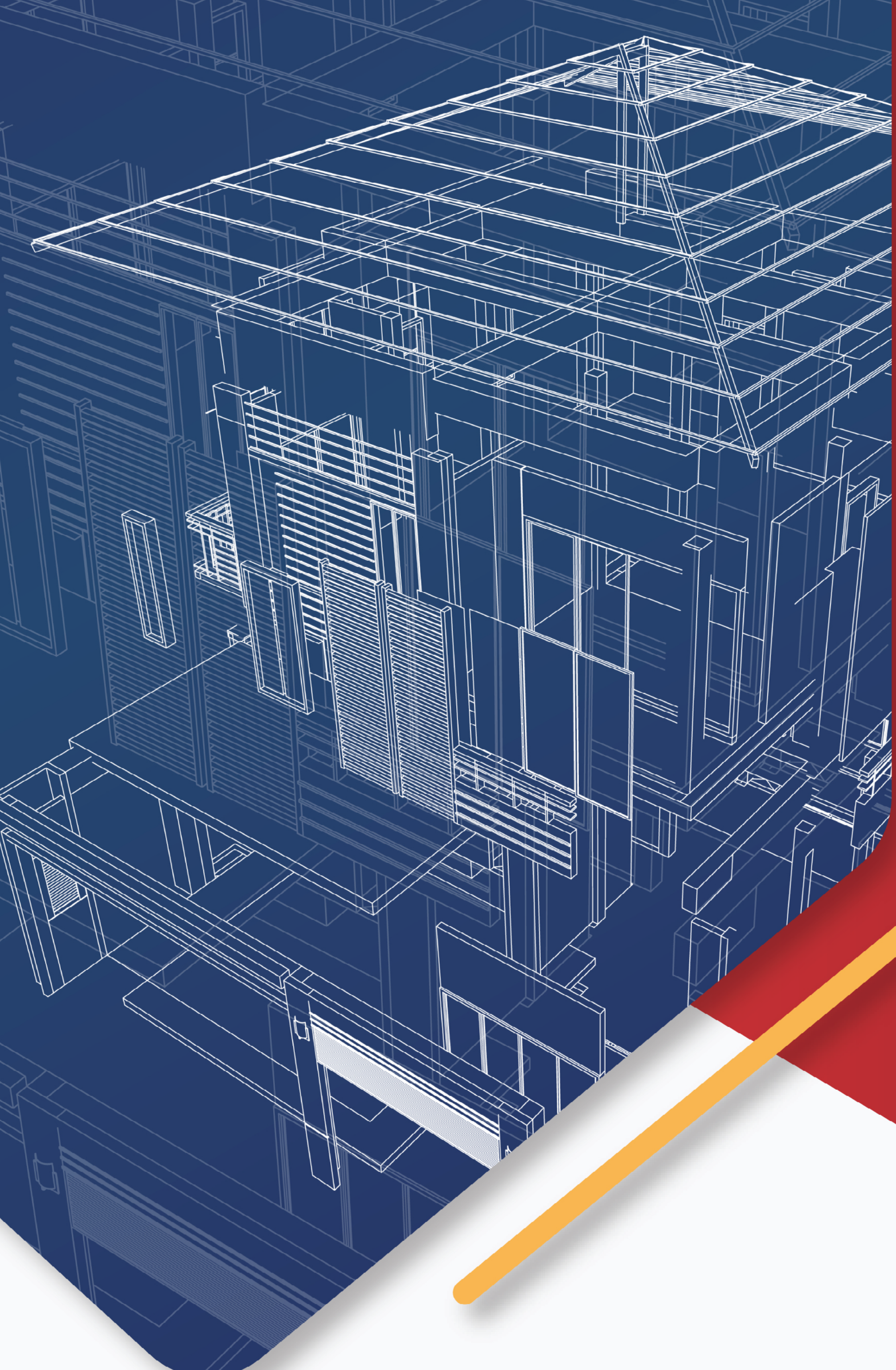

DEVELOPED IN PARTNERSHIP BY:

Holland & Knight

Urban League of Middle Tennessee
R.E.D. ACADEMY
REAL ESTATE DEVELOPERS ACADEMY

THINK TENNESSEE

HOUSING RESOURCE GUIDE

FOR FAITH-BASED INSTITUTIONS IN TENNESSEE

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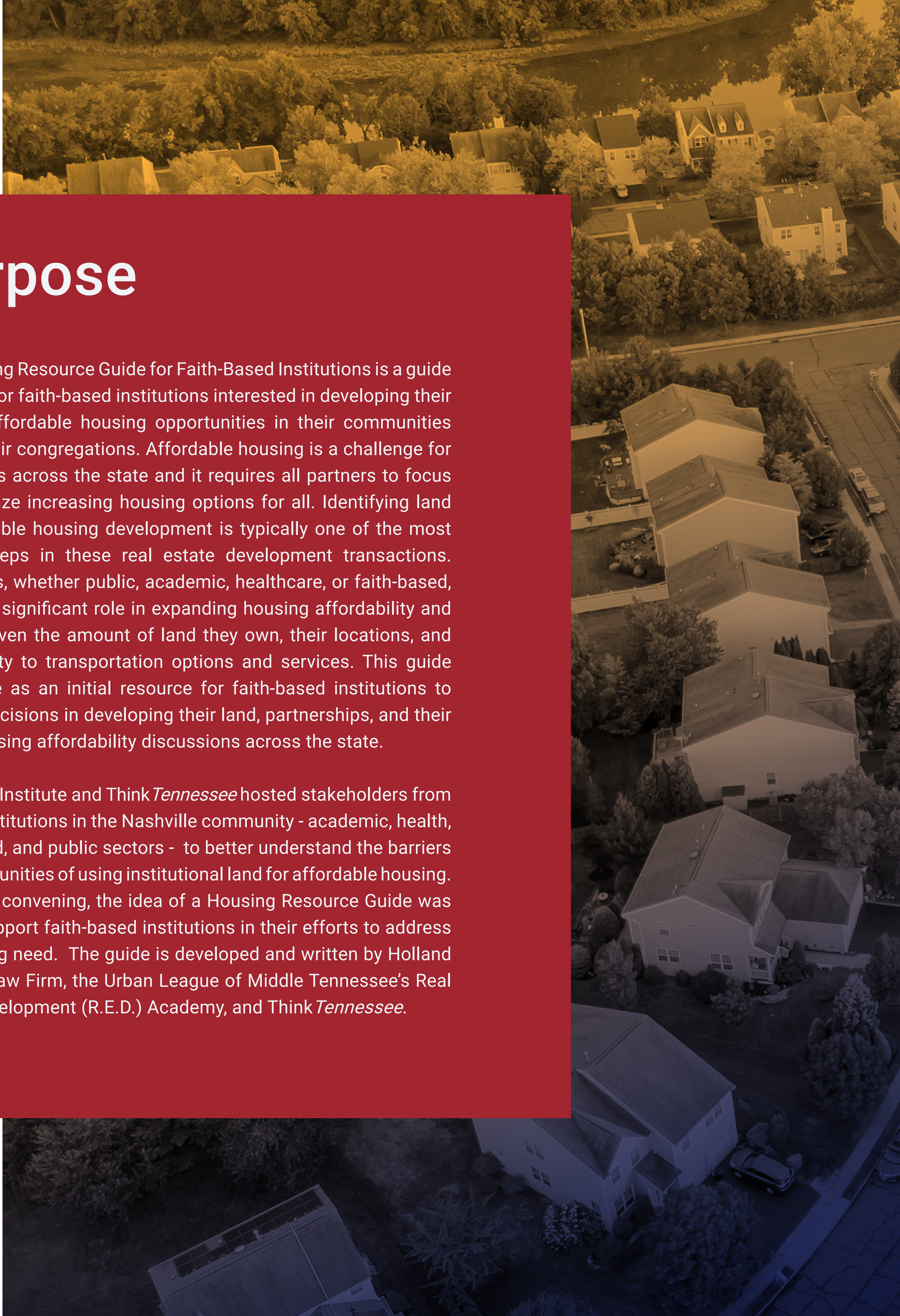


Purpose

The Housing Resource Guide for Faith-Based Institutions is a guide designed for faith-based institutions interested in developing their land for affordable housing opportunities in their communities and for their congregations. Affordable housing is a challenge for many cities across the state and it requires all partners to focus and prioritize increasing housing options for all. Identifying land for affordable housing development is typically one of the most difficult steps in these real estate development transactions. Institutions, whether public, academic, healthcare, or faith-based, can play a significant role in expanding housing affordability and mobility given the amount of land they own, their locations, and accessibility to transportation options and services. This guide is to serve as an initial resource for faith-based institutions to support decisions in developing their land, partnerships, and their role in housing affordability discussions across the state.

The Urban Institute and Think*Tennessee* hosted stakeholders from various institutions in the Nashville community - academic, health, faith-based, and public sectors - to better understand the barriers and opportunities of using institutional land for affordable housing. During the convening, the idea of a Housing Resource Guide was born to support faith-based institutions in their efforts to address the housing need. The guide is developed and written by Holland & Knight Law Firm, the Urban League of Middle Tennessee's Real Estate Development (R.E.D.) Academy, and Think*Tennessee*.

How to Use This Guide

Hello, and thank you for identifying this as a resource for your Faith-Based Institution. This guide is an Affordable Housing Resource Guide 101. The intent of this guide is to provide you with the basics to begin the conversation about how to maximize one of your biggest assets: land. This provides you with terminology, options, examples, explanation of zoning, agencies and entities that will help you. This guide is meant to go in conjunction with talking with professionals about your land and how best to potentially further the mission of your organization. Each section should provide you with general understanding of how a real estate development project can happen and who are the partners involved. This guide should help you to define your vision as an organization before proceeding into an agreement with other organizations\entities.

With you identifying what your vision is for the potential project and having familiarity with terms and conditions, you should take some of the angst and uncertainty out of the equation. This guide can get you in front of the right resources that will make you feel comfortable about engaging with mission aligned entities to help carry out your vision.

Listed in this guide are charts, acronyms, processes and procedures that give you an example guide of how a deal can happen. This is meant as an example and every project is different so please consider as such. Even with this guide as an organization your first step is to internally decide on a vision that you can agree with. This will always be the foundation that will hold down any decisions moving forward. Make sure that however you progress forward in your project that this vision is at the center of it all, and the partners that come onboard hold that same understanding.

Also, know that this guide shouldn't be the end of your discovery into maximizing your assets but just the beginning. We hope to provide quality context with sound feedback that can be added to Housing Guide 201. This guide should be something that your organization refers to as the launching point for a much greater impact and outcome.

Common Housing Terms

Accessory dwelling units (ADUs)

Small, self-contained residential units located on the same lot as an existing single-family home. "Attached" ADUs can be separate units within an existing home (like a basement or attic) or outside of it (like a garage), while "detached" ADUs are external units that are a separate structure from the existing home. Some zoning codes only allow for attached ADUs.

Affordable Housing

The federal government defines "affordable housing" as housing costs that are no more than 30% of a household's income. The Department of Housing and Urban Development further distinguishes between "low-income," "very low-income," and "extremely low-income," where one's income is up to 80%, 50%, and 30% of the area median income, respectively. To translate these thresholds into affordable housing definitions, "very low-income" housing, for example, a family of four would make no more of 50% of an area's median income and their housing expenses over 30% of their income on rent, mortgage, and other household expenses.

Apartment Occupancy Rates

The percentage of available apartment units that are occupied at a given time. Apartment occupancy rates can show how much housing is available in a rental market. "Conventional wisdom suggests a healthy rental market features around 93-94% occupancy"

Area Median Income (AMI)

Defined as the midpoint of a specific area's income distribution and is calculated on an annual basis by the Department of Housing and Urban Development. The AMI is frequently used to determine a renter or homeowner's eligibility for housing support programs. Metro Nashville's AMI refers to the Nashville region

Attainable Housing

Nonsubsidized housing for middle-class buyers," or more specifically: "unsubsidized, profitable housing developments that meet the needs of those with incomes between 80% and 120% of the Area Median Income. The price points for attainable housing vary by metro area depending on the Area Median Income, with FHA Loan Limits typically hovering around 115% of Area Median Income.

Capital

Money invested in real estate projects will cover the short and long-term expenses of a project, typically in the form of debt or loans.

Capital Stack

Refers to the multiple sources of funding or investment structure of a project or within an organization. Think of it as an actual stack of all funding or financing, with those investors willing to take the most risk at the top of the stack.

Community Development Corporation

A loosely defined term for a nonprofit organization that undertakes commercial or residential real estate development. It usually, but not always, indicates some targeting of efforts to a low-income neighborhood.

Community Development Financial Institutions Fund (CDFIs)

CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers that are certified with the federal government as organizations that assist with providing basic financial services, affordable credit, and investment capital to communities.

Community Land Trust

A form of ownership similar to a condominium in that each household owns an individual unit but not the land beneath it. However, in a community land trust, the common areas and land are owned by a non-profit, community-based corporation. Because land values are controlled and this is a limited-equity form of ownership, it maintains long-term affordability. A recommended resource for community land trusts is Grounded Solutions Network.

Cooperatives

A form of shared ownership housing where all residents own stock in the corporation that owns the property. They do not own their units, but co-op share ownership entitles a resident to a long-term lease on a unit and a vote in the governance of the property. Limited equity cooperatives are a form of affordable, resident-controlled homeownership in which the individual share purchase prices are very low so that the resident does not need mortgage financing to buy in. Like rental properties, co-ops may be syndicated to raise money for the construction.

Cost Burdened and Severely Cost Burdened

Cost-burdened families as those "who pay more than 30 percent of their income for housing" and "may have difficulty affording necessities such as food, clothing, transportation, and medical care." A severe rent burden is defined as paying more than 50 percent of one's income on rent.

Debt

In real estate, debt describes the mortgages and other expenses that people incur to legally possess a property. Investors can act as lenders and receive returns from the interest on the debt.

Downpayment Assistance

Grants or low interest loans given to qualified homebuyers to fund the down payment and/or closing costs for homeownership. Typically, it takes the form of grants, forgivable loans, or deferred loans and are often helpful with first time homebuyers.

Equity

Funds such as earned income, grant funds, or individual donations that will contribute to a project's total development costs with little expectation of payback.

Fair Housing and Equal Opportunity

The Fair Housing Act prohibits discrimination in housing because of race, color, national origin, religion, sex (including gender identity and sexual orientation), familial status, and disability). For more information regarding housing discrimination, please review HUD's overview here.

Fair Market Rent

An estimate of how much rent should cost for a unit in a given market and geolocation

Ground Lease

An agreement that involves leasing land for a long-term period, typically 50 to 99 years, in which a tenant is permitted to develop a piece of property during the lease period, after which the land and all improvements are turned over to the property owner.

Housing Trust Funds

Distinct funds established by city, county or state governments that receive ongoing, dedicated sources of public funding to support the preservation and production of affordable housing, and opportunities for households to access affordable homes. Example: The Barnes Housing Trust fund is "Metro Nashville's first housing trust fund to leverage affordable housing developments throughout Davidson County."

Housing and Urban Development (HUD)

HUD was created in 1965 as a Cabinet level agency to handle housing and community development efforts across the country. Participating jurisdictions, cities and states, receive funding allocations to distribute low to moderate-income communities and participants.

Low-income Housing Tax Credit (LIHTC)

The most important resource for creating affordable housing in the United States today. Created by the Tax Reform Act of 1986, the LIHTC program gives State and local LIHTC-allocating agencies the equivalent of approximately $9 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

Metropolitan Statistical Area (MSA)

Metropolitan statistical area is a concept, defined by the US Census, as a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration. Each MSA must have at least one urbanized area of 50,000 or more inhabitants.

Micro Units

Micro units are **small units**, generally measuring under 400 square feet, that are included as part of a multi-unit building.

Missing Middle Housing

A term coined by housing designers in the 2010s referring to "**house-scale buildings** with multiple units in walkable neighborhoods" that are in between single-family homes and mid or high-rise apartments. The Nashville Civic Design Center defines missing middle housing as housing types that include duplexes, triplexes and fourplexes, bungalow courts, townhomes, live/work, and courtyard apartments.

Mixed-income Housing

Development that includes units affordable to households with various income levels, affordable to market rate housing.

Mortgage

A mortgage is an agreement between a buyer and a lender that gives the lender the right to take a buyer's property if they fail to repay the money they borrowed to purchase the property plus interest.

Multi-family Homes

Housing where multiple separate housing units are contained within one building or several buildings within one complex. These units can be apartments, condominiums, and/or cooperative housing

New Markets Tax Credit (NMTC)

A tax credit program that attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39% of the original investment amount and is claimed over a period of seven years.

Payment in Lieu of Taxes (PILOT)

Payment in Lieu of Taxes is a tax incentive used to support affordable housing development by providing significant property tax relief for a period of years, in some places it can be up to 10 years. An example is Nashville's Metropolitan Development and Housing Agency's Payment In Lieu of Taxes (PILOT) program is a financial incentive designed to encourage new construction and substantial rehabilitation of affordable multi-family housing in Metropolitan Nashville-Davidson County. Projects that have applied for federally sponsored Low-Income Housing Tax Credit (LIHTC) program through Tennessee Housing Development Agency (THDA) are eligible to apply. The PILOT program provides significant property tax relief for a period of up to 10 years and encourages developers to expand the supply of affordable housing within Nashville-Davidson County.

Proformas

Real estate proformas are projections of the potential expenses and cash flow of a project outlined typically in a spreadsheet or other type of format from acquisition, construction, lease-up/sell, and completion of the development.

Project-based Section 8 Vouchers

Project-based vouchers (PBVs) are a component of a public housing agency's (PHA's) Housing Choice Voucher (HCV) program. PHAs are not allocated additional funding for PBV units; the PHA uses its tenant-based voucher funding to allocate project-based units to a project.

Housing Choice Vouchers (Section 8 Program)

The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford housing in the private market. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Participating tenants typically pay 30% of their income for housing (rent and utilities) and the federal subsidy pays the balance of the rent.

Single-family

Housing that is typically one to four-unit dwellings.

Subdivision

A tract of land surveyed and divided into lots for the purpose of sale.

Subsidized Housing

There are two general types of housing subsidies: 1) development subsidies (supply side) to help construct or acquire housing, and 2) operating subsidies (demand side) that supplement the amount that residents ultimately can pay.

Tax Increment Financing (TIF)

Tax increment financing (TIF) is a financing tool that local governments can use to fund public infrastructure in targeted areas to encourage private development and investment. Local governments use this approach to pay for community improvements with future tax revenues.

For Example:

A local government wishing to utilize TIF will designate an "increment area" surrounding the site of the public improvements. The property tax portion of increases in assessed value of properties within the increment area is allocated towards paying for the public improvement costs. See Nashville's TIF districts here for a local example.

Workforce Housing

Housing that is considered affordable (30% or less of total income) for households that earn more than 80% but less than 120% of the median household income. Many housing and community development professionals are moving away from using this term and replacing it with terms like attainable or middle-income housing.

Zoning

The classification of land by a) types of uses permitted and prohibited and b) by densities and intensities permitted and prohibited in a given district, including regulations regarding building location on lots.

LAND USE & ZONING 101

Understanding the Concept of Planning

Land use planning is a coordinated effort to develop and approve land-based projects in a specific manner or form. These efforts are generally regulated by a governmental authority. Land use planning provides the basis for zoning laws and restrictions of certain land uses to help promote the orderly development of land in a way that protects the general health, safety, and welfare of the community while balancing economic needs. Without a proper land-use plan, cities and communities would risk not growing in an orderly and intentional manner.

There is a growing need for walkable communities, mixed-use developments, and green spaces for people to live, work, and play within short distances to reduce commute times and encourage alternative transportation options, such as walking or biking.

IDENTIFYING A COMPREHENSIVE PLAN?

Developing a vision for the community's future by involving all segments of the city or county. This vision, translated into a comprehensive plan, that specifics what areas of the city or county where certain land uses will be allowed and/or encouraged. Planning should generate:

- local pride and enthusiasm about the future of the community,
- engage the interest of citizens in implementing the plan, and
- provide a guide to everyday decision-making for use by local government officials and other community leaders.

Understanding Zoning Regulations

Zoning is a planning control tool for regulating the construction, placement, and land use within a certain built environment. Zoning accomplishes this by dividing land that comprises the jurisdictional boundaries of a local authority into sections. Each of these sections or “districts” permit particular land uses on the lots or parcels within the districts or section. Examples of zoning districts include residential, agricultural, commercial, and industrial to name a few. Moreover, each district comprises of specific sites to shape the layout of towns and cities and enable various types of development.

Zoning maps show where within a specific jurisdiction specific zoning activities are allowed (i.e. commercial activity, residential, and industrial, etc.). In addition, there is also a “zoning ordinance” which establishes specific uses, the allowed building form and more. This “zoning text” sets out the standards for development like lot sizes, setbacks, and buffers, permitted and conditional uses, and other specifications for how land is to be developed.

Ideally, the comprehensive plan should be updated approximately every 10-20 years. Examples of comprehensive plans of Tennessee’s largest cities can be found here:

Knoxville - Knoxville-Knox County General Plan
Memphis - Memphis 3.0
Nashville - Nashville Next

The Importance of Zoning

The purpose of zoning is a mechanism to allow state and local authorities the ability to regulate and control the land within its boundaries to ensure complementary uses. Zoning can also provide the opportunity to stimulate or slow down development in specific areas. The law requires that the districts be uniform; there must be a reasonable basis for designating areas differently. Zoning regulations should cover the entirety of a jurisdictional area and must be reasonable as it applies to property.

Elements of a Zoning Ordinance

The zoning regulation is usually developed in the form of a zoning ordinance, which is the text specifying land use of specific blocks and even each individual lot within a city block. Zoning regulations include specifications regarding lot size, density or bulk, height, and floor area ratio (FAR). The zoning ordinance is the formal categorization of land-use policies applicable to land within a municipality. It also sets the legal framework. The zoning ordinance establishes permitted land uses and distinguishes between different land use types. Further, it ensures that incompatible land uses are not located adjacent to one another.

Link Between Planning and Zoning

Zoning is one tool used by a government or municipality to implement a comprehensive plan, how and where a community is planned to grow, and at what densities is programmed into the zoning regulations.

Zoning keeps the land use equation consistent, allowing the development of community facilities and services to be consistent with the plan for their development, thus ensuring adequate facilities for the public.

Zoning Approval Process

The requirements, standards, and process for local legislative bodies to change the zoning laws or regulations vary by jurisdiction. Please consult your local laws to determine the appropriate steps. However, to change a zoning law, the government usually takes three separate but important steps: 1) a recommendation from the local or regional Planning Department regarding

the merits of the zone change proposal; 2) a public hearing for community input; and 3) voting by the local legislative body.

The recommendation from the local or regional Planning Department usually is delivered in the form of a staff report that analyzes the proposed zone change against the comprehensive plan. The staff will usually recommend "approval" or "disapproval" of the proposed zone change but ultimately the Planning Commission will vote on the zone change's merit.

The public hearing is an open forum that provides members of the public to attend and provide their support or opposition to the proposed zone change. The applicant is required to send notice (via newspaper, mail, or public sign at the property) that displays the time, place, and purpose of the public hearing.

Finally, the local legislative body (e.g. city council or county commission) will vote on the zone change proposal. Usually, the legislation must pass by a simple majority, but rules vary by jurisdiction.

RLUIPA

RLUIPA stands for "The Religious Land Use and Institutionalized Persons Act." RLUIPA is a federal law that, among other things, protects religious institutions from unduly burdensome or discriminatory land use regulations.

Congress passed RLUIPA in 2000, after hearing testimony that land use and/or zoning regulations were often burdening the ability of religious congregations to exercise their faiths in violation of the Constitution. ***(https://www.justice.gov/media/956041/dl?inline)***

RLUIPA bars land use regulations that impose a "substantial burden" on religious exercise. A core principle of a church or other religious institution is having a place to meet and operate. It is extremely fundamental. Section 2(a) of RLUIPA bars land use or zoning restrictions that impose a "substantial burden" on the religious exercise of a person or institution, unless the government can show that:

- It has a "compelling interest" for imposing the restriction; and
- The restriction is the least restrictive way for the government to further that interest.

EXAMPLE:
A church is denied a permit to build an addition to accommodate more Sunday school classes, which it believes it needs to carry out its religious mission. This may violate RLUIPA if the town cannot show a compelling reason for the denial.

RLUIPA requires governments to treat houses of worship as favorably as nonreligious assemblies. Section 2(b)(1) of RLUIPA says that religious assemblies and institutions must be treated at least as well as nonreligious assemblies and institutions. This is known as the “equal terms” provision of RLUIPA.

EXAMPLE:
A mosque leases space in a storefront. Zoning officials deny an occupancy permit since houses of worship are forbidden in that zone. However, fraternal organizations, meeting halls, and banquet facilities are all permitted as of right in the same zone. This may violate RLUIPA.

RLUIPA bars governments from discriminating among religions Section 2(b)(2) of RLUIPA bars discrimination “against any assembly or institution on the basis of religion or religious denomination.”

EXAMPLE:
A Hindu congregation is denied a building permit for a temple despite meeting all of the requirements for height, setback, and parking required by the zoning code. The zoning administrator is overheard making a disparaging remark about Hindus. If it were proven that the permit was denied because the applicants were Hindu, this would violate RLUIPA.

RLUIPA bars governments from totally or unreasonably excluding houses of worship. Section 2(b)(3)(A) and (B) of RLUIPA provide: “No government shall impose or implement a land use regulation” that “totally excludes religious assemblies from a jurisdiction,” or “unreasonably limits religious assemblies, institutions, or structures within a jurisdiction.”

EXAMPLE:
A town, seeking to preserve tax revenues, enacts a law that no new churches or other houses of worship will be permitted. Such a total exclusion may violate RLUIPA.

Tennessee RFRA

The Tennessee General Assembly adopted a state statute that offers state-level protections similar to those of RLUIPA. This Act is called the Tennessee Religious Freedom Restoration Act or "RFRA." See Tenn. Code Ann. §4-1-407.

RFRA states that no government entity shall substantially burden a person's free exercise of religion unless it demonstrates that the application of the burden to the person is:

1. **Essential to further a compelling governmental interest; and**
2. **The least restrictive means of furthering that compelling governmental nterest.**

Therefore, the protections provided to religious institutions under RFRA are generally considered to be more restrictive against the government because the restrictions apply to all governmental activity and not just land use as contemplated in RLUIPA. (Free exercise of religion; burden by government).

EXAMPLE:
RFRA could be utilized if the imposition of a municipal building code provision or stormwater management regulation would impose a substantial burden on the free exercise of religion of a religious institution without a compelling government interest. Because a municipality's building code provisions and are not "land use" regulations as contemplated under RLUIPA, RLUIPA could not be used to provide protection for the religious institution. On the other hand, under the more generous standards of RFRA, a potential claim could arise to the benefit of the religious institution.

Ways Faith-Based Institutions (FBI's) Can Use Land for Affordable Housing

SELL LAND TO DEVELOPER

A FBI may own land where affordable housing can be built but lacks the construction capacity to build it. The FBI can sell the land to a developer. The advantage of the option is that this option takes minimal effort; however, the disadvantage is that the church loses decision-making power over the property.

EXAMPLE:
The crowd that prayed together at Arlington Presbyterian Church's Sunday worship service had dwindled from more than 100 to a few dozen. Donations dropped, and for years, congregation members grappled with how to reinvent their nearly century-old Northern Virginia church.

After some contentious discussions, the church reached a decision to use the greatest asset it had, real estate. In 2016 the church sold its land and historic stone building to the Arlington Partnership for Affordable Housing, a nonprofit developer, for $8.5 million.

The church was razed. In its place now stands Gilliam Place, a six-story complex with 173 apartments. The building, with ground-floor space rented by the church for services, offers homes to people who earn 60% or less of the area's median income.

LEASE LAND TO DEVELOPER

FBIs can also lease land to developers, where the FBI retains land ownership, but a developer owns the building it constructs on the land. An advantage to leasing land to developers is that organizations maintain land ownership while also bringing in expertise that can be used for managing day-to-day oversight. A disadvantage is that the FBI has little to no input in the vision when the agreement is made and has no access to the developer's fee.

EXAMPLE:
In 2013, St. Cecilia's Roman Catholic Church in Brooklyn signed a 49-year lease with a developer to build 60+ units of housing. The developer would pay rent to the church. In recent years, FBI-developer leases have become more common, and many nonprofits and foundations, like Enterprise Community Partners, provide real estate and construction technical support to FBI leaders. Furthermore, many nonprofit affordable housing developers, like Jamboree, and especially supportive of FBIs who want to consider leasing land for housing development.

PARTNERSHIP AND CO-DEVELOPMENT

FBIs can also choose to pay a developer to construct housing on their land. The FBI will be involved in the development process, maintain property ownership, and bring both income from both land lease and the developer's fee. A disadvantage is that this method requires more risk, time, and investment from church leadership.

EXAMPLE:
In Atlanta, FBIs have already contributed 2,000 units of affordable housing through partnerships with developers, and the City of Atlanta has set a goal of 20,000 units added to the market total over the next decade. Several churches in Arlington, Virginia are also building housing on their land. Gilliam Place, which rests on the Arlington Presbyterian Church's land, provides housing for those earning 60% of the area median income or below. To build Gilliam Place, the church partnered with the county government, banks, architecture firms, developers, and local affordable housing organizations.

BRIGHTSPOTS:
PARTNERSHIPS BETWEEN LOCAL DEVELOPERS AND FBIs IN NASHVILLE

FBI: PLEASANT GREEN BAPTIST CHURCH
DEVELOPER: REBECCA JAMES \ MARTIN DEVELOPMENT

Pleasant Green Missionary Baptist Church is a Christ-centered, Word based, Family-oriented, Ministry-active church striving toward greatness through Godly growth. We are a loving church, a Faith-Walking church, a Praying Church, a Word-Based church, a Christ-Centered church, a Ministry-Active church, a Family-Oriented Church, and a Worshiping church. Sitting on a little over 2 acres in the heart of the city on historic Jefferson Street this church is seeing the need to be a community change agent. Partnering with local developers who understand real estate development and the community the church serves; they are poised to transform Jefferson Street. The project is exploring what maximizing all the land would yield to the church, even looking at what space for a new sanctuary can become. The project might be built in phases to preserve the current church while new buildings are being built. This project structure is being determined but will likely fall under a land lease or co-developer situation with church and developers.

FBI: BARNES ROAD
DEVELOPER: MARTIN DEVELOPMENT

A combined effort of three community-based organizations and a visionary and dedicated developer, the Barnes Road development is almost fifty acres of untapped land in Antioch. The combination of a CDFI, non-profit CDCs, and community input will provide over 150 homes of affordable housing for homeownership. This project will consist of single-family housing, townhomes, and plenty of amenities. The idea to provide affordable housing for sale has been at the onset of this project and the community is thankful for it.

FBI: BORN AGAIN CHURCH
DEVELOPER: URBAN CAMPUS & CORE

Our Mission is to reach out to our community and the world with service born of love and compassion, and our focus is to point all people to Christ- Who is the Answer to every need. Born Again Church's vision reflects our goal to make a positive and measurable impact on our community through a variety of related activities. The Born Again Church vision is to create a safe and viable community by: Building relationships, creating opportunities, Maximizing Resources, Speaking Truth and Knowledge, and Saving souls…One person at a time! A little over 5 acres on one of the true transit corridors in Nashville this church is seeing they can leverage land rich to spur economic gain. Partnering with a local developer who understands how to structure a deal that assists the church with their biggest need, capital. The project is a multifamily complex for adults 55 and up who are looking at a more attainable living. Exploring possibilities such as land lease with a capital injection at closing for the church to utilize, as well as looking at leasing of the property for economic gain for years to come. This project is an example of relationships, hard work, and a listening ear to understand what is most important to the church community.

ADDITIONAL SOURCES:

www.csmonitor.com/USA/Society/2023/0512/New-ground-Churches-transform-land-into-affordable-housing

www.apah.org/communities/gilliam-place/

www. apah.org/gilliamplacewinsvadhcdaward2020/ https://apah.org/wp-content/

uploads/2020/08/Gilliam-Place-Investor.pdf

To stem the housing crisis, religious congregations are building homes | AP News

Development Entity Structure

WAYS TO PREPARE FOR REAL ESTATE OPPORTUNITIES

FBIs need to be knowledgeable about their options so they are better prepared to take advantage of these opportunities. Having with the right structure will help in mitigating liability, avoid issues with tax implications, and separation of instution and project issues. Below are a few options that can help an institution maintain their current non-profit status but also prepare themselves for the development opportunity ahead.

There are three different options that insitutions might consider:

1. **DISREGARDED ENTITY SUBSIDIARY**
   FBIs (Faith-Based Institutions) can create a new limited liability company ("LLC") wholly owned by Faith-Based Institutions ("Newco") single-member LLC, Newco would enjoy Faith-Based Institutions's tax-exempt status. Newco would open and maintain its separate bank account(s). Create a new LLC for each project that NEWCO participates in. In terms of its governance and management, Newco could be created as:

   - a member-managed LLC with Faith-Based Institutions as its sole member
   - a manager-managed LLC with one or more managers having control over all day-to-day operations and activities of the LLC and Faith-Based Institutions as its sole member only having rights over certain specified major decisions.
   - a director-managed LLC with a separate board of directors having control over all day-to-day operations and activities of the LLC and Faith-Based Institutions as its sole member only having rights over certain specified major decisions.

EXAMPLE:
FBI can create an LLC called Project 123 LLC. Project 123 LLC is owned by FBI as it sole member. Project 123 LLC is then managed by all members of the FBI, a designated manager, or a smaller board with a director of that board. Project 123 LLC can operate as an entity in any real estate deals as the FBI deems applicable. The FBI will allow Project 123 LLC to be run and operated separately from the larger body of the FBI. This give some separation from the Faith-Based Institution and Project 123 LLC.

ADVANTAGE OF DISREGARDED ENTITY SUBSIDIARY

It is simple to form and no separate IRS form 990s. The disadvantages are it offers the least amount of protection and it must follow the mission of the FBI and need to be careful of private benefits.

2. TAXABLE CORPORATE SUBSIDIARY

Faith-Based Institutions can create a new corporation wholly owned by Faith-Based Institutions ("Corporate Subsidiary"). The Corporate Subsidiary would be for-profit. The Corporate Subsidiary would be taxable as a C corporation. The Corporate Subsidiary would open and maintain its own separate bank account(s). The Corporate Subsidiary would create a separate LLC for each project. Create a new LLC for each project that the Corporate Subsidiary participates in. In terms of its governance and management, the Corporate Subsidiary could be created as:

- The Corporate Subsidiary would have its own separate board of directors having control over all of the day-to-day operations and activities.
- Faith-Based Institutions its sole shareholder would only have rights over certain specified major decisions.
- The majority of the Corporate Subsidiary's board of directors should be independent.
- Alternate: The Corporate Subsidiary could be structured as an LLC
  - LLCs offer more flexibility in terms of governance and management.
  - LLC can be taxed as a C corporation if activities reach a level

EXAMPLE:

FBI can create an LLC called Project 123 LLC. Project 123 LLC is owned by a separate board from the FBI. Project 123 LLC is then managed by that board and that board then establish roles and duties of that board. Project 123 LLC can operate as an entity in any real estate deals as that board deems applicable. The FBI can appoint members to that board for connection with the FBI. The FBI will allow Project 123 LLC to be run and operated separately from the larger body of the FBI. This give some separation from the Faith-Based Institution and Project 123 LLC.

ADVANTAGE OF TAXABLE CORPORATE SUBSIDARY

It offers Faith-Based Institutions more protection. While the disadvantagesc are, all activity is taxable, meaning that the 501(c)(3) tax-exempt status is NOT transferable.

3. SUPPORTING ORGANIZATION

The Faith-Based Institutions can to create a new Tennessee (501c3) nonprofit corporation, classified as a "supporting organization" to Faith-Based Institutions. The Supporting Organization purpose to has to be mission aligned and must file and draft a charter, bylaws, and other ancillary formation documents. The Supporting Organization would have its own separate board of directors. A tax-exempt application would have to be filed with the IRS and needs to register for charitable solicitations, open bank accounts, obtain and maintain a requisite insurance, and address any similar start-up items. It will create a new LLC for each project that the Supporting Organization participates in.

EXAMPLE:

FBI can create an LLC called Project 123 LLC. Project 123 LLC is owned by a separate board from the FBI. Project 123 LLC is then managed by that board and that board can establish roles and duties of that board with likely a CEO of that new organization. Project 123 LLC can operate as an entity in any real estate deals as that board deems applicable. The FBI can help establish members of that board. The FBI will allow Project 123 LLC to be run and operated separately from the larger body of the FBI. This give some separation from the Faith-Based Institution and Project 123 LLC.

ADVANTAGES OF SUPPORTING ORGANIZATION

It provides Faith-Based Institutions the most protection. Establishing the Supporting Organization as a separate nonprofit in which the Faith-Based Institutions does not have a direct ownership interest makes separating from the main organization the best for protection. The disadvantage of this structure is that it is a long process to get filed with the state and it is also the most expensive and time-consuming.

SUMMARY

Faith-Based Institutions have some options to choose from when considering what organizational structure is best for them. Which option is best for the Faith-Based Institutions will be different for each institution. These are options that would be for discussion topics when considering joint ventures with other established developers familiar with project types. It is always suggested to maintain the structure of the Faith-Based Institutions.

All of this information is for reference. It is always in the best interest of the institution to consult an attorney and/or accountant prior to deciding.

REAL ESTATE DEVELOPMENT PROCESS

The real estate development process is an opportunity to implement the vision of the developer while also integrating the needs of the community. There are many different stakeholders that will be interested in the development throughout the stages of the vision to the completion of the project. See the chart below to see who might be interested in shaping the shared priorities or vision for the community, the ones involved in creating the pipeline for development, and those most likely involved in setting and shaping the guiding policies in the community.

SHARED PRIORITIES

- Residents and Local Businesses
- Neighborhood Organizations
- Local Elected Officials
- City Agencies
- Advocacy Groups

PIPELINE

Capital Sources
- Banks
- Insurance companies
- Pension funds
- Foundations
- Anchors
- Federal, state, local governments

$

Intermediaries
- *Community Development Financial Institutions (CDFIs)*
- *Development Finance Agencies (DFAs)*
- *Banks and credit unions*
- *Small business intermediaries*

Structuring, Monitoring, $

Deal Generators/ Captial Users
- *Community Development Corporations (CDC's)*
- *Affordable Housing Developers*
- *Small businesses*

ENABLING ENVIRONMENT

Set and Enforce Policies and Regulations
- State and local agencies
- Elected officials

Determine and Align Resource Flows
- *State and local agencies*
- *Philanthropy*
- *Anchor institutions*
- *Investors*
- *Intermediaries*
- *Civic/nonprofit organizations*

Establish and Sustain Platforms for Collaboration
- *Philanthrophy*
- *Civice leaders*

Generate/Provide Data
- *Universities*
- *Nonprofit organizations*
- *Government agencies*

Adapted from The Center for Community Investment, @2022

INITIAL DESIGN & VISION STAKEHOLDERS

- **Residents and Local Businesses** will want to understand the vision and how it aligns with their desires and needs as a community. Whether new or existing residents in a neighborhood, with any new development, each resident has invested in that community for a reason, and they will want to understand how the development will impact, improve, or diminish their overall quality of life.

- **Neighborhood Organizations** will want to ensure that the development aligns with the overarching goals and objectives of its members and residents. Neighborhood associations may include community-based organizations representing one neighborhood or several neighborhoods. It may also include coalitions or grassroots organizations.

- **Elected Officials** will be interested in how it aligns with their platforms and how it aligns with their district's interests. State and local elected officials may include State Representatives/ Senators, the Mayor, their administrators, city council members, county commissioners, school board members, and their representatives.

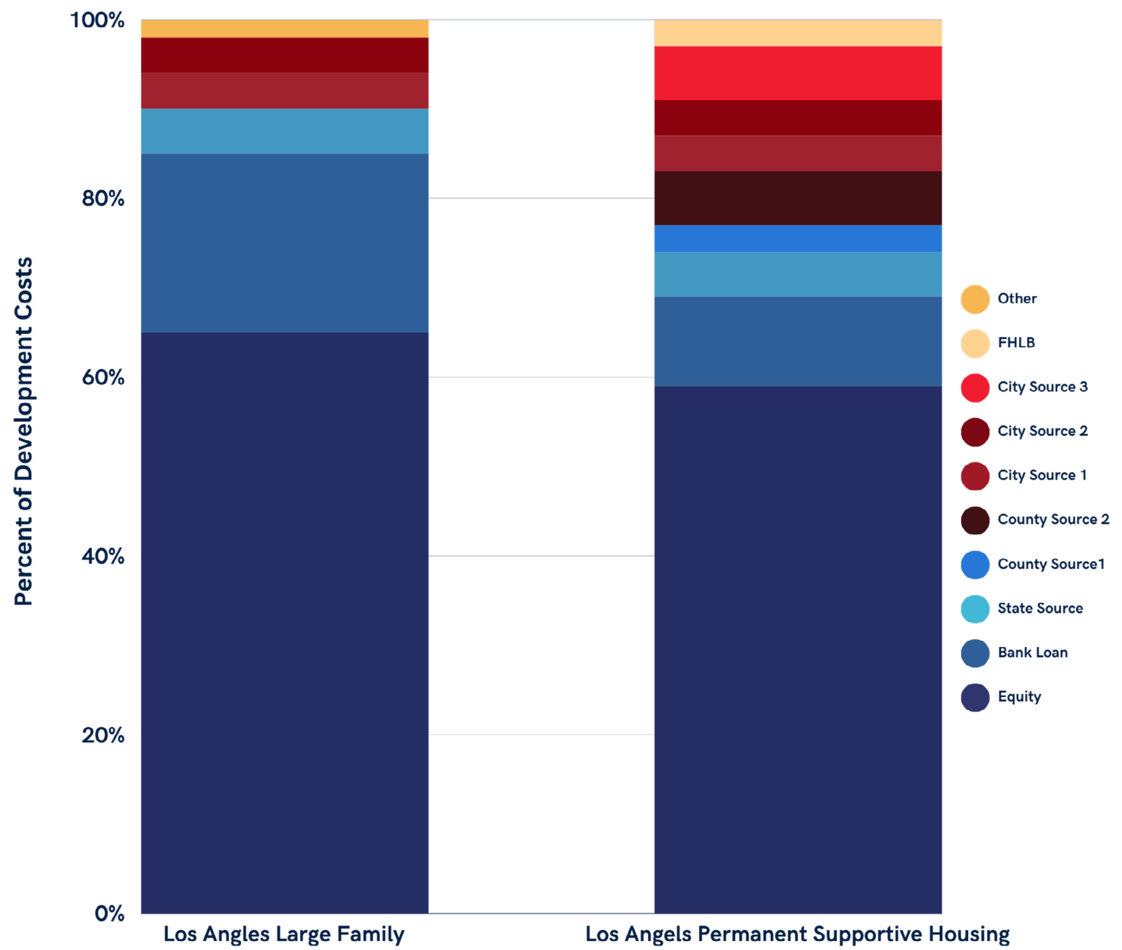
- **City/County/Metro Agencies** will be interested throughout the process and are interested in its alignment with the city's planning, public safety, welfare, and regulatory interests. This also includes different agencies over time. For example, the Planning Department may be a developer's first step in understanding what the zoning allows for the property and what the land use plan suggests for development on the property. The Building Codes Department will review the plans to ensure that it will be properly constructed for public consumption and livability. The infrastructure departments like Water and Sewer, Public Works, Transportation, or Stormwater departments will also review plans along the way to ensure that the proper infrastructure is in place.

- **Advocacy Groups** are instrumental in voicing opportunities and concerns from the residents' and tenants' perspectives in the community. These groups usually are great to engag early in the process to identify the critical voices in the community that have longstanding knowledge and care for communities.

DESIGN & FINANCING STAKEHOLDERS

There are various stakeholders that will fund and finance deals that meet their goals and objectives - Public Funds, Philanthropy/Foundations, Financial Institutions, and Intermediaries. A traditional affordable housing development can include many different sources, as displayed in the following example from a project in Los Angeles, CA:

Figure 5. Capital Stack Composition for Two 9% New Construction Developments in Lose Angeles Awared in 2019



Source: Data scraped from applications posted online. State and federal tax credits have been combined into one category to represent total tax credit equity.

PUBLIC FUNDING SOURCES

("city/county/state resources" in the example)

These stakeholders include the public sector with local, state, and federal funding resources. Many federal grants provided by the Department of Housing and Urban Development (HUD) are available locally and include the following (available at the local level):

- Community Development Block Grants (CDBG)
- HOME Investment Partnerships Grants
- Gap Financing Grants
- Supportive Housing Grants
- Home Repair Grants

Statewide Funding Sources (Tennessee Development and Housing Agency)

- Housing Trust Fund Grants
- Energy Assistance Program Grants
- Community Investment Tax Credit
- Low-Income Housing Tax Credit

Local Funding Sources

- Local Housing Trust Funds
- Payment in Lieu of Taxes
- Tax Increment Financing

PHILANTHROPY/FOUNDATIONS

(possibly "equity" or "other" in the example)

- **Programmatic Grants -** grants provided by foundations to support the mission of the foundation or community.

- **Program-Related Investments -** A type of social investment that foundations use to achieve philanthropic goals. They operate like grants that make capital accessible to organizations that address a social or environmental concern. PRIs may involve diverse financing methods, such as subordinated loans, revolving funds, and loan guarantees.

- **Donor-Advised Funds -** Donors are allowed to make a charitable contribution to a fund with an immediate tax deduction. Donors can contribute as often as they would like to various organizations or missions.

FINANCIAL INSTITUTIONS

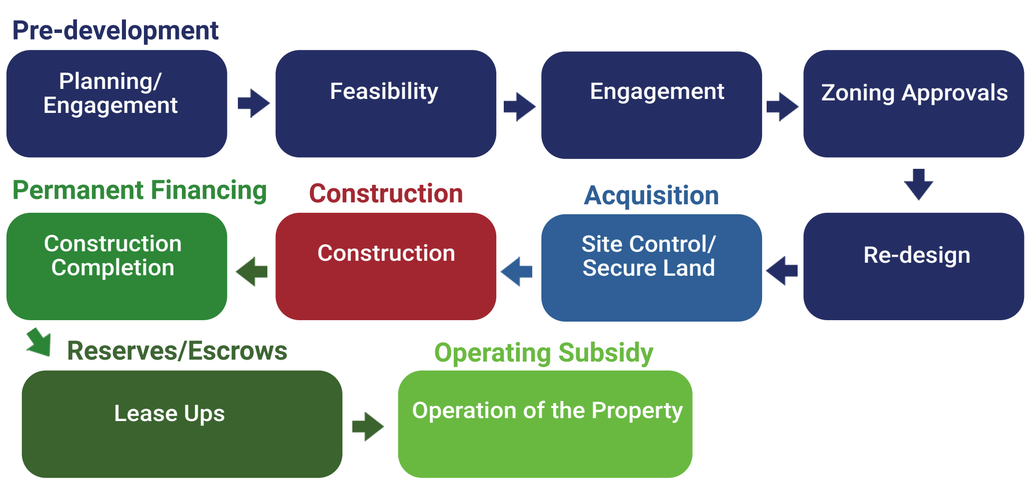
("bank loan" in the example)

Often capital is needed for affordable housing development. Capital or debt can be used to leverage resources in real estate development deals. Debt typically is provided by financial institutions, including traditional banks and community development financial institutions (CDFIs).

- **Traditional Financial Institutions (Banks)**
  The Community Reinvestment Act encourages financial institutions to support the credit needs of low- and moderate- (LMI) neighborhoods. Banks typically provide market-rate loans (capital) for various types of projects.

- **Community Development Financial Institutions (CDFIs)**
  CDFIs are financial institutions that may act as are banks, credit unions, loan funds, microloan funds, or venture capital providers. CDFIs finance homes, small businesses, schools, and health and community centers. CDFIs typically provide lower-interest rate loans (capital) to support development. Examples of CDFIs are: The Housing Fund, Pathway Lending, and River City Capital Investment Corporation.

REAL ESTATE DEVELOPMENT PROCESS EXAMPLE



PRE-DEVELOPMENT: the project's design, legal, market, and strategic analyses that happen before construction begins on a project [1, 2]

- **Planning and community engagement:** Institutions and Developers will need to determine the level of engagement they are seeking prior to the planning and construction process.

- **Feasibility:** Institutions and developers perform feasibility studies to see if a proposed project will be cost-effective and generate revenue. A feasibility study may take into account financing options, site and engineering plans, environmental risks, market conditions, and more. [4]

- **Community/Stakeholder Engagement:** Institutions and developers will engage communities throughout the process especially in the early stages of the project to gather their feedback and support on the design, zoning, and impact of the development. Engagement strategiesrange from community meetings, interviews with individual residents and neighborhood groups, and/or virtual and technological techniques.

- **Zoning/Approvals:** municipalities have their own rules for how land can be used, and development projects must seek permits and abide by land use rules before construction begins.

ACQUISITION: Also referred to as site control/secure land. It refers to the process of buying, acquiring or leasing a site for development. [5] Typically this process is in partnership with a licensed real estate agent.

CONSTRUCTION: The process of building the project typically requires infrastructure, building materials, and labor. Contractors and construction management firms are experienced partners in identifying the needs of a project for construction. Typically, owners will finance this portion of the development process.

PERMANENT FINANCING: Institutions and Owners/Developers typically need a permanent loan post-construction to sustain the operation of a property during lease-up and maintenance

LEASE UPS: The act or practice of finding tenants or buyers for a project/development. [7]

OPERATION SUBSIDY: Local and federal funding sources typically provide operating subsidies for nonprofit organizations that are developing affordable housing for individuals and families at or below 80% of the area median income.

Affordable Housing Contacts

Below is a list of statewide housing contacts, as well as, local organizations that support the development of affordable housing development.

STATEWIDE

TENNESSEE AFFORDABLE HOUSING COALITION

The Tennessee Affordable Housing Coalition (TNAHC) is a group of individuals interested in improving the availability and quality of affordable housing in the State of Tennessee. TNAHC has three regional councils representing the Eastern, Middle and Western parts of the state and participates in yearly legislative lobbying.

TENNESSEE ASSOCIATION OF HOUSING AND REDEVELOPMENT AUTHORITIES (TAHRA)

TAHRA is a non-profit membership association whose members include the public housing authorities in Tennessee. Their members house over 100,000 citizens and provide affordable housing for Tennessee's low and moderate income residents, including children, elderly and handicapped persons. TAHRA services related to housing issues such as job training, homeownership assistance, drug abuse counseling, protective services, childcare, educational assistance, youth services and transportation assistance.

Tennessee Housing Development Agency (THDA)

THDA was created by the General Assembly in 1973 as the state's housing finance agency. It seeks to promote the production, preservation, and rehabilitation of more affordable new housing units for very low-, low-, and moderate-income individuals and families in Tennessee and bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units.

NASHVILLE

ALLIANCE FOR AN AFFORDABLE NASHVILLE

10 Nashville-based nonprofits are forming a coalition to work on housing affordability.

METRO DEVELOPMENT AND HOUSING AGENCY

MDHA is the housing authority in Nashville and Davidson County; they are a department of the City of Nashville. They manage the City's HUD grants, distribute grants and tax incentives to developers, and manage the city's affordable housing policy.

615-252-8400 or email on the website

METRO NASHVILLE-DAVIDSON COUNTY PLANNING DEPARTMENT (HOUSING DIVISION)

The Planning Department is part of the City of Nashville. They provide design guidance, review zoning and subdivision applications, and shape public policy related to growth, preservation, and development. The Planning Department also provides recommendations to the Planning Commission.

Email: metrohousing@nashville.gov

URBAN LEAGUE OF MIDDLE TENNESSEE - R.E.D. ACADEMY

The Real Estate Developers Academy is an initiative of the Urban League, funded by the Amazon Housing Equity Fund. This academy supports developers of color with real estate training, mentorship, and financing.

Email: redacademy@ulmt.org

NASHVILLE ORGANIZED FOR ACTION AND HOPE (NOAH)

NOAH is an anti-racist faith-based coalition that is multiracial, multigenerational, and interfaith comprised of congregations, community organizations, and labor unions that work to amplify the power of ordinary people. NOAH does not endorse political candidates but gets them to endorse NOAH's issues agenda and pledge to work with NOAH if they are elected.

Email: INFO@NOAHTN.ORG

MEMPHIS

BLDG MEMPHIS

BLDG Memphis is a coalition of organizations and individuals who support the equitable redevelopment of economically sustainable neighborhoods throughout Memphis. They are a membership organization specifically designed to support community development corporations (CDCs) as they invest in and drive further investment into disinvested neighborhoods.

MPAC

MPAC is a community-based organization that creates neighborhoods of high quality, low-income, affordable and mixed-income housing, supports education with local control, delivers workforce training and development and other social services, offers infrastructure and services that enhance the quality of life, and facilitates commercial investments, including a grocery store, banks, retail, and restaurants.

MEMPHIS HOUSING AUTHORITY (MHA)

The Memphis Housing Authority provides eligible families and individuals opportunities to obtain decent, safe, sanitary and affordable rental housing.

METROPOLITAN INTERFAITH ASSOCIATION (MIFA)

MIFA provides a wide range of housing services, including utility, rent, and mortgage assistance for Shelby County households who have lost income or experienced a recent crisis, a 24-hour Hotline for Homeless Families that helps connect families with minor children in Memphis and Shelby County to shelter and/or other resources, emergency shelter placement, and rapid rehousing.

KNOXVILLE

KNOXVILLE URBAN LEAGUE

The Knoxville Urban League is a chapter of the National Urban League. They provide financial counseling, foreclosure assistance, and offer eHome America courses to help first-time homebuyers.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION (KCDC)

KCDC Communities offer high-quality, affordable housing with resident amenities in a neighborhood setting. KCDC also administers several Section 8 housing programs that provide housing assistance to low-income families in the private rental market, including The Housing Choice Voucher Program, which includes Veteran Affairs Supportive Housing (VASH) and Homeownership programs, the Moderate Rehabilitation Program and Family Self-Sufficiency programs.

KNOX COUNTY HOUSING AUTHORITY

The KCHA is the largest owner of rental housing in Knox County, providing homes to over 1,300 people. The agency also oversees 220 Housing Choice Vouchers (Section 8) that allow low-income families to rent from private landlords throughout the jurisdiction.

CHATTANOOGA

CHATTANOOGA HOUSING AUTHORITY

The CHA provides public housing and urban development programs to residents in Chattanooga and Hamilton County. They manage Section 8 vouchers, some affordable housing units, and other local housing initiatives.

Email: ed@chahousing.org

CITY OF CHATTANOOGA ECONOMIC DEVELOPMENT DEPARTMENT

This department oversees resources for entrepreneurs in Chattanooga. In terms of housing, the Economic Development Department oversees City tax incentives for affordable housing construction.

Email: ECDAdmin@chattanooga.gov

REGIONAL PLANNING AGENCY

The Chattanooga-Hamilton County Regional Planning Agency is a joint agency of the City of Chattanooga and Hamilton County. The staff is comprised of professional city planners, urban designers, researchers, graphic designers and administrative personnel. Its major responsibilities include developing land use plans and transportation plans, administering zoning, proposing development policies, and reviewing new subdivisions and other development projects.

Email: rpa@chattanooga.gov

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