

To: San Francisco Planning; San Francisco Mayor's Office of Housing and Community Development

From: Enterprise Community Partners

Date: April 18, 2025

Re: Memo 2 – Best Practices for Affordable Housing Development on Faith and Non-Profit Owned Land

Executive Summary

Faith-based organizations (FBOs) and non-profits own significant amounts of land and have historically shown themselves to be partners in affordable housing development. In San Francisco alone, [FBOs own an estimated 100 acres while non-profit higher education institutions own 180 acres](#) of potentially developable land (parcels over 10,000 square feet) across the city, which presents a significant opportunity for affordable housing development.

The strategic location of these parcels could help advance key city policy goals, specifically advancing racial equity by affirmatively furthering fair housing. A sizeable proportion of these parcels are in high or highest resource areas¹: over 42 percent for faith-owned land and nearly 35 percent for land owned by higher education institutions.² These sites also have access to high-quality public transit, meaning development on these sites could present significant greenhouse gas emissions reduction potential and, possibly, improve competitiveness for state and federal funding programs.

While these lands offer much promise, FBOs and non-profits face challenges that may prevent them from pursuing affordable housing development or that make it difficult for their housing projects to move forward. This memo examines the barriers and constraints across **four primary issue areas** and explores best practices and recommendations for how San Francisco can foster the conditions that would catalyze more affordable housing development on FBO- and non-profit-owned land.

- **Organizational Capacity and Technical Expertise:** Affordable housing development requires expertise and capacity that FBOs and non-profits do not typically have. Therefore, it is essential for these organizations to be able to access outside resources and expertise from trusted entities to expand their affordable housing development toolkit. Publicly available resources and trainings and one-on-one technical assistance can help fill these gaps.
- **Funding.** Funding is critical to pursuing joint development on faith or non-profit owned land. Predevelopment funding to assess feasibility, dedicated low-cost permanent financing,

¹ Based on the 2022 California Tax Credit Allocation Committee (TCAC) Opportunity Area Maps.

² David Garcia et al., "The Housing Potential for Land Owned by Faith-Based Organizations and Colleges" (Turner Center for Housing Innovation, August 2023), <https://turnercenter.berkeley.edu/wp-content/uploads/2023/08/Faith-Based-Housing-Updated-October-2023.pdf>.

parcelization of land, and funding flexibility to address equity goals and fit the project context are all necessary and crucial to making these projects a reality.

- **Partnership and Decision-making:** FBOs and non-profits have different visions and missions influenced by the perspective of leadership, the congregation, and the organization's values and beliefs. Pursuing affordable housing development requires high-stakes decision-making and it is critical to establish a clear decision-making process. Having mission alignment and early goal setting, as well as assessing internal leadership mapping, is key.
- **Land Use and Zoning:** There are a variety of housing streamlining and incentive tools, including State Density Bonus Law and Senate Bill (SB) 4 – Senator Wiener (2023), that FBOs and non-profits can leverage for affordable housing development. SB 4 provides ministerial and by-right approval for affordable housing development specifically on sites owned by faith-based organizations or non-profit higher education institutions. Sharing information with these organizations on the tools at their disposal could motivate these organizations to pursue affordable housing and deliver units at scale.

Methodology

Enterprise conducted a literature review of best practices and policy recommendations, and examples from existing programs and resources. Enterprise also conducted interviews with affordable housing developers, faith-based consultants, select city staff, and subject-matter experts who shared their experience and expertise on these issue areas. The memo references these interviews throughout, including through case studies.

Introduction

Over the last many decades, San Francisco has seen several examples of faith-based affordable housing development. For example, Martin Luther Tower Senior Apartments³ in Cathedral Hill was built in 1967 by St. Mark's Lutheran Church and provides 121 affordable homes to low-income seniors. This project was developed using the Department of Housing and Urban Development's Section 202 Program, which provided capital and operating funds for supportive housing for seniors. However, funding from this program has not been available or accessible in the past few decades. Today, nearly all new affordable housing developments are funded through the Low Income Housing Tax Credit Program (LIHTC). Vera Haile Senior Housing⁴ in the Tenderloin, built in partnership between St Anthony's and Mercy Housing, is a more recent example of these LIHTC-funded faith-based developments.

Limitations in access to affordable housing development technical expertise, and lack of additional financial or dedicated staff time capacity required may discourage FBOs from pursuing affordable housing development. Existing efforts to promote this type of development across San Francisco have focused primarily on outreach, relationship building, and technical assistance. Most notably, for the past eight years, the San Francisco Interfaith Council (SFIC) has been building relationships and

³ "Martin Luther Tower Senior Apartments - History," St Marks Square, accessed December 19, 2024, <https://stmarkssquare.org/martin-luther-tower-senior-apartments>.

⁴ "Vera Haile Senior," Mercy Housing, accessed December 19, 2024, <https://www.mercyhousing.org/california/vera-haile-senior/>.

engaging congregations across the city who might be interested in building affordable housing. With funding from the San Francisco Foundation, SFIC works closely with DCG Strategies, a real estate consulting firm based in Walnut Creek, to provide education on what affordable housing development would entail, what it would mean and require from the faith-based organization and offer technical assistance to congregations that choose to pursue development.

City agencies are also exploring ways to leverage faith-owned land and align them with the city's affordable housing goals. The San Francisco Planning Department (SF Planning) is conducting parcel-level analysis to identify sites that are prime for affordable housing development, especially large parcels that would allow for denser development that is competitive for state and federal funding programs. Furthermore, staff from SF Planning and the Mayor's Office of Housing and Community Development (MOHCD) have engaged with interested congregations to start building those relationships and participated in SFIC-organized training webinar in Spring 2023 to offer the City's perspective on the development process.

This memo examines best practices for local government partnerships with faith-based and non-profit organizations and provides recommendations on how the city and partner organizations could pursue affordable housing development together that accomplishes shared goals.

Barriers, Best Practices, and Recommendations

This section explores four primary issue areas – Organizational Capacity and Technical Expertise, Funding and Financial Capacity, Partnership and Decision-making, and Land Use & Zoning – that are critical to fostering the conditions that could catalyze more affordable housing development on faith and non-profit owned land. Each issue area begins by providing context on the needs and barriers faced by FBOs and non-profits when it comes to these joint developments followed by best practices and recommendations for how the city and partners can address them.

A. Organizational Capacity and Technical Expertise

FBOs who own underutilized or vacant property may want to explore repurposing it to create affordable homes, but they may find it challenging to get started. For FBOs, it is uncommon for affordable housing development to be at the core of their original mission. For that reason, FBOs often do not have the legal and real estate expertise necessary to engage in the development process, or even to consider such an opportunity through an informed decision-making process. In some instances, well-resourced congregations may be in a good financial position to hire their own consultants. In other cases, a congregation might be fortunate to find an architect or an attorney amongst members of their congregation who are willing to volunteer their time. Most FBOs, however, are not able to build their development capacity and expertise in these ways and must seek alternatives. Therefore, it is essential for FBOs to have access to additional resources and expertise from trusted entities to expand their affordable housing development expertise and make a decision that best meets their needs.

Best Practices and Recommendations

1. Foundational Support for Informed Decision-Making

Best Practices from the Field: Mission-driven FBOs will often have an idea of what they want to do with their land, but little to no real-estate development experience to explore what is feasible for their

property as the first step to realizing their visions. Access to affordable housing development technical expertise and educational resources are needed to inform necessary steps in the process. Every FBO will have different considerations for developing affordable housing – and thus a unique decision-making process. It is successful when jurisdictions equip FBOs with the knowledge and trustworthy partnerships required to make informed decisions about their property.

From the very beginning, a FBO must conduct upfront due diligence activities. For example, the FBO will need to collect necessary data considering the location and value of their property, conduct financial feasibility and identify whether environmental analyses are required and, if so, what type. Furthermore, the FBO should consider other applicable regulations and legal implications. A FBO may consider conducting a community engagement process and may need support navigating opposition. Some may not know that their properties have historic landmark designations and not know that there are additional considerations for them to navigate in the process. All these factors require specialized knowledge of affordable housing and real estate development that an FBO may not have access to. Putting together these components from the beginning is pivotal for a FBO to know which question to ask and decide whether to pursue affordable housing development before committing millions of dollars and dedicating hundreds of hours of staff time.

Recommended Action Items: San Francisco should use data and methods from the Turner Center for Housing Innovation’s 2023 report on faith-based housing⁵ to take inventory of faith-based land that is developable in the city. The city should continue to update their internal map of identified sites and apply assumptions that help identify sites that are viable for affordable housing development. This map could also cross reference historic land among the filters to provide this information as soon as possible in the discernment process. The city could collaborate with mission-driven affordable housing partners to use the map to strategically reach out to FBOs who own sites that are appropriate for development either through convenings or one-on-one meetings to encourage consideration of the development of affordable housing. Map examples can be found in the Turner Center for Housing Innovation's 2020 report on mapping faith-based housing.⁶ Additionally, San Francisco should continue to provide training and educational opportunities for FBOs to learn about adding affordable housing to their land. If the city staff cannot provide this information themselves, they should partner with an organization who already offers these types of webinars and services so FBOs can participate. Additionally, the city could consider publicizing informational resources and programs to FBOs such as from LISC’s Faith and Housing Program,⁷ which includes a web-based training series called Faith and Housing; the Enterprise Faith-Based Development Initiative,⁸ which provides pro-bono legal services and capacity- and development-related technical assistance; and Making Housing and Community Happen, a faith-rooted non-profit that publishes resources and provides FBOs with answers to commonly asked questions about faith-based development.⁹

⁵ Garcia et al., “The Housing Potential for Land Owned by Faith-Based Organizations and Colleges.”

⁶ David Garcia and Eddie Sun, “Mapping the Potential and Identifying the Barriers to Faith-Based Housing Development” (Turner Center for Housing Innovation, May 2020), <https://baysfuture.org/wp-content/uploads/2024/08/Faith-Owned-Land-Housing-Policy-White-Paper.pdf>.

⁷ “Faith and Housing Program | LISC Bay Area,” Local Initiatives Support Corporation, accessed December 19, 2024, <https://www.lisc.org/bay-area/areas-of-work/affordable-housing/faithandhousing/>.

⁸ “Faith-Based Development,” December 16, 2024, <https://www.enterprisecommunity.org/impact-areas/preservation-and-production/faith-based-development>.

⁹ Making Housing and Community Happen, accessed December 19, 2024, <https://www.makinghousinghappen.org/congregational-land>.

San Francisco may also consider creating its own public facing guide that explains the development process to FBOs. To make this guide, the city could use the resources previously mentioned and tailor recommendations to the specifics of the city, such as regulations and zoning, entitlement timeline and process, and city resources and funding availability. An example of what such a guide could look like or be structured like is Enterprise’s Faith Based Development Guide¹⁰ as it is structured as a free, online resource and could exist on a San Francisco city online platform.

Overall, the City of San Francisco should continue and grow its partnership with existing programs that already provide technical assistance to build organizational capacity and technical expertise. San Francisco can direct interested FBOs to these programs for assistance. The city should also develop internal resources to inform its outreach to FBOs and external resources that explain city processes that could benefit any new or emerging developer.

2. One-on-One Technical Assistance for Informed Decision-Making

Best Practices from the Field: Each FBO will face unique circumstances that can have implications on the desired affordable housing development outcome and decision-making process. Special considerations may arise due to an FBOs leadership structure, type of site or property, historic landmark designation, and any legal, political, or financial challenges. Critical decision points will arise throughout the development process and may be expected or unexpected. There is no “one-size-fits-all” development guide, thus, in addition to the type of foundational support available broadly to FBOs discussed above, it is essential for FBOs to have access to one-on-one technical assistance. This list highlights key topics divided by development phase:

Feasibility

- Architectural designs and construction type
- Restrictive covenants or historical designations
- Environmental feasibility and remediation analyses
- Exploring ownership models and Joint Venture Ownership
- Fair Housing Law
- Financial feasibility and pro-forma analyses
- Navigating FBO structure and leadership, denomination values, congregation, and volunteers
- Property Appraisal
- Regulatory and zoning requirements

Predevelopment, Construction, and Onward

- Applying to funding sources (local, regional and federal)
- Applying for and obtaining entitlements and site control
- Community Engagement
- Legal counsel, especially for litigation cases
- Market studies
- Negotiations around revenue and expenses
- Risk assessment and mitigation studies
- Title review and Title Insurance
- Other types of insurance coverage

¹⁰ “The Faith-Based Development Guide,” Enterprise Community Partners, December 2, 2024, <https://www.enterprisecommunity.org/learning-center/resources/faith-based-development-guide>.

It is also helpful for FBOs to be introduced to partners and FBOs who have pursued similar projects or have similar goals. For example, in the LISC Faith and Housing program, participating organizations learn directly from peers and experts from the field in their multi-faceted Learning Labs curriculum. This setting fosters empowering and mutually supportive relationships and allows a trusted team to be built. Additionally, an FBO will likely require guidance for knowing how to select a development partner and ensuring that the development partner has the expertise and specific knowledge required for faith-based development. Depending on the size and type of project they are pursuing, specific developers may be a better fit than others.

FBOs may often also need to navigate issues or processes that arise due to the specific populations they want to serve and the community in which they are based. For instance, FBOs may need to consider language accessibility, racial and ethnic make-up of a community, disabilities, mental health needs, and religious affiliation. Thus, a FBO may need trauma-informed and culturally competent approaches to navigating and addressing specific situations.

Affordable housing developments also must comply with Fair Housing law, which prohibits treating applicants or tenants differently because of protected characteristics like race, religion, or disability status. Although an FBO may want to serve specific populations, religious backgrounds, or house members of their own congregation, Fair Housing law prevents FBOs from building housing specifically for their parishioners or other specific groups. To ensure FBOs understand the laws and compliance, FBOs will need support navigating and complying with Fair Housing laws and Fair Housing Agreements. Furthermore, an FBO will likely need support navigating tenant selection systems like DAHLIA, waitlists or the Coordinated Entry System, which remove bias in tenant selection and/or select tenants based on special needs criteria.

Although the amount of technical assistance an FBO may require varies and there is no exact formula, the following are estimates provided by LISC's Faith and Housing program based on their program offerings:

- Learning Lab: For FBOs thinking about pursuing affordable housing development for the first time and deciding whether to move forward with a project - about 10 hours of support over a year
- Light Coaching: For FBOs moving forward with affordable housing development and needing to determine feasibility - about 30 hours of support over a year
- Intensive TA: For FBOs that have begun the predevelopment process and need support for the entire process – about 80 hours of support over a year and over 270 hours of organizational committed and dedicated time.

A FBO will need to embark on a tailored decision-making process given its unique circumstances and it will be helpful to receive individualized coaching and consulting. One-on-one technical assistance will empower the FBOs to ask questions, make important decisions, seek specific resources, and have access to tailored guidance.

Recommendations:

While there is some overlap between the best practices and recommendations for the foundational support the city can provide (discussed in item A1 above), this section specifically calls out specific ways in which FBOs will need one-on-one support throughout the entire process and how to secure that.

San Francisco should connect FBOs to trusted partners who provide one-on-one technical assistance as part of an established program or pro-bono services. For example, the city should consider continuing their partnership with LISC Bay Area and encourage FBOs to apply to their Faith and Housing Program, which includes one-on-one coaching and intensive technical assistance.¹¹ If the City of San Francisco wanted to explore securing spots for San Francisco-based FBOs in the LISC Faith and Housing program, estimates provided by LISC's Faith and Housing Program staff suggest a contribution to the program in the amount of \$50,000 per organization at a minimum. For FBOs that cannot join the Faith and Housing Program, San Francisco could consider providing FBOs with a grant to access one-on-one technical assistance as the success of the FBO in their feasibility and project pursuits are dependent on their ability to navigate unique, and often challenging situations. Alternatively, the City can help FBOs establish connections to local philanthropies that are interested in faith-based development so the FBO may be able to access funds in that way.

San Francisco should consider having an FBO-specific development interest website or small portal to share resources and best practices for FBOs. An example could be the LISC Bay Area Resources Library.¹² The city should have one point person on their team to be the main point of contact for FBOs seeking to develop affordable housing with expertise on topics that intersect with this type of development. Contact information for this person (phone and email) should be on the city's website/portal and easily accessible. This could be someone from the San Francisco Planning Department's Housing Advisory Team along with a staff member from the Mayor's Office of Housing and Community Development. This will streamline access to contacts and information the city may have and can share with FBOs.

San Francisco could also develop a list of existing projects developed on faith-based land and which organizations, people, and other entities were involved. This way FBOs can be made aware of entities who have experience building affordable housing on FBO land in the city of San Francisco. Additionally, San Francisco could help FBOs prepare a solicitation to pick a developer partner, since the city cannot direct or recommend developers directly to FBOs. This will be helpful in terms of being able to offer guidance to an FBO when selecting a developer to work with who meets their needs.

Additionally, if creating a public facing guide, San Francisco should consider including common considerations and questions that could help an FBO walk through unique situations. The guide could also include best practices in decision making as referenced in the Case Study on Dekko place below.

B. Funding

Adequate funding essential to any affordable housing development, and faith-based and non-profit partnerships are not any different. The availability of early predevelopment funding is critical to exploring if a faith-based development is feasible. These projects will likely be competing for public subsidies, operating subsidies, and Low Income Housing Tax Credits from an already oversubscribed housing finance system. Assessing the availability of funding for every step of the development process is critical to making faith-based developments a reality.

In some instances, FBOs can leverage the high value of their land and use that as their financial contribution to the affordable housing development. FBOs that do not have much liquid capital may

¹¹ "Faith and Housing Program | LISC Bay Area."

¹² "Resources for Faith-Based Organizations," Local Initiatives Support Corporation, accessed December 19, 2024, <https://www.lisc.org/bay-area/areas-of-work/affordable-housing/faithandhousing/resources-library/>.

also resort to leveraging the value of their land, but this may not be feasible for FBOs that have properties with low land values. This is more often the case for congregations, often BIPOC-led, located in disinvested or low resource areas of the city. These issues pose equity concerns regarding which faith-owned land and congregations could pursue development, regardless of interest. While faith-based developments in high resource areas are critical to affirmatively furthering fair housing, this must also be balanced with other racial equity goals such as continued investments in lower resource areas. This could mean providing greater financial support for faith-based developments in low resource neighborhoods to help make them more financially feasible.

Financing Non-profit Development

Joint developments between non-profit organizations and affordable housing developers present unique challenges due to how these projects are financed. Non-profit developments that are not residential are typically funded with New Market Tax Credits (NMTC), which are awarded to Qualified Active Low Income Community businesses that are located in and serve low-income communities. The process for securing NMTC is typically much quicker than the timeframe for securing Low Income Housing Tax Credits (LIHTC). However, for these joint developments to work, both NMTC and LIHTC must be secured simultaneously. NMTC funding is also limited to qualified census tracts that either have a poverty rate of above 20 percent or a median family income below 80 percent. Given the trends in displacement and neighborhood change in San Francisco in recent years, many census tracts in the city have lost their eligibility for NMTC. The remaining eligible census tracts in the city are concentrated in the southern neighborhoods, the Tenderloin, Chinatown, and parts of SoMa, North Beach, and the Mission District.¹³ Furthermore, changes to California's LIHTC guidelines have prioritized affordable housing development in high resource areas, potentially making this funding source incompatible with NMTC.

Best Practices and Recommendations

1. Early Predevelopment Funding Availability

Best Practices from the Field: Ensuring that early predevelopment funding is available to faith-based organizations and their developer partners is integral to fostering these types of developments. It is critical for faith-based developments to be able to access necessary financial resources, especially for the predevelopment process. As mentioned in the previous section, these activities include market studies, financial feasibility analysis, and due diligence, all of which can help determine a project's viability.

Recommended Action Items: San Francisco should explore providing early pre-development grants to FBOs interested in exploring an affordable housing development or consider providing additional funding to an existing technical assistance program that can then provide the grant to participants. LISC's Faith and Housing Program provides early predevelopment grants to faith-based organizations in their learning cohort, which is then paired with technical assistance. These early predevelopment grants provide around \$10,000 per participant, which are typically used for very preliminary architectural analysis, early financial feasibility studies, and other predevelopment work. These grants are small since it is primarily to help FBOs understand what is possible for their proposed development.

¹³ "New Markets Tax Credit (NMTC) Program Eligibility, Deep Distress Status, Severe Distress Status, and Non-Metropolitan Status," PolicyMap, 2024, <https://www.policymap.com/embed/widget/117/4D2AFE10710D41918F180775F0A353F2>.

Other existing capacity building grant programs, such as HUD’s Section 4 Program, could be used for predevelopment activities for faith-based developments. Philanthropy can also play a significant role in providing some predevelopment grants, which have been integral to Enterprise’s Faith Based Development Initiative in certain markets. Several of these funders have a presence in the Bay Area and could potentially be engaged to invest more in faith-based developments in San Francisco.

2. Dedicated Low-Cost Construction Financing

Best Practices from the Field: Access to low-cost capital is critical to moving affordable housing developments closer to reality. Faith-based affordable housing developments will likely be competing for local and state housing subsidy programs and the Low-Income Housing Tax Credit. However, these programs are oversubscribed and have become increasingly competitive. Having a dedicated fund for faith-based developments could help build a steady pipeline of projects.

Recommended Action Item: A dedicated faith-based development fund that provides low-interest loans and subsidies can improve the financial viability of proposed affordable housing developments when funding is available and considering the existing number of projects in the pipeline. Such a fund could be seeded by capital from philanthropy that are already engaged in supporting faith-based developments, such as the San Francisco Foundation and the philanthropic arms of the largest denominations in the city. Congregations could also pursue grassroots fundraising with their membership and associated networks to raise additional capital.

3. Funding Flexibility to Address Equity Goals

Best Practices from the Field:

Providing flexibility in the level of subsidies that can be provided to faith-based developments could help ensure that any interested FBOs are able to feasibly pursue their project. This is particularly crucial for less resourced congregations that do not have a lot of cash on hand, are not able to take on debt, or are unable to leverage the value of their land due to low land values. This creates a more equitable approach to promoting faith-based development in the city that ensures the model is accessible to as many interested congregations as possible, regardless of the FBOs resources and locations.

Recommended Action Items: San Francisco could explore providing larger subsidies for faith-based developments in low resource areas to support with financial feasibility to help advance some of the city’s equity goals. For example, the City of Berkeley has provided larger subsidies for a faith-based development in an underserved neighborhood in Berkeley that has not seen affordable housing development in the past few decades. The development is a partnership with a Black-led church and an emerging BIPOC-led developer, so the opportunity to help advance Berkeley’s equity goals was a reasonable trade-off for the city to provide more subsidy than they may have typically provided in the past.

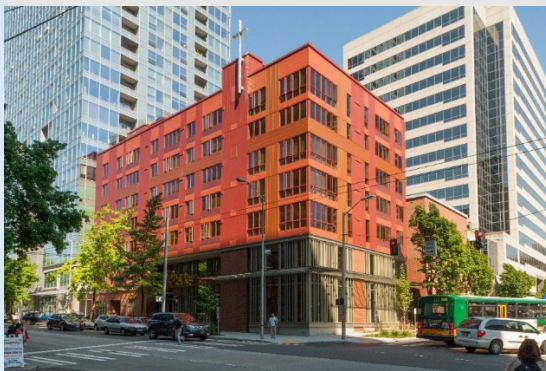
At the same time, the city could also consider providing higher subsidies to faith-based developments in high resource areas given the higher land values that might contribute to higher overall costs. Supporting affordable housing development in these neighborhoods would help advance the city’s efforts to affirmatively further fair housing and expand housing options for more residents. The city should work with community stakeholders to determine how to best balance both approaches to meet shared goals, recognizing that affirmatively further fair housing requires both encouraging affordable development in existing high resources areas as well as investing in and stabilizing low resource areas to ensure that all San Francisco neighborhoods are communities of opportunity.

4. Parcelization of Faith-Owned Land for Revenue

Best Practices from the Field: Subdividing faith-owned land such that part of the original parcel could be sold to a market-rate developer could generate revenue for a congregation that they can use to support their development. In the Dekko Place case study (described below), the sale of a parking lot to a developer resulted in revenues that the church used to subsidize their contribution to the joint development and funded the interiors of their rebuilt worship space. The funds from the sale also allowed the congregation to hire a development consultant that represented their interests and provided expertise during the development process. The parcelization of faith-owned land could be a model for other FBOs with large enough parcels who are looking to generate revenue and pursue a faith-based affordable housing development at the same time.

Recommended Action Item: Faith-based organizations with large parcels could explore the parcelization of their land so that part of it could be sold for revenue. The generated funds could provide cash flow for the congregation but also provide additional capital and equity that could be invested into their affordable housing development. This could be particularly helpful for FBOs with low land values that they are not able to leverage to support their part of the development. San Francisco could provide support to FBOs that would like to pursue this by sharing information about the city's land subdivision process and any necessary permits and approvals.

Case Study: Dekko Place



Location: Seattle, WA

Faith-Based Partner: Gethsemane Lutheran Church

Developer Partner: Compass Housing Alliance

Development Consultant: The Schwartz Company

Total Units: 50 affordable homes

Income Limits: 30-60% AMI

Set-Asides: Units for persons with physical or developmental disabilities

Project Conception

Dekko Place is a 50-unit faith-based affordable housing development in Downtown Seattle, developed through a partnership between Gethsemane Lutheran Church (Gethsemane) and Compass Housing Alliance (Compass). The idea of building affordable housing on church property was led by Gethsemane's mission-driven congregation, which already had a history of serving the broader community by hosting an overnight men's shelter for individuals experiencing homelessness, within its facilities. Working with their development consultant, the sale of the

adjacent church-owned parking lot to a market-rate developer generated a sizeable revenue for the church and served as the catalyst for the faith-based development. With consensus among the congregation, they decided to use the revenue to remodel the church sanctuary, community spaces, church offices, and shelter space in conjunction with the development of affordable housing on-site.

Partnership, Financing, and Project Structure

Mission alignment and the Lutheran connection led Gethsemane to partner with Compass Housing Alliance, a local Lutheran-affiliated non-profit affordable housing developer. At the same time, the congregation hired a development consultant to represent their interests and provide guidance and technical expertise throughout the development process.

Gethsemane chose to ground lease the site to Compass for 75 years at essentially no cost, helping significantly with the financial feasibility of the project. The partnership agreed on a condo structure from the very beginning of the development process, which also enabled public funding for the project since it created a separation between faith and non-faith owned sections of the building. Compass owned the top four floors where the affordable housing is located, while Gethsemane owned the ground floor sanctuary space and the basement where Mary's Place was eventually relocated. Compass built the core and shell for the building, with the church paying for the construction of the interiors of their "condo".

The development was financed as a mixed-use development, with public funding for the affordable housing component and Gethsemane paying for the sanctuary space, community and office space, and Mary's Place themselves. The congregation also paid a proportional share of the costs of predevelopment and construction using some of the revenue from the parking lot sale. Gethsemane and Compass had a robust Memorandum of Understanding (MOU) that detailed the terms of their partnership. Phase 1 of this MOU included the basic structure of the project in terms of design, number of units, budget, and timeline. It also included the completion of the basic due diligence studies. Phase 2 of this partnership agreement was a go/no-go decision point to proceed with the development if Compass met certain agreed upon milestones, including securing all the necessary financing for the affordable housing development.

The total development cost for Dekko Place was around \$13 million. It received public funding from the City of Seattle, King County, the State of Washington, and the 9% Low Income Housing Tax Credit. These awards included several project-based vouchers to help with operations, although this was only a small portion of the project. While Dekko Place was not awarded during their first funding application round, they were able to secure all necessary public financing in their second attempt, only taking two years to assemble their capital stack. This helped avoid longer development timelines that would have increased costs, as has become common in California.

Key Success Factors & Best Practices

Decision-making and Congregation Engagement

The congregation's strong mission was a significant driver in the conception and development of Dekko Place. Acting on a shared vision and agreeing to contribute \$4 million dollars to the project to bring it closer to reality was crucial to moving it forward. The development consultant and Gethsemane leadership spent a lot of time and intentionality educating members on what supporting an affordable housing development entails and the different aspects of the development process to help build consensus. The congregation was also very clear with their vision for the development and their expectations with the developer, which were outlined in their MOU at the beginning of their partnership. Furthermore, the church was able to stay involved throughout the

design and development process through the support of their development consultant, so they also felt ownership of the project itself.

Memorandum of Understanding

Gethsemane and Compass had a detailed partnership agreement through a MOU that clarifies their respective roles, expectations, and terms of partnership. Included in this is a go/no go milestone to proceed with the development once Compass has secured all public funding for the affordable housing component. Having terms like this explicitly spelled out ensures that the interests of FBOs are protected. It also means that there is an accountability mechanism for the developer partner embedded in the agreement.

Development Consultant

Having a development consultant that provided real estate expertise that the congregation did not have was critical to Dekko Place's success. As mentioned above, it was crucial to keeping the congregation informed and educated and ensured that their interests were represented in the joint development. FBOs interested in pursuing a faith-based development should consider hiring a development consultant that can support them in the process.

Technical and Financial Capacity

Gethsemane is a well-resourced congregation, with the sale of the church-owned parking lot generating revenue that they were then able to leverage for the redevelopment of their sanctuary space and the development of Dekko Place. This also meant having resources to hire their own development consultant to advise the congregation on the technical aspects of the development process and construction. This consultant coordinated with Compass on behalf of the congregation. Partnering with an experienced developer with a shared mission also provided the necessary expertise to move the affordable housing component of the project effectively, from the development process, managing relationships with the city, and securing the necessary public financing.

Condominium Structure

The condominium structure of Dekko Place allowed for the church space and the affordable housing components of the development to be financed separately. The former was funded by the congregation itself while the latter sought local, state, and federal financing. Similar condominium structures could be pursued by FBOs who wish to incorporate their own space into a faith-based development.

Parcelization of Faith-Owned Land

Subdividing the original church site such that the parking lot was sold to a market-rate developer generated revenues for Gethsemane that subsidized the church's contribution to the overall development and funded the interiors of their commercial condo. The parcelization of faith-owned land similar to Gethsemane's experience could be a model for other FBOs with large enough parcels who are looking to generate revenue and pursue a faith-based affordable housing development at the same time.

Enabling Environment

Washington State's coordinated and streamlined housing finance system meant that local and state public subsidies are awarded together, with tax credit awards typically following months after. This creates a level of development funding certainty that is more conducive to public-private partnerships like faith-based developments. The inability to secure financing quickly from local, state, and federal resources could help drive costs up due to factors such as increased material costs due to inflation and additional transaction costs to apply to multiple rounds of funding.

C. Partnerships & Decision-making

Development of affordable housing on FBO-owned land can be a risky and complicated undertaking, especially with issues around land use, development regulations, and financing. Before embarking on this costly and time-consuming endeavor, it is essential to proceed with clear intentions and focused goals. Each FBO will have different visions and missions influenced by the perspective of leadership, the congregation, and the denomination's values and beliefs. Given the many perspectives involved, it is necessary to level-set and come to a decision early on. The development process is full of moments requiring high-stakes decision-making and it will be essential for the FBO to always be firmly rooted in its end goals and shared values and to establish a clear decision-making process with its leadership.

Best Practices and Recommendations

1. Mission Alignment and Early Goal Setting

Best Practices from the Field: A FBO must understand why it is seeking to develop affordable housing and how this new chapter of their work will impact the future of the organization. The FBO should craft a clear vision to communicate with partners and the congregation of the “why” and to guide its decision-making process. Whether or not the FBO should pursue affordable housing development is ultimately dependent on conversations that are guided by this mission alignment and early goal setting process. Important considerations include:

- The needs of the congregation
- The needs of the community the FBO operates in and works with
- Financial needs and goals
- Ownership of the land
- Ownership of the development
- Timeline
- Target population

FBOs are most successful when they craft a vision document/plan to keep the decision-making process on track and in alignment with the FBOs broader vision, mission, and goals. The document/plan includes the FBOs long-term site ownership and use goals, as well as financial and real estate needs, goals, and objectives. For example, LISC's Affordable Housing Development Process document or the Organizational Self Assessment Guide¹⁴ may be helpful for crafting the vision document/plan. This document/plan is consulted whenever the FBO is faced with decisions that need to be made. The FBOs structure will also determine if the FBO needs to consider the opinions of larger entities such as the denomination's mission/ministry or any national entity.

The process requires an FBO to take inventory of what is needed to accomplish their vision and goals and what might be most suitable for the FBO. The goals and vision set are realistic and attainable given the FBOs staff capacity, connections, and financial resources. The FBO must keep in mind that a single affordable housing development cannot be everything for everyone. The viability of the development should be kept top of mind when considering trade-offs.

¹⁴ “Organizational Self Assessment Guide” (Local Initiatives Support Corporation, 2019), <https://lisc.app.box.com/s/akrkerkh67d660hmnk5bafdxfourg0df>.

Recommended Action Items: San Francisco should consider hosting informational sessions where FBOs interested in developing affordable housing can ask questions on how to start the brainstorming and internal decision-making process. The city could invite FBOs who have built affordable housing in the city (or in the larger Bay Area) and have gone through the process. These FBOs can share their insights on the process with a focus on the goals they started with and how to navigate the crafting a vision document/plan. Additionally, the city can host open office hours to speak one-on-one with interested FBOs and help them walk through their motivations and serve as a sounding board to assess vision and mission alignment. To aide in these conversations, the City could consider creating a “readiness” checklist for congregations to consider before embarking on development and could be based off LISC’s Organizational Self-Assessment.¹⁵

2. Congregation Structure and Leadership Mapping

Best Practices from the Field: The structure, hierarchy, and involvement of leadership and authority varies from one FBO to another. Mapping the FBO structure is essential to identifying key players in decision-making whether that be an individual or a leadership group, which could be local, national, or international. Identifying everyone’s role in the process and who will be responsible for making final calls at each point is pivotal for the success of a project. It is important to consider if an FBO has decision-making power in the local FBO or if that power lies with a larger, national, or international organization. Knowing who needs to be involved at each stage of the process will help avoid costly delays or administrative blockage while moving forward with time-sensitive transactions and choices. Some thoughtful questions (from the LISC Faith and Housing 2022 Impact Report)¹⁶ include:

- Does the FBO have an active governance structure, like a board of directors or other equivalent body, that will direct any decisions made by your organization regarding affordable housing development?
- How will the above leadership of the FBO participate in this effort?
- Does the FBO know whether those in leadership will delegate any of the decisions and oversight regarding any proposed development?
- Has the FBO designated a committee or leadership group that will actively be involved in this process of formulation and review of options?

Ultimately, it is necessary to identify who has decision-making authority in each step of the development process, so they are involved when necessary. A best practice is to have one dedicated person as a point of contact to shepherd the organization through the entire project and is committed to moving it forward. This person should know who the decision-making authority is for each situation. This would also be crucial for considerations for any potential joint partnerships, as the process itself and who will be involved in making difficult, time-sensitive decisions can inform whether an organization would even want to enter such a partnership.

Recommended Action Items: When an FBO comes to the city to express interest in developing affordable housing, San Francisco should require an FBO to assess their leadership and decision-making structure. This requirement can be a part of receiving technical assistance funding or as part of an introductory exercise when connecting the FBO to a trusted partner or resource. For example, an organization is required to share this information as part of the application process for the LISC Bay

¹⁵ “Organizational Self Assessment Guide.”

¹⁶ “Faith and Housing 2022 Impact Report” (Local Initiatives Support Corporation, 2022), <https://lisc.app.box.com/s/bg10tg4eh78hid6f32w966ibq5zehnty>.

Area Faith and Housing program.¹⁷ If an FBO is seeking more information from the city, when providing resources and educational material to FBOs, it will be pivotal to highlight this best practice.

As an additional consideration, San Francisco should assess if it has any laws or requirements that govern the lease or disposition of property owned by FBOs. If it does, the city should consider sharing clear informational materials to FBOs on any local laws or requirements that may apply that will impact their decision-making process. For example, the city should communicate if an FBO needs to obtain approval from any regulatory body in San Francisco before engaging in negotiations regarding their land or property. Another example is that the City of San Francisco could consider supporting FBOs in navigating deed restrictions or the California Environmental Quality Act (CEQA) as they can be difficult to understand as existing land could be restricted to the extent that it cannot be converted to affordable housing.

3. Congregation Involvement

Best Practices from the Field: For FBOs that have a congregation, it is important to consider the congregation an essential part of the development process. For example, a congregation can play essential roles in community engagement and volunteerism. Furthermore, the congregation may offer gifts both monetary and in the form of service, skills, and resources that can aid in the development's success. It will be essential to make sure everyone in the congregation is well-informed and on board with the goals of the development and educated on what the process will entail. A FBO must be prepared to provide information and clarity when facing resistance or questions from their members. Thus, driving the congregation to a consensus before any development work is approved is important.

An additional consideration for FBOs is that affordable housing development may still be a contentious topic in many communities. Thus, FBOs should engage their congregation to prioritize being good long-term neighbors, maintaining relationships in their community, and navigating any tensions. The FBO must be transparent about their development goals and answer any questions about the population the development will serve. The Jordan Court (described in the following section) and Dekko Place (previous section) case studies highlight the importance of congregation involvement.

Recommended Action Items: San Francisco can help FBOs understand and navigate community engagement processes by offering resources and educational information. The city could consider hosting listening sessions to understand what FBOs may be navigating or to empower FBOs to understand strategies for being transparent with community members. Furthermore, the city should make information on ministerial entitlement paths readily available. This will support FBOs in understanding what tools and resources are available to them regardless of potential community opposition. For example, San Francisco could publish information about various streamlining paths and policies FBO-owned sites may qualify to use. San Francisco could also consider hosting a webinar (partnered with organizations with LISC Bay Area or Enterprise Community Partners) on success stories of FBOs that made it a priority to engage with their congregations. Alternatively, San Francisco could publish FBO success stories on public platforms or publish guides such as LISC's Case Study Workbook.¹⁸

¹⁷ "Faith and Housing Program Application" (Local Initiatives Support Corporation), accessed December 19, 2024, <https://lisc.app.box.com/s/tjaqbkzbc9r0juzgsioq3z1rgetfc582>.

¹⁸ "Case Study Workbook for Faith-Based and Community-Based Organizations Interested in Developing Affordable Housing" (Local Initiatives Support Corporation, April 2021), <https://lisc.app.box.com/s/cd4llmnvwp3ikxhq2552u9lehlz4g9>.

Case Study: Jordan Court



Source: All Souls Episcopal Parish - Jordan Court Profile¹⁹

Location: Berkeley, CA

Faith-Based Partner: All Souls Episcopal Parish (ASEP)

Developer Partner: Satellite Affordable Housing Associates (SAHA)

Total Units: 35 affordable homes

Income Limits: 20-60% AMI

Set-Asides: All units are for low-income seniors (62 +), 12 units set aside for formerly homeless seniors with serious mental illness

Project Conception

Jordan Court is a 35-unit faith-based affordable housing development in the heart of North Berkeley, developed through a partnership between All Souls Episcopal Parish (ASEP) and Satellite Affordable Housing Associates (SAHA). Jordan Court opened in May 2022 and was the first affordable housing facility built in the northern part of Berkeley for 30 years. ASEP owned developable land and thus conducted community outreach within their own congregation, with local elected officials and other community partners to determine what to do with the space. The idea of building affordable housing was ultimately led by ASEP's social justice-oriented congregation, driven by their Christian values and desire to contribute to solving the Bay's affordable housing crisis for vulnerable communities.

Partnership, Financing, and Project Structure

ASEP approached the City of Berkeley to express interest in building affordable housing and to ask for recommendations and guidance. The City of Berkeley recommended that ASEP partner with SAHA, a nonprofit housing developer based in Berkeley, and their partnership was formed using a memorandum of understanding (MOU) agreement. Both ASEP and SAHA built personal trust between the organizations and made sure that they had values alignment and clear roles and responsibilities. Additionally, ASEP and SAHA worked with several Berkeley City Council members and the Mayor of Berkeley; the Bishop, Chancellor, and Standing Committee of the Episcopal Diocese of California; and numerous city, county, and federal government agencies. For this development, other entities involved were HKIT Architects and James E. Roberts-Obayashi, Inc. (general contractor). The congregation was lucky enough to have congregation members, an architect, an attorney and a financial expert, who volunteered their skills and time for the development. Additionally, working closely with the city enabled the project to receive help and

¹⁹ "Jordan Court," All Souls Parish, accessed December 19, 2024, <https://www.allsoulsparish.org/jordan-court>.

recommendations from the city. One such recommendation led to pivoting mid-way through the entitlements process to utilize SB 35, which has since been amended by SB 423, a bill that provides qualifying development projects a streamlined approval process and restricts the ability of local governments to reject these proposals in jurisdictions that are not meeting State housing goals.²⁰

Overall, the project cost \$24.5 million and relied on land donated to SAHA by ASEP. The city of Berkeley provided SAHA with a pre-development grant of \$25,000. SAHA also applied for and obtained financing including 4% Low-Income Housing Tax Credits, funds from the Alameda County A-1 Affordable Housing Bond, 24 Project Based Vouchers from The Berkeley Housing Authority, state funding from the No Place Like Home program including a capitalized operating subsidy reserve for 12 units, bank loans, and other funding from the City of Berkeley. The project was structured as a mixed-use development that lumps the church-affiliated spaces under "commercial space" and only the affordable housing portion was eligible for tax credits and public funding.

ASEP owns the land and leases it to the Jordan Court partnership (owned by SAHA) for \$1/year. In turn, ASEP pays the partnership \$1/year to lease the office and apartment spaces. SAHA's property management team manages all aspects of the property. SAHA has a part-time property manager who lives on site and a part-time resident services coordinator who offers support and programming for residents.

Key Success Factors & Best Practices

Congregation Engagement

When exploring whether to build affordable housing, ASEP had a small committee working through a meeting process to consider options and limitations for some years before involving the congregation. They did this so they would be able to be prepared to educate the congregation. Then ASEP conducted a robust engagement process with its congregation before going to the city with their idea. Due to their robust congregation engagement, ASEP had active member participation and involvement in the drafting and execution process of the project. ASEP spoke early and often to its stakeholders and invested a lot of time in community education.

Use of Streamlining Tools

The use of SB 35 was pivotal to the success of the project as it enabled the project to meet funding deadlines with the streamlined process. Even with their robust congregation and neighbor engagement, the project still faced some opposition. A small, but vocal, group of neighbors appealed a use permit for a four-story building in R-3 zone in 2018, and had SB 35 not been used, the project would have missed funding deadlines. This would have created setbacks for the project and possibly made it infeasible to continue. It was essential for all partners involved to understand the approval processes and tools at their disposal. This was facilitated by the city when they recommended the project use SB 35 midway through the process.

Clear Vision and Decision-Making

Jordan Court invested time and capacity early in the process to ensure that all options and choices surrounding the development were fully understood. This enabled ASEP to develop a strong memorandum of understanding (MOU) with SAHA that was clear on values alignment, roles, and expectations. This made the decision-making process clear and allowed SAHA to understand the goals of the FBO. ASEP was able to be guided by their mission throughout the process, identify non-negotiables, and reach out for help when needed.

²⁰ "Streamlined Multifamily Housing Approval (SB 423) | SF Planning," San Francisco Planning, November 21, 2024, <https://sfplanning.org/resource/sb423-application>.

D. Land Use & Zoning

California has passed several streamlining bills in recent years that make it much easier to build affordable housing. These various streamlining tools target different types of land, development, and jurisdiction.

- Senate Bill (SB) 35/423 - Senator Wiener (2017, 2023): Ministerial and by-right approval for affordable and market rate housing in jurisdictions that have failed to issue sufficient housing permits to meet their Regional Housing Needs Allocation
- Assembly Bill (AB) 2011 - Assemblymember Wicks (2022): Ministerial and by-right approval of affordable housing on land zoned as commercial.
- AB 2162 – Assemblymember Chiu (2018): Ministerial and by-right approval for permanent supportive housing on land zoned for multifamily housing and mixed uses.
- SB 4 – Senator Wiener (2023): Ministerial and by-right approval for affordable housing development on sites owned by faith-based organizations of higher education institutions.

While SB 4 specifically caters to faith-based organizations and higher education institutions, FBOs and non-profits can pursue affordable housing development using any of the other streamlining tools that are applicable to their project and location. SB 35/423 has been the most significant and impactful streamlining tool among these options. According to annual progress report data, SB 35 helped produced over 19,000 housing units between 2018 and 2021, 60% of which are affordable to low-income households.²¹

Each of these streamlining tools have their own advantages and limitations in terms of eligibility and scope that might be a fit for one development, but not another. For example, AB 2011 and SB 35/423 do not allow for the demolition of existing housing that has been occupied by a tenant for at least ten years. Meanwhile, SB 4 excludes some other types of organizations, such as mission-driven non-profit organizations other than faith-based and educational institutions that might want to pursue affordable housing development on their land to further their mission and serve their community.

California’s State Density Bonus Law is also a significant tool for affordable housing development. Projects within a half-mile of a major transit stop are eligible to receive unlimited density, three additional stories in height, and up to four incentives or concessions to various zoning or planning code standards.²² This would allow an affordable housing development to add more units than they typically would have under current zoning, potentially helping improve financial feasibility.

Best Practices and Recommendations

1. Streamlining Tools and State Density Bonus Education

Best Practices from the Field: Streamlining removes procedural barriers from the production of affordable housing, helping shorten development timelines and avoid costs associated with delays. The Jordan Court and Immanuel Sobrato Community (described in the following section) case studies both

²¹ “SB 423 Senate Floor Analysis” (Office of Senate Floor Analyses, September 2023), https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202320240SB423#

²² “Planning Director Bulletin No. 6 Implementing the State Density Bonus Program” (San Francisco Planning Department, June 2024), https://sfplanning.org/sites/default/files/documents/publications/DB_06_Implementing_State_Density.pdf.

used SB 35, shortening approval timelines for their development. In the Jordan Court example, it even helped bypass some community opposition that could have delayed or blocked the project entirely.

Recommended Action Item: San Francisco should educate FBOs and non-profit institutions on the different streamlining tools available to them should they pursue an affordable housing development. It would be helpful for the city to provide accessible resources and information for determining what avenues organizations can pursue for their affordable housing developments and what requirements or restrictions are applicable. Having a point person knowledgeable about these different tools could support the uptake for these streamlining tools and use of the State Density Bonus Law. The city could also use the California Office of Planning and Research's Site Check Tool²³ to determine the streamlining eligibility of any faith or non-profit owned sites

2. Historic Landmark Designation Consideration

Best Practices from the Field: Historic preservation designations may play a significant role in shaping development possibilities for affordable housing on religious and non-profit owned properties in San Francisco. Many faith-based organizations occupy buildings of architectural or cultural significance. While these structures often represent important touchstones of community heritage, their historic status – whether officially designated or potentially eligible for historic designation – creates additional complexity for congregations and organizations seeking to develop their properties for affordable housing. Understanding how historic preservation regulations interact with development potential is especially crucial for faith-based and nonprofit organizations, as these considerations can substantially impact project feasibility, design requirements, and the approval process for proposed affordable housing developments.

San Francisco's historic preservation framework establishes distinct categories of historic significance through Articles 10 and 11 of the Planning Code, creating a nuanced system for evaluating and protecting historic resources. Article 10 distinguishes between contributing and non-contributing structures within historic districts, with contributors playing a fundamental role in defining the district's historic character while non-contributors may be present within district boundaries but lack individual historic significance. Article 11, which applies specifically to downtown buildings, employs a more detailed rating system that categorizes structures from I through V, with Categories I-IV representing varying levels of historic and architectural significance, while Category V buildings are designated as non-contributory. These classifications are crucial as they determine not only the level of preservation required but also the degree of flexibility available for potential modifications or development. Whether a building is designated as historically significant as an individual structure or as a contributor to a larger historic district fundamentally shapes the parameters for its potential reuse or redevelopment.

The SF Survey is a multi-year effort supported by the San Francisco Planning Department to identify and document places and resources of cultural, historical, and architectural importance to San Francisco's diverse communities. This initiative builds on past efforts to identify historic resources through research and community engagement.

Knowing a buildings designation is critical for development pathways. Non-contributing buildings in Article 10 districts and Category V buildings under Article 11 generally maintain eligibility for state housing programs such as SB4 and SB423, which provide streamlined approval processes and development incentives for affordable housing projects. In contrast, contributing buildings in Article 10 districts and Category I-IV buildings under Article 11 face more limited development options, as these

²³ "Site Check ✓," accessed December 19, 2024, <https://sitecheck.opr.ca.gov/>.

designations typically trigger automatic disqualification from these state housing programs due to their recognized historic significance. Understanding these distinctions is crucial for property owners and developers in determining viable development strategies and navigating both local preservation requirements and state housing law opportunities.

San Francisco offers a robust suite of preservation incentives that aim to balance the city's dual commitments to historic conservation and affordable housing development. Property owners pursuing preservation and development can access multiple layers of financial and regulatory benefits through local, state, and federal programs ([Preservation Incentives | SF Planning](#)). These include the Mills Act, Federal Tax Credits, State Historic Tax Credits, State and Local Codes (Planning Code flexibility, TDRs, SHBC), and Local loans and financial assistance programs. There are also Preservation Design Standards, recommended for adoption by the Historic Preservation Commission in November 2024, which offer objective guidance related to any potential modifications to historic buildings ([San Francisco Design Standards | SF Planning](#)).

While landmark designation of religious and nonprofit-owned properties does not require owner consent under the Planning Code, San Francisco's Planning Department typically seeks owner input as a matter of practice and provides formal notification to property owners at the initiation of any landmark designation process. Importantly, landmark designation does not prohibit new housing construction on the parcel, as demonstrated by several recent projects that have successfully combined preservation with new development through strategies such as building on undeveloped portions of landmark sites or subdividing lots to separate new construction from historic resources. Historic designation primarily ensures that any modifications to the historic resource itself are appropriate and sensitive to its character, while still allowing for creative solutions that can advance both preservation and housing production goals.

Given San Francisco's unique and complex historic preservation landscape it is more important to highlight existing local policy and practice to inform potential housing development.

Recommended Action Item: San Francisco should help FBOs and non-profit institutions identify whether any of the buildings on their property have been historically designated and if they are located in a district as contributing using existing Data Platforms (SF Public Information Map) under Article 10 and 11. This guidance could be incorporated into previously mentioned one-on-one technical assistance sessions and educational materials geared towards FBOs and non-profit property owners interested in exploring affordable housing development. For properties with historic designations, the city should continue to dedicate staff time (from a designated individual or team such as the Housing Advisory team) to provide more thorough guidance on navigating the potential development pathways available.

Case Study: Immanuel Sobrato Community



Source: Blach Construction – Immanuel Sobrato Community Profile²⁴

Location: San Jose, CA

Faith-Based Partner: Immanuel Evangelical Lutheran Church

Developer Partner: MidPen Housing

Total Units: 108 affordable homes

Income Limits: 30% AMI

Set-Asides: All units are permanent supportive housing for formerly homeless households

Project Conception

Immanuel Sobrato is a 108-unit affordable housing project for formerly homeless residents in San Jose. Located just west of downtown San Jose and adjacent to San Jose City College, the project sits on land owned by the Immanuel Evangelical Lutheran Church. Construction of the project involved the demolition of an underutilized hall that the church no longer needed, and the resulting building features a ground floor community space leased and programmed by the church. There are on site services, property management, and community amenities including a dog run, courtyard space, and an exercise area. The project opened in late 2023.

Partnership, Financing, and Project Structure

The Immanuel Evangelical Lutheran Church reached out to MidPen Housing in 2018 with the goal of developing part of their church's land into housing for people experiencing homelessness. They were aware of MidPen's work with another church in Santa Cruz County through a connection with that church's leadership and sought out MidPen to build a similar project. The church and MidPen formed a partnership to execute the development.

The philanthropist John Sobrato stepped in to provide support through funding MidPen's upfront \$2.6 million 99-year ground lease payment. This benefited the church by providing immediate payment, half was received at land use and entitlement approval and the other half was received at

²⁴ "Immanuel-Sobrato Community," Blach Construction, accessed December 19, 2024, <https://www.blach.com/portfolio/immanuel-evangelical-sobrato-community/>.

construction financing closing, while allowing them to maintain ownership of the land. The church paid \$1 million to MidPen to finance the build-out of their ground floor community space within the building, and MidPen then leased that space to the church for 99 years. MidPen was able to fund its own predevelopment costs. The project applied for and received \$16 million of local county Measure A funds, and Project Based Vouchers for all but six of the units, an important factor in the long-term viability of a project serving extremely low-income residents with lots of services. The project also received a loan from the city of San Jose, through a competitive NOFA process. The project obtained a \$13 million permanent loan from the California Community Reinvestment Corporation. The project utilized SB 35 to streamline the approvals process and receive entitlements in just five months. MidPen applied for tax exempt bonds and 4% tax credits in 2020. The entire project, with exception of the ground floor community space, was eligible for LIHTC funding. Construction began in June 2021 and was completed in August of 2023.

Key Success Factors & Best Practices

Financing

Because the project had ample local funding, it did not need to apply for any state funding sources which made for quicker capital stack assembly. This was possible because of Measure A funds and because the project's focus on housing for people experiencing homelessness aligned with the county and city priorities at the time. Additionally, the ground lease funding from philanthropy was also a valuable resource that filled out the capital stack. Significant local funding and engaging philanthropy can expedite the development process by avoiding state funding application processes and timelines.

Project Structure

A unique aspect of this project was how the ground lease and community space lease were structured. It was important to the church to maintain ownership of the land, but also to bring in money to support church activities. The ground lease was structured to achieve these two goals. The church received an upfront payment for the ground lease of \$2.6 million, half of which was paid at entitlement approval and the other half at construction closing. This helped promote buy-in from the congregation for the development.

The project also structured a flex space lease in which the church paid MidPen \$1 million out of the \$2.6 million they received for the ground lease for use of the built-out flex space for the same 99-year period. This contribution served as their upfront lease payment for that space once the building is constructed, and no other rent payments will be required. The church will pay for the utilities which will be separately metered. The general contractor handled the construction of the build-out for the community space, and the church was consulted for design input as the end-user. It will function as a gathering space, and potentially be rented out to neighborhood groups. By not hosting religious services in the space or limiting users to the congregation, the cost of the flex space was still eligible for LIHTC funding. This structure allowed the church to use the space in the constructed project, while still netting \$1.6 million from the ground lease.

From our conversations with developers, it is very common for religious institutions to want to maintain ownership of their land when working with a developer to build affordable housing. This ground lease structure allows churches to maintain their asset and some control in the long term, rather than selling or gifting the land outright. The additional lease of the flex space to the church also allowed them to continue to use the space after the hall that used to sit on the site was demolished and replaced by this project. This ground lease structure is more complicated than purchasing the land and can increase costs. For example, MidPen paid for the church's attorney out of the project budget. It is best practice to select an attorney with experience in affordable housing finance. That

was not the case for this project since the church had an attorney they trusted but who did not have that background, and it complicated the process.

Expectation Setting

It is critical in partnerships with religious institutions to communicate clearly the process and outcomes of such a project. In the case of Immanuel Sobrato, the church specifically wanted to house individuals exiting homelessness to align with their mission, which influenced the project type and resident population of the project. It is helpful to go in-depth with the faith partner about what it means to serve different populations, and what services will be provided to best support those groups.

With any affordable housing project on a FBO-owned property, it is beneficial to have ample communication to ensure there is significant buy-in from the congregation. These conversations should include what they want their role in the project to be long term, who they are serving, and how the project will connect to church activities. It can be useful, as was the case on this project, to have a single champion within the church who can take a leadership role in working with the developer and make decisions. It is even better if the church can hire a development consultant who can provide industry knowledge and experience on the church's behalf.

Community Engagement

Another success of the Immanuel Sobrato project was the effectiveness of the church in engaging the neighboring community and building support for the project. The church was embedded in the community and had a history of doing work for individuals experiencing homelessness including food distribution. While SB 35 meant there were fewer community engagement requirements and potential hold-ups, the project still made an effort to engage the surrounding community. The church successfully framed the project to neighbors and community members within its mission to serve those most vulnerable, which was an effective strategy to build support. The church had a good reputation in the community, and so their connection to the project helped stave off concern over development of permanent supportive housing. The relationships that churches have with their surrounding community is an asset to these projects, as opposition to new development can be a significant deterrent to the construction of new affordable housing.

Conclusion

Faith-based organizations and non-profit institutions have the potential to be significant partners in addressing the city’s housing goals. Development on faith or non-profit owned land could unlock much-needed affordable housing units, especially in areas of the city that have not seen much development in recent decades. However, pursuing these partnerships comes with structural and organizational barriers that pose challenges. The best practices and recommendations explored in this memo seek to address these constraints by creating the conditions that could encourage development at scale.

Summary of Recommendations

Issue Area	Recommendation	Who	Action
A. Organizational Capacity and Technical Expertise	Informed decision-making: Web-based resources for concept development, feasibility assessments, and due diligence	City of San Francisco TA Provider	Expand
	One-on-one Technical Assistance	City of San Francisco TA Provider	Expand
B. Funding	Early Predevelopment Funding Availability	TA Provider City of San Francisco	Expand
	Dedicated Low-Cost Financing	Philanthropy Community Development Financial Institutions (CDFIs) FBO	Begin
	Funding Flexibility to Address Equity Goals	City of San Francisco	Expand
	Parcelization of Faith Owned Land	FBO	Begin
C. Partnerships and Decision-making	Mission Alignment and Early Goal Setting	FBO TA Provider	Expand
	Congregation Structure and Leadership Mapping	FBO TA Provider	Expand
	Congregation Involvement	FBO	Expand
D. Land Use and Zoning	Streamlining Tools and Density Bonus Education	City of San Francisco	Expand
	Historic Landmark Designation Consideration	City of San Francisco	Pivot