities. But together with increasingly rich online resources and a little scouting with key informants, one can make some reasonable inferences about the impacts that FBOs are having, the barriers they face or impose, and what they might accomplish given the right strategies and support.

### **Three Strategic Roles**

At the broadest level, FBOs active in affordable housing, whether formally or informally, perform roles similar to those of other key players in the housing field, such as the following:

- *Building political support for affordable housing*, understood to include grassroots organizing, coalition building with other organizations, policy advocacy, and more. FBOs work to increase attention for familiar issues, such as rent burdens and homelessness, and to get newer issues, such as lead-based paint, on screen. They advocate on public and private budgets – not just more spending but wiser allocations. Sometimes FBOs are part of policy development, working with other interest groups and government decisionmakers. Beyond action aimed primarily at government decisions and behavior, though, FBOs, like other nonprofit advocates, also focus on the behavior of landlords, financial institutions, developers, philanthropies, and other private actors.<sup>10</sup> Greater Boston Interfaith Organization and United Power in Chicago are two young, large-scale, membership-based, church-based organizing efforts that include a housing agenda, but many informal coalitions and campaigns are at work that include, or emphasize, a faith base. These support-building roles are perhaps the least documented and least analyzed roles, as well as some of the most important that FBOs can play in the housing field, confounded as it is by powerful stigmas tied to race and class and by the dynamics of neighborhood opposition (NIMBY-ism).
- *Delivering affordable housing services*, understood to include operational activities, from property development, marketing, lease-up, and sales to ongoing property management, related service provision, and other tasks. A bridge across the political and service delivery domains is, of course, the politics of service delivery, which may include competitively securing land or use rights, winning project approvals, getting official attention to resolve problems, and so forth.
- *Pursuing a variety of broader community building activities*, which may include community development and social service strategies and, in the case of FBOs, faith-based ministries that both inform and build on housing advocacy and provision.

Several things are noteworthy about faith-based performance of these roles, and these present opportunities as well as challenges for FBOs and their partners or would-be partners. First, no “handicap” is available for faith institutions where the most complex operational tasks and financial risks are concerned. Direct involvement in service

provision typically requires the creation of an arms-length nonprofit organization, especially where government funds will be used.<sup>11</sup> These arms-length, *faith-based* organizations increasingly need the same specialized skills in finance, real estate planning, information management, regulatory compliance, and other areas, as well as the same capacity to take calculated financial risks, that secular providers must acquire. The threshold requirement of establishing a new nonprofit, financial risk, operational complexity, and the relatively decentralized and under-resourced system of capacity building available in the affordable housing field all serve as significant barriers to entry for faith groups.<sup>12</sup>

Given these barriers, it should not be surprising that larger, higher-income congregations are more likely to play direct roles in housing and other forms of community development. Liberal politics, community need, the interest of particular leader-entrepreneurs, and race also predict such involvement. African-American churches get involved at a greater rate than white ones, holding other factors equal, and both are significantly more involved in housing than Hispanic or Asian American congregations.<sup>13</sup> Local surveys and case studies likewise have underlined the importance of focusing events and crises, as well as the desire to extend related social ministries into housing. For some FBO providers, becoming a housing developer provides a way to go beyond “band-aid” approaches (in their words), including those that provide temporary shelter for the homeless.

Opportunity for FBOs abounds, however, in this operational complexity. The challenges imply that housing providers already at work in a given community, or those well prepared to start, may benefit enormously from a range of supports, even quite informal ones, that come from FBOs playing the role of *indirect* producer. On this dimension, strategic housing partnerships can take two forms:

1. *That of networks connecting FBOs to direct providers in a variety of indirect support roles.* While not without its own discipline and challenges, this approach has more modest capacity requirements and risks for FBOs and others.
2. *That of formal housing development/service joint ventures binding FBOs and other formal partners, such as government agencies and financial institutions, with specific legal and financial obligations.*

Mapping out the *organized* affordable-housing capacity available and required in a community is one way to determine resources and needs, opportunities and threats, for the community as a whole. Taking a step toward creating a system that actually is a functioning whole of functioning parts helps avoid unproductive competition, duplication of effort, and major gaps in services. This mapping, then, does not merely involve determining best-available choices for *particular* FBOs, however nobly motivated

and sincerely committed. The key is looking closely at the field of local organizations and their relationships.

Beyond the matching of the operational capacity needed to the capacity that is available, what types of capacity are required by the *politics* of affordable housing? And what dynamics of conflict and collaboration define these politics? Local housing politics has long operated on two levels. For locally based FBOs, even neighborhood-based, the first level, the “inside game,” includes obligations to the immediate stakeholders in a housing service or project – residents and prospective residents; perhaps nonresident congregation members; neighbors; directors of the organization; financial and service partners (lenders, marketing agencies); and so on. These actors and political dynamics are important in developing new or substantially rehabilitated housing stock but also in managing affordable housing properties over the long run as community-serving assets. The “outside game” includes dealing with local government, other parties that may be competing for resources, and any other players, issues, and tactics external to the immediate project or service but crucial to its success.

The two levels to this game require an extraordinary range of persuasion, negotiation, and other skills – including “shuttle diplomacy” between the two levels.<sup>14</sup> A key question, then, is how FBOs and secular nonprofits compare on these two levels – in resources, strategies, and accomplishments. Given their normative power, community networks, special access to voters and volunteers, and more, do well-organized congregational FBOs, for example, enjoy certain advantages over their secular cousins? In some instances, does their selective “draw” – by creed and often by race/ethnicity – create divisions and suspicion that a broad-based secular nonprofit might not?

Whatever the comparison, for FBOs already in the game, the political, financial, and operational realities entailed in *direct* housing roles present the classic dilemmas that secular nonprofit providers face: balancing bricks-and-mortar and financial objectives with broader social aims, including perceived obligations to serve the most disadvantaged in the community; balancing the politics of the immediate neighborhood with that of city hall; and beyond politics, responding to the market dynamics – price pressures, unforeseen demand, and more – that make housing unpredictable and quite distinct from welfare, health, education, and other services that are less market driven.

For the faith-based, arms-length nonprofit organizations often created by churches and other faith institutions to enable direct involvement, a host of more specific challenges awaits, such as reconciling distinct interests of the parent organization and subsidiary, fighting perceptions that church moneys and development/service moneys are fungible, and dealing with stakeholders who scrutinize the *professional* activities of the service provider subsidiary according to the *faith* messages of the church – and even the personal statements of a charismatic pastor.

### **Advancing the Field**

This brief analysis holds key implications for faith institutions, as well as their would-be supporters. First, *for FBOs* new to the housing field and for veteran groups contemplating strategy change (new services, shifts in service, major partnerships, etc.), this review highlights key imperatives in the field:

- *Define need broadly.* The need to clearly outline the range of direct *and* indirect (support) roles required in the housing sector in a given community, based on a thorough assessment of varied housing needs (initially, without regard to scale or quality).
- *Define capacity thoroughly.* The need to define capacities required to adequately perform in each of those roles, the extent to which that capacity is already in supply, and indicators of the quality of that supply.
- *Be realistic about money, time, and other resources crucial to building capacity.* Given particular opportunities to play a value-added role(s), the support available for capacity building and other preparation and development activities to strengthen the organization that will serve as the vehicle for the chosen strategy/role.
- *Targets matter and good information is key to good management.* Milestones, benchmarks, and other performance measures appropriate to assess the viability of the FBO's choices over time and to guide "mid-course corrections" as needed.
- *Housing is a political enterprise.* Closer to the politics of the work, the need to carefully deliberate (a) the FBO's readiness to play the two-level game and (b) the dynamics of conflict and consensus to be expected, given the existing map of stakeholders, interests, resources, and coalitions.

Second, *for mayors and other community leaders* entrusted with creating a high-performing, politically legitimate local *system* that can respond to changing affordable housing needs over time, other implications include the following:

- *Not every valuable player in the housing game needs to build or manage housing.* The need to define *differentiated* roles for direct and indirect providers – not just a technical, analytic challenge but also a task that demands civic learning, deliberation, and patience all around. Mayors facing enormous demand for affordable housing – and pressure from determined, confident faith and community leaders as well – may be tempted by the "producer-in-every-neighborhood" scenario, but rarely is this scattershot approach a recipe for service quality and impact.
- *Help faith and community-based organizations find their way.* The importance of encouraging particular organizations, faith-based and secular, private and nonprofit, to find their most *appropriate* role(s) and, in plain terms, to avoid getting in over their heads. In terms a person of faith might prefer, the key is finding one's calling – as in a well-defined and appropriate mission in context – rather than drifting into challenging roles unconsciously or by default. Mayors are, instinctively, boosters and

recruiters, but developing a citywide (or region-wide) housing system that performs means offering reality checks and provocative questions, not just encouragement and salesmanship.

- *Information is the lifeblood of an effective delivery system.* The need to assess, build, and monitor organizational capacity and performance, whether through direct provision of these activities by government or the fostering and feeding of functional networks that engage local, regional, or national providers, funders, and intermediaries.
- *Changing the face of housing and expanding its constituency.* A political strategy for increasing public awareness and support of affordable housing, for securing neighborhood-specific support (where a not-in-my-backyard response or other resistance may exist), for organizing favorable coalitions, and for focusing *broad* campaigns into sustainable support for *specific* budget allocations, project site approvals, and more.

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<sup>1</sup> See annual reports on the “housing wage” by the National Low Income Housing Coalition ([www.nlihc.org](http://www.nlihc.org)) and Joint Center for Housing Studies of Harvard University, 2003 *State of the Nation’s Housing Report* (Cambridge, MA: Author, 2003). By the federal standard, housing is “affordable” if it requires no more than 30 percent of gross household income, but typically, “affordable housing” refers, more specifically, to housing units affordable to low or moderate income families (as measured by area median income).

<sup>2</sup> Avis C. Vidal, *Faith-Based Organizations in Community Development* (Washington, DC: HUD, August 2001), p.1. See [www.huduser.org](http://www.huduser.org)

<sup>3</sup> National Congress for Community and Economic Development (NCCED), “NCCED Survey” (Washington, DC: NCCED, 1999). See [www.ncced.org](http://www.ncced.org)

<sup>4</sup> Fannie Mae Foundation, “Facts About the Role of Faith-Based Organizations in Providing Affordable Housing and Financial Services in American Communities” (Washington, DC: Author, 2001).

<sup>5</sup> Habitat for Humanity International, *Annual Report Fiscal Year 2003*, Americus, GA: Author, 2003.

<sup>6</sup> Jeremy Nowak et al., “Religious Institutions and Community Renewal,” Prepared for the Pew Charitable Trusts, Philadelphia, PA, December 1989.

<sup>7</sup> Vidal, *Faith-Based Organizations*.

<sup>8</sup> Christopher Walker and Mark Weinheimer, *Community development in the 1990s* (Washington, DC: The Urban Institute, 1998); Langley Keyes, Alex Schwartz, Avis Vidal, and Rachel Bratt, “Networks and Nonprofits: Opportunities and Challenges in an Era of Federal Devolution” (*Housing Policy Debate*, vol. 7, no. 2, pp.201-229, 1996).

<sup>9</sup> See footnote 2.

<sup>10</sup> Key legislative and regulatory requirements, including the Community Reinvestment Act, provide advocates with important leverage. Even where the *focus* of advocacy is a private actor, then, government’s role is often squarely in view.

<sup>11</sup> HUD attorneys developed a specific protocol for FBO involvement in the popular Section 202 elderly housing program, in which FBOs have played a major role for years. Among other stipulations, participating FBOs must not use funds to build or subsidize worship facilities or to conduct activities that are “pervasively sectarian.”

<sup>12</sup> Vidal, *Faith-Based Organizations*, pp. 26-32.

<sup>13</sup> Vidal, *Faith-Based Organizations*, drawing on Chaves and Tsitsos study.

<sup>14</sup> For more on these issues, see Xavier de Souza Briggs, *The Art and Science of Community Problem-Solving Project* at Harvard University ([www.community-problem-solving.net](http://www.community-problem-solving.net)), including the tools *We are All Negotiators Now* (2003) and *Organizing Stakeholders, Building Movement, Setting the Agenda* (2003).