Faith-Based Community Economic Development:

Principles & Practices

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Produced by:
Federal Reserve Bank of Boston
Public and Community Affairs Department

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Introduction

For many, living their faith means aiding the poor—not by feeding them in soup kitchens or bringing them to homeless shelters, but by revitalizing their neighborhoods. All across the country, churches, synagogues, mosques, interfaith coalitions and other religious organizations are channeling their energies into programs that do more than provide bandaids for the problems of poverty. They are illustrating how, as they did during the civil rights movement, deeply held religious values can be a powerful force for change.[1]

The notion that communities of faith should confine their concerns only to spiritual matters is being reconsidered…

The notion that communities of faith should confine their concerns only to spiritual matters is being reconsidered, as reports of Faith-Based Community Economic Development grow in number. These reports build on a history of community economic development activity by faith-based institutions, extending back to the 1960s.

This booklet provides an introduction to faith-based community economic development (CED). It is not intended to be exhaustive, but to serve as a foundational framework for those new to, or with limited experience in, faith-based community economic development. Its primary objective is to familiarize readers with the following aspects of faith-based CED:

- Goals and objectives;
- Principal tools;
- Techniques for soliciting the support of a congregation in undertaking a faith-based CED project; and
- Examples of typical faith-based CED projects.

Who can benefit from this publication?

- Members of congregations currently involved in faith-based CED;
- Economic development committees or boards of community enterprises or development corporations, especially those who have limited business experience; and
- Economic development professionals and prospective managers of community enterprises who have had limited exposure to faith-based congregations.

In the first chapter, we define faith-based CED and highlight the differences between faith-based CED and traditional economic development (TED). The second chapter introduces the reader to some of the tools that are used to assess a community's needs and resources. Chapter three identifies some methods and techniques for mobilizing a congregation and the related community to undertake a faith-based CED project. Chapter four provides several examples of successful faith-based CED initiatives. In Chapter five, some of the principal factors that typically have an impact on the organizational and legal structure used to house proposed faith-based CED activities are identified.

Following chapter five are a glossary of terms relevant to faith-based CED and a bibliography listing the various sources relied upon to generate this publication.

At this point, a word about terms may be useful. This publication uses the terms *faith-based congregation* and *congregation* interchangeably to mean any group of individuals who share a particular religious tradition and regularly celebrate that religious tradition. For these purposes, the term *congregation* includes a synagogue, a mosque, a church, or a temple. The reader also will encounter the term *underserved communities*, which includes but is not limited to low-income and moderate-income communities. Finally, the abbreviations CED and TED refer to community economic development and traditional economic development, respectively.

Footnotes:

[1] Lora Engdahl, "Faith in the Community," *The Neighborhood Works* (September 1996). Available http://www.cnt.org.tnw/19/195faith.htm

1

Faith-based community economic development may be defined as the involvement of faith-based institutions in projects designed to revitalize their communities, establish sustainable economic development initiatives, attract investments, build wealth, and encourage entrepreneurship.

What Is Faith-Based Community Economic Development?

Let us take this opportunity to define faith-based community economic development and highlight the differences from traditional economic development.

> Faith-based community economic development may be defined as the involvement of faith-based institutions in projects designed to revitalize their communities, establish sustainable economic development initiatives, attract investments, build wealth, and encourage entrepreneurship. In order to launch their projects, faith-based institutions often form a separate nonprofit community development corporation (CDC) or partner with an existing CDC, foundation, local government, or other faith-based institution.[1]

A brief review of representative examples of TED and faith-based CED will illustrate their principal differences and similarities. First, let us look at a representative example of TED.

The mainstream news media frequently report examples of traditional economic development. In June 1997, an article in *Fortune* heralded the opening of a Mercedes automobile plant in Vance, Alabama. The Alabama state government's successful campaign to convince Mercedes to build in Vance is emblematic of TED. Seeking to bolster the economic prospects of Vance and the surrounding communities, the state of Alabama pulled together a $253 million package of investment incentives. "As part of the package, the Alabama business community came up with an $11 million offering, presented to Mercedes as a single bank check."[2] The total package included $77.5 million for roads, water and sewer lines, and other infrastructure improvements; $92.1 million to acquire the site, erect the plant, and construct a training school for prospective auto plant workers; and $83.6 million in training funds, tax rebates, and other incentives.[3]

Vance sits about 50 miles southwest of Birmingham. Prior to the arrival of the Mercedes plant, Vance (population 400) was just another sleepy central Alabama town clinging to the remnants of a withering agriculture-based regional economy. So when Alabama public officials learned that Mercedes was looking for a site for a plant that would employ 1,500, they went all-out to get Mercedes to site the plant in Alabama. The impact studies commissioned by the state of Alabama indicated that the Mercedes plant, if located in Vance, would employ 1,500 workers directly and support the creation of approximately 13,500 other jobs in the state between the years 1997 and 2017.[4] Now, Vance is the home of a 1.2 million sq. ft. plant with the capacity to produce 60,000 sport utility vehicles annually, and its economic star is rising.[5] The state's primary motive for pursuing the Mercedes plant might be described simply as an effort to improve the economic prospects of Vance and the surrounding communities.

The desire to improve the economic prospects of a given community is something TED shares with faith-based CED. A principal difference between CED and faith-based CED is that a faith-based congregation often plays the role of primary coordinator and organizer of the efforts to enhance the economic prospects of a given community. In essence, the faith-based congregation plays a role similar to that typically played by a state or municipal government in TED.

When Reverend Floyd Flake became pastor of Allen African Methodist Episcopal (A.M.E.) Church in Queens, New York, in 1976, the neighborhood surrounding the church was dotted with empty storefronts and other signs of a dying local economy. A number of the buildings in the community were poorly maintained. The streets were littered with broken glass and trash.

> Flake recalls, "We realized we were sitting in the middle of an area that was deteriorating, and the only way to protect our investment was to begin buying other properties."[6]

Flake's first effort at faith-based CED was the building of a 400-unit apartment complex for senior citizens, financed in part by a $10.7 million grant from HUD.[7] Building on that first step, Allen A.M.E. has developed eleven nonprofit entities and several for-profit businesses to serve the needs of its community.

A partial list of these entities follows:

- ❖ The Allen Home Care Agency, LTD—provider of skilled nursing and personal care services;
- ❖ The Allen Housing & Development Fund Corp.—property manager: manages and maintains 300 units;
- ❖ Allen A.M.E. Senior Transportation—provider of transportation to elders;
- ❖ Allen Federal Credit Union—provider of banking services;
- ❖ Allen A.M.E. Hall Estates—developer of 50 new affordable two-family homes;
- ❖ The Allen Transportation Corporation—for-profit charter bus company.

First among these is the Allen Neighborhood Preservation Corporation (the Preservation Corporation). Created in 1978, the Preservation Corporation "has engaged in rehabilitating vacant houses, assisted owners in upgrading and remodeling their homes, acquired property for new housing development, and managed the 30,000-square-foot Multi-Service Center constructed by the City of New York."[8]

In addition to renovating existing homes, the Preservation Corporation has sponsored the development of more than 170 units of new affordable housing. These units are not clustered around the Church. "This is scatter-site housing that has helped to renew and stabilize neighborhoods."[9] A substantial number of these units were purchased by individuals unaffiliated with Allen A.M.E. Church.

A number of the organizations are housed in the South Jamaica Multi-Service Center. Among other things, prenatal and postnatal care is available at the Center. It also houses a number of other state and federally funded social services programs.

In addition to providing affordable housing and various social services, the Church "became a builder of businesses, buying and rehabilitating more than 15 boarded-up storefronts in its Queens, NY, community. Today, these storefronts house a travel agency, medical and legal professional offices, a barber shop, a restaurant, a home-care agency and a preschool."[10]

Over the course of the last twenty years, the Church has been instrumental in revitalizing its community. No longer are the streets littered with glass. Instead, they shine with pride. The major boulevard near the Church is populated with a number of successful ventures, some owned in whole or in part by the Church, others owned by local business people. Allen's commitment to the revitalization of its community has paid handsome dividends for both the community and the Church. The Church's membership has grown from 1,200 in 1976 to over 10,000 members in 1998.[11]

When a faith-based congregation uses its resources and reputation to engage in CED activities as an element of its sacred mission, that is 'faith-based CED.' In other words, faith-based CED occurs when community economic development becomes an integral part of the ministry of a faith-based congregation.[12]

Pastor Flake notes, "Church-sponsored, nonprofit community corporations do not preach the gospel, they bring life to it every day of the week."[13]

Footnotes:

[1] Anitt Wilkinson, “Faith-based Economic Development Initiatives in New England,” *Communities & Banking*, Fall 1999 n27 p. 14.

[2] Justin Martin, “Mercedes: made in Alabama,” *Fortune*, July 7, 1997 v136 n1 p. 150+. Retrieved August 27, 2000 from World Wide Web: http//www.infotrac.galegroup.com

[3] “In the Shadow of Mercedes,” *Time*, November 9, 1998, pp. 40+. Retrieved August 27, 2000 from World Wide Web: http://www.infotrac.galegroup.com

[4] Jay Reeves, “Sweet Mercedes deal leaves bitter aftertaste,” *Journal of Commerce and Commercial*, January 12, 1994 v399 n28141 pp. 9A. Retrieved August 27, 2000 from World Wide Web: http://www.infotrac.galegroup.com

[5] “Mercedes-Benz chooses Alabama,” *Industrial Distribution*, November 1993, p. 9. Retrieved August 27, 2000 from World Wide Web: http://www.infotrac.galegroup.com

[6] Quoted by Tomika DePriest and Joyce Jones, “Economic Deliverance thru the church,” *Black Enterprise*, February 1997 v27 n7, pp. 195-199. Retrieved August 15, 2000 from World Wide Web: http://www.softlineweb.com/bin/KaStasGw.exe

[7] Lloyd Gite, “The new economic agenda of the black church: economic development for black America,” *Black Enterprise*, December 1993 v24 n5, pp. 54-59. Retrieved July 29, 2000 from World Wide Web: http://www.infotrac.galegroup.com

[8] Nile Harper, *Urban churches, vital signs: beyond charity toward justice*. Grand Rapids: Wm. B. Eerdmans Publishing Co., 1999, p. 34.

[9] Nile Harper, p. 34.

[10] Lloyd Gite, p. 54ff.

[11] Nile Harper, p. 32.

[12] This definition was proposed by Philip Clay, Professor, Department of Urban Studies, Massachusetts Institute of Technology, conversation with authors, 14 December 1999.

[13] Nile Harper, p. 34.

2

It is important to step back and assess what the community needs are and what resources are available to bring about change.

Assessing Community Needs and Resources

There are many issues and pulls on community leaders and congregations that can make it difficult to decide on where and how to begin a faith-based community economic development (CED) initiative. It is important to step back and assess what the community needs are and what resources are available to bring about change. In this section of the guide, we discuss how community residents can do a community assessment, usually the first step in a strategic planning process. Using strategic planning, we bring together our values and our community assessment in order to define our strategic vision for the community with reasonable goals and objectives. These steps provide a map for a faith-based community economic development initiative.

Government reductions in spending for the alleviation of poverty have presented new challenges to concerned community leaders in poor urban sections of our cities. The situation requires new ways to revitalize and rebuild our communities using self-help approaches, while competing for ever more limited external sources of funding. Community economic development strategies, which seek to organize self-help efforts that build on local resources, are essential in this political and economic environment. Community economic development (CED) refers to any activity that results in the strengthening of the economic, social, or cultural base of the community, through activities that strengthen the local capacity to address local needs and enhance the community's ability to rebuild itself.

Factors that Characterize Distressed Communities

According to Halpern (1995: 4-18), distressed communities are characterized by such problems as the following:

- Lack of adequate access to finance capital;
- Damaging effects of racial and social exclusion;
- Loss of jobs to the suburbs;
- Significant immigration of rural poor and newly arrived foreign immigrants;
- The loss of community due to the fragmenting effects of ethnic pluralism and urban life, coupled with the shift of social functions from primary institutions, such as family, church, and neighborhood, to bureaucratic ones;
- High school dropout rates, and lack of mobility for the poor;
- Heavy reliance on transfer payments and federal grants;

- Poor or inadequate public services;
- Aging or deteriorated housing stock.

Social isolation, poverty, and joblessness are the core problems of these distressed communities. In his book, *Rebuilding the Inner City,*[1] Halpern examined how the character of poor neighborhoods has evolved historically. He found that neighborhood initiatives to ameliorate poverty often fail because of a reliance on outside resources. John McKnight in *The Careless Society*[2] makes a similar point. He argues that external initiatives to address poverty come in the form of bureaucratic solutions. The bureaucratic approach in turn shifts social functions away from the community to professional caregivers, who are typically from outside the community.

Robert Putnam provides an important framework for analyzing why some communities are healthy while others lack the resources to organize themselves. The key to healthy communities is social capital: "features of social organization, such as networks, norms and trust that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital."[3] Putnam conducted a study of civic participation in Italy over a twenty-year period; he concluded that communities do not become civic because they are rich. Rather, they become rich because they are civic.[4] Civic participation, whether it is in bowling leagues or churches, is necessary for a healthy community. Social capital is a necessary ingredient for successful economic development.

Halpern sees healthy communities as places where people want to live. Community residents share information, work toward common goals, and obtain support from established institutions and relationships. Using formal and informal mechanisms, residents identify and solve problems, reinforce social norms, and promote productive outcomes for themselves and their families. Community residents have mechanisms for securing resources and controlling how responses are developed to issues, that is, social capital. Similarly, the NeighborWorks® network writes, "Healthy communities are those in which rational investment in homes and businesses is possible, residents are involved in decisions affecting community life, and impediments to community life—such as drug dealing, gangs and crime—are actively battled."[5] This is consistent with Robert Putnam's research. Social capital is key to building better communities.

Many of these distressed communities were once healthy communities. According to Lisbeth Schorr (1997: 304), the decline in urban areas has been caused by several factors:

- The loss of the manufacturing base;
- The increased number of women in the workforce;
- Fear of crime; and

- ❖ The decline of neighborhood commercial districts and the rise of technologies in the home such as computers and television, which reduce community-based social interactions.

All distressed communities face some common challenges, such as the extent to which residents have control, the leadership base, development capacity, human resources, infrastructure, and economic diversity. Rural communities often have smaller leadership pools and even greater challenges to the development of infrastructure, economic diversity, and human resources than urban communities. Clearly, we need to nurture social capital, but we will also require strategies to address the structural problems that plague these communities as well.

In community development, it is understood that "the people for whom the development means the most must be the people who set the priorities and choose and execute the tactics that the strategy implies for them."[6] Faith-based CED initiatives can play an important role in revitalizing communities. Congregations already have an organized base within the community. A community planning process is an effective way to begin to mobilize a community and to build leadership capacity in the process.

Community Assessment as a Mobilizing Strategy

Studies of persistent poverty have found that community residents who are active in the development process are building local development capacity and empowering themselves in the process. As the Strategy Development Group of the Boston Foundation/Boston Persistent Poverty has observed, "People living below the poverty line are the real experts about poverty."[7] They know what will work and feel a sense of urgency about the problems. Participatory methods of community assessment often lead to the inclusion of community resources in development projects. The need to create opportunities for community residents to be included as partners in community development is now recognized.

In communities where poverty has persisted, many people are distrustful of community planning assessments conducted by outsiders. Government and other regional planning bodies have often conducted studies of communities without including the community in the research. Those studies are then used in determining the allocation of resources and the design and planning of community development initiatives. Where community residents have been excluded in the design and planning dialogue and community-building, they should conduct their own independent assessments. The rise of community economic development and community-building has given legitimacy to the inclusion of community residents in planning and has fostered support for it in state and local government.

"Asset-based community development," a process addressed by Kretzman and McKnight (1993),[8] is an important internally focused strategy that stresses the importance of building relationships between local institutions, neighborhood associations, and community residents. In asset-based community development, poor communities are mobilized to help themselves. The focus is on what human capacity and other resources, both individual and institutional, exist in the community rather than on what is absent. The process redefines the role of local people in defining the development agenda themselves.

In their book, *Building Communities from the Inside Out*, Kretzman and McKnight provide a critique of conventional approaches to community analysis and a guide for a participatory asset-mapping alternative.[8] The conventional approach to community analysis focuses on the deficiencies, problems, and negative images as the total reality of the community. This denies the wisdom of community residents in diagnosing problems and their capacity to provide solutions. Community residents are viewed as dependent and powerless to act. Outside experts, not neighbors, are considered the only ones capable of resolving problems. The service providers are the ones in control of financial resources. Community leaders have to denigrate their neighbors and community to successfully attract resources to the community. A deficiency strategy ensures that the focus will be on individual successes in overcoming deficiencies rather than on transforming and developing the community. This orientation fosters a sense of hopelessness about the future in community discussions. (See the Conventional Community Needs map.)

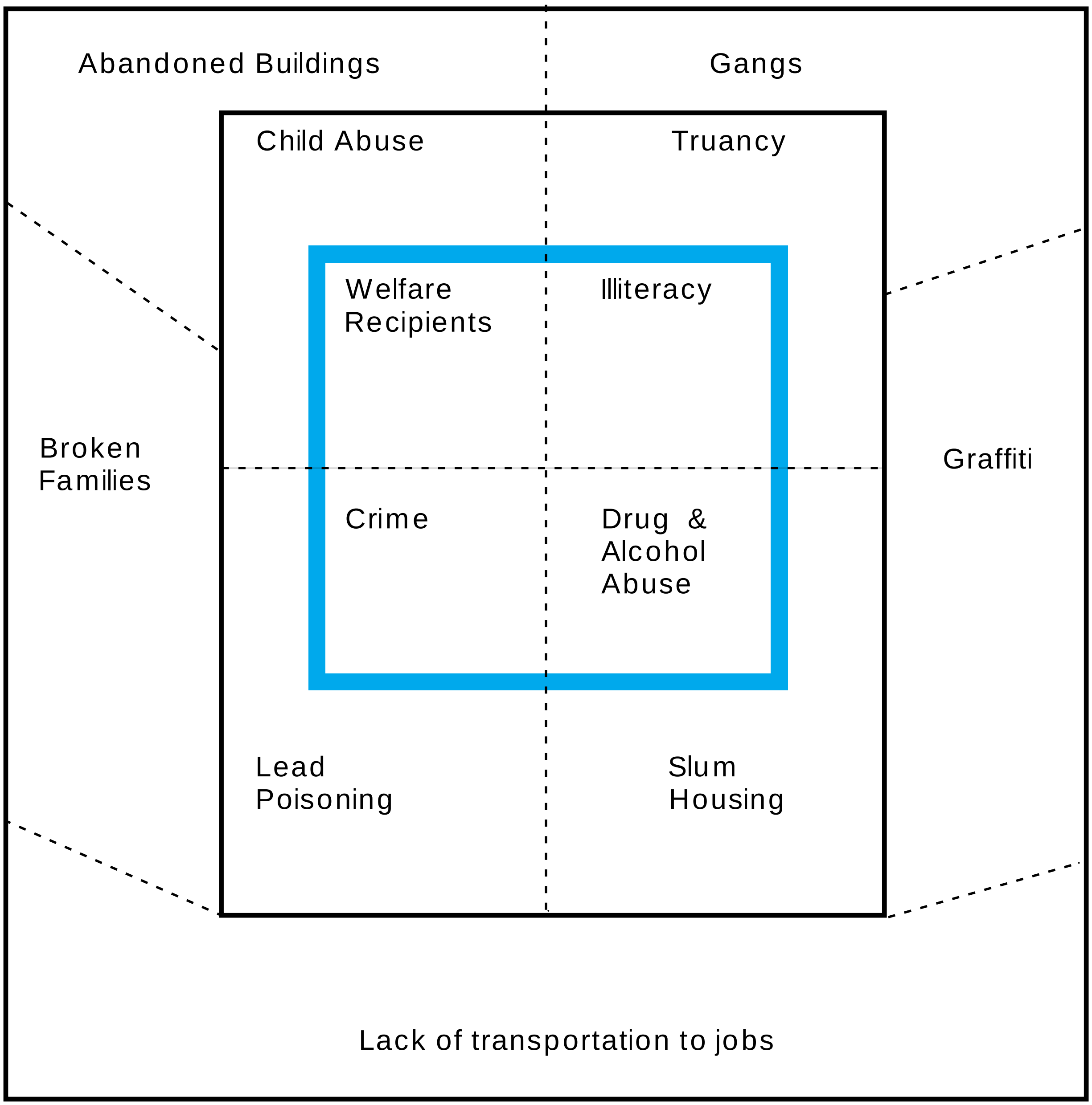
Community asset mapping is an alternative approach proposed by Kretzman and McKnight. In this approach, "asset-based community development" starts by looking at three types of assets:

(1) Assets and capacities located inside the neighborhood and largely under neighborhood control: for example, the skills, talents, and experiences of the residents; individual businesses and home-based enterprises; resident income; community business, civic, and cultural associations; and religious organizations.

(2) Assets located within the community but largely controlled by outsiders: examples are public schools, police, private hospitals, vacant land, and energy and waste resources. These are assets that can be brought under community influence with the right strategy.

(3) Resources originating outside the neighborhood and controlled by outsiders: for example, welfare expenditures, public capital improvement expenditures, and public information.

CONVENTIONAL COMMUNITY NEEDS MAP



Adapted from Kretzman and McKnight (1993:3)

Asset-based community development is characterized as starting with what is present in the community (see the "Community Assets Map")—community residents' and workers' capabilities and assets, and the associational and institutional base. It is an internally focused process that concentrates first on the agenda-building and problem-solving abilities of local residents, local associations, and local institutions. It recognizes the impact of external forces on the community but stresses the importance of building the internal capacity to address the local development challenges.

Finally, Kretzman and McKnight emphasize that this approach is "relationship-driven." As the Boston Foundation observed in *To Make a Community Whole* (1994: 39), there is a need to develop new collaborative philosophies of community-building strategies and to involve and employ community residents in program planning, decision-making, and evaluation.

Congregations are well suited for developing a community assessment. Either in partnership with other congregations or alone, a congregation can undertake a project to map the assets of the congregation and other community residents. Residents can work on developing the questions to include in the study. The Kretzman and McKnight manual includes suggested questionnaires for conducting an asset-based assessment. Once completed, the community assessment can form the basis for the setting of priorities and development of community projects and collaborations.

How to Create a Community Assets Map

Step 1:
- ❖ Identify the people who will conduct the survey and compile the data. Ideally, community residents should do most of the data collection. It may be possible to get student volunteers from a local college to help organize and interpret the data.

Step 2:
- ❖ Gather information on community households and residents' skills.
- ❖ Identify the abilities and best skills of each person.

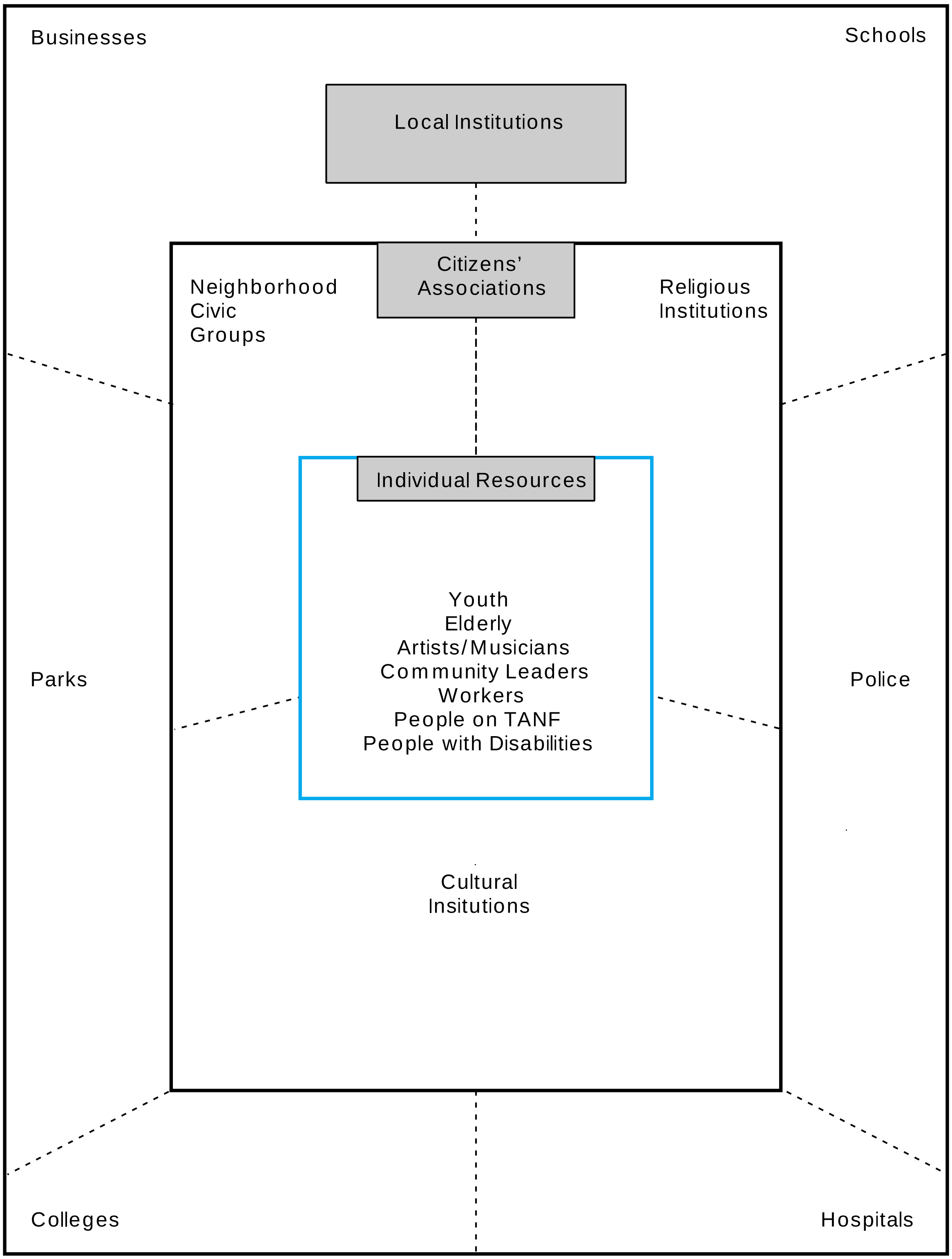
Step 3:
- ❖ Identify community capabilities (community activities in which residents have participated).

Step 4:
- ❖ Record the experiences and skills of entrepreneurs.

Step 5:
- ❖ Collect personal information from people you interview, for future contacts.

Step 6:
- ❖ Organize and interpret the information that you have collected.
- ❖ Write up a summary of what you have learned about your community.
- ❖ It may be possible to get some technical support from a local college or community-based organization in the preparation of your report.

COMMUNITY ASSETS MAP



Adapted from Kretzman and McKnight (1993:3)

Computers and telecommunications have made a new tool available to facilitate the work of doing a community assessment. The HUD Community 2020[9] software makes use of Geographic Information Systems (GIS) for community mapping. This tool enables communities to adapt information on their neighborhoods and prepare sophisticated presentations capable of documenting such problems as joblessness, poverty, and lack of affordable housing. The HUD 2020 software can assist communities in many ways:

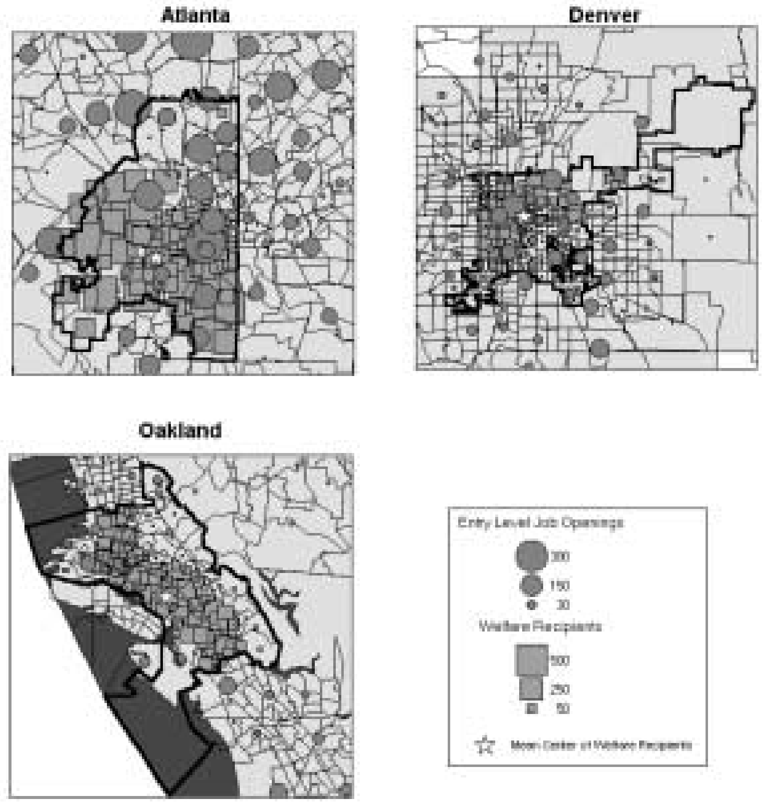
- To democratize information and help stakeholders use information directly.
- To help stakeholders use data to tackle individual issues, but do so in a way that leads toward more comprehensive strategies.
- To use information as a bridge to promote local collaboration.
- To ensure integrity in the data and the institutions that provide them.

As communities build their skills in the use of these tools, they should be able to design indicator systems for the explicit purpose of changing things—not just to monitor trends. Communities will be able to develop indicators at the neighborhood level—not just for the city as a whole. These tools emphasize using information to build capacity in poor communities.

Once a group has conducted an assessment and determined what resources are available, the group will need to develop a strategic vision, define goals, and set priorities. Strategic objectives can be developed and specific projects described, through a strategic planning process. Typically the group will then need to decide which projects or activities can be accomplished, given the available resources. It is time to mobilize the congregation and orchestrate collaborations.

This sample map illustrates how the GIS mapping can be used to illustrate the challenges of getting community residents into entry-level jobs. Information such as this can build a strong case for a community to approach the city government or a local employer to provide affordable transportation for residents to jobs outside the city or to commit resources for business development where residents live.

Map 5



Source: U.S. Department of Housing and Urban Development, Online. Internet 11 July, 2000. Available on the HUD web page, http://www.hud.gov/adm/c2020/into.html and Coalition for Low Income Community Development, Online. Internet. 29, May, 2000. Available on the web page, http://www.clied.org/map/possibilities.htm

Tools for Strategic Planning

The following are some suggested resources to guide you in the strategic planning process:

B.W. Barry (1986) *Strategic Planning Workbook for Nonprofit Organizations*. St. Paul, MN: Amherst Wilder Foundation.

J. M. Bryson & F. K. Alston. (1996) *Creating & Implementing Your Strategic Plan: A Workbook for Public & Non-Profit Organizations*. San Francisco: Jossey-Bass Publishers.

T.D. Connors. (1997) *The Nonprofit Handbook: Management*, 2nd ed. NY: John Wiley & Sons, Inc.

S. Sites (1995) *Advanced Strategic Planning* (VL04) CUNA Volunteer Achievement Program Series.

T. Vigueras. (1995) *Strategic Planning* (V404) CUNA Volunteer Achievement Program Series.

Footnotes:

1 Robert Halpern, *Rebuilding the Inner City*. New York: Columbia University Press, 1995.

2 John McKnight, *The Careless Society*. New York: Basic Books, 1995.

3 Robert D. Putnam, "The Prosperous Community: Social Capital and Public Life," *The American Prospect*, (Spring 1993), pp. 35-36.

4 Putnam, p. 37.

5 NeighborWorks®, "Community Revitalization," Online. Internet. 14 January, 1997. Available at http://www.nw.org/comrev.htm.

6 Stewart E. Perry and Mike Lewis, *Reinventing the Local Economy*. Vernon, B.C.: Center for Community Enterprise, 1994, p. 5.

7 The Boston Foundation/ Boston Persistent Poverty Project, *To Make Our City Whole*. Boston: The Boston Foundation, 1994.

8 John P. Kretzmann and John L. McKnight, *Building Communities from the Inside Out*. Chicago: ACTA Publications, 1993.

9 U.S. Department of Housing and Urban Development, Online. Internet 11 July, 2000. Available on the HUD web page, http://www.hud.gov/adm/c2020/into.html and Coalition for Low Income Community Development, Online. Internet. 29, May, 2000. Available on the web page, http://www.clied.org/map/possibilities.htm

3

Religious institutions are frequently a beacon of stability in low-income communities.

Mobilizing the Congregation and the Community

Religious institutions are frequently a beacon of stability in low-income communities. Often they are the only organizations controlled by the otherwise disenfranchised residents of decaying communities. Religious institutions serve as social organizations validating and transmitting culture by preserving and recreating cultural practices and norms as they minister. Churches can put a decidedly cultural spin on activities intended to address spiritual needs and meet biblical and doctrinal mandates. The perpetuation of cultural identity builds community.

Sherman (1997) notes that congregations that are dedicated to reaching out to broken people and broken places with a message of hope are able also to bolster "decent culture" and counter "street culture." She calls these congregations "RESTORERS."

To counter street culture, RESTORERS reinforce decent culture in at least four ways: They strengthen families; they shore up neighborhood schools; they expose the myths of the consumerist gospel; and they break through the demographic isolation of the ghetto. To counter the problem of chronic dependency, RESTORERS engage in what Rev. Gerald Austin calls "responsible caring." Basically, this means challenging the entitlement mind-set and helping the needy in ways that promote self-sufficiency.[1]

An important facet of these congregations is that they have adopted an outward orientation rather than focusing inward, only on the members of their congregation. The first step in developing a faith-based CED initiative may have to be the education of your membership. The congregation must come to value the opportunities that an outward or public focus will bring to the institution.

The shift to a community ministry is not an easy one for many churches. Community ministry goes "beyond charity," according to John M. Perkins. This requires skills beyond traditional charity and ministerial roles. Short-term solutions are more readily adopted, says Donna Schaper. "Ministry in cities is desperate for these transformations. We are stuck in old, ordinary ways."[2] Short-term solutions are more readily adopted where ministries take care of victims.

> We all give lip service to the misery of this pattern, but few find their way out of it. As a society we seem to be intent on making more victims, whether through poorly conceived welfare policies or the number of social "workers" per square foot.… Upstream ministry, although rare, can be beautiful. Upstream, clients and victims turn into members of congregations and community organizations. Time is taken to

> nourish leadership, to feed it the good bread of scripture and community, of hope and promise, to educate it and ourselves to the real sources of oppression. In upstream ministry, soup kitchens become training centers, shelters become places of education and organization, mental health centers become sites of anger formation, welfare offices become places to protest. Communities don't need "workers"; they need work.[3]

Community ministries are open or public ministries. They have a focus on the community as well as the congregation. The church may see itself as a partner with other community organizations. In an open ministry, the church adopts a community-building approach, which is preventative and fosters the development of a more democratic leadership in the community. Putnam, citing a study by Anne Case and Lawrence Katz, points to the importance of churches.

> Urban poverty and joblessness are directly influenced by community norms and networks and "neighborhood effects." Anne Case and Lawrence Katz, for example, found that controlling for all relevant individual characteristics (such as race, gender, education, parental education, family structure, religious involvement, and so on), youths whose neighbors attend church are more likely to have a job, less likely to use drugs, and less likely to be involved in criminal activity. In other words, churchgoing (the most common form of civic engagement in America) has important "externalities," in the sense that it influences the behavior and life of "bystanders," whether or not they themselves are so engaged.[4]

Ammerman (1997) identified four typical ways that churches orient themselves. Congregations with a "civic" orientation work at being good, cooperative citizens of the community, helping out where they can, without significantly challenging the status quo. Their emphasis is on individual citizenship, in contrast to the corporate action of the "activist" congregations. Activist congregations, who also want to be good citizens, see that goal as requiring advocacy and change. The "sanctuary" orientation is the most otherworldly in seeking to shield members from this world's temptations and prepare them for the world to come. The "evangelist" orientation sees the church as an agent for changing individual lives.

> "Civic" congregations are by far the most numerous. . . . The civic orientation in itself is uninformative for understanding responses to change because it does not specify the community to which the congregation should relate or how it is to accomplish that task. One can endorse the goal of being a good citizen without any clear sense of which needy people should be served or how to work with others toward community

> betterment. When congregations are already well focused on their constituencies, these mission goals give shape to their action. But when the constituency itself is in doubt, the ideas of service, cooperation, and citizenship are not sufficient to motivate adaptation.[5]

Ammerman concludes that activist congregations have openness to new populations and a creative flexibility to adopt new ways of serving their old congregants.

Faith-based organizations develop leaders within their ranks.[6] The abundance of need and dearth of resources allow otherwise ignored and marginalized individuals to surface. A man who works as a janitor during the week may be a deacon on Sunday. In this context people are empowered to take charge, make changes, and forge new opportunities.[7] They can build the social capital of the community. Otto Maduro believes that

> Religion could be—besides and at times, despite other functions—a possible medium, among others, for the articulation and proactive stimulation of a people's empowerment, that is, for the actualization of their capacity to transform their social environment in consonance with their own interests.[8]

Green elaborates on this point in his conclusions on church-based neighborhood renewal. He believes that "congregations can be powerful agents of neighborhood renewal...."[9] Capacity building is necessary for faith-based institutions to achieve this goal. In this section, strategies for mobilizing the congregation and the community will be examined. Once a group has done a community assessment and established strategic priorities, it may realize that it needs to reach out to other groups in the community to accomplish its goals. It is useful to consider how best to organize your congregation if it is new to this community ministry.

In a study of Hispanic Protestant churches, Clamp, Coonan, and Mallona (1997) identified three models for faith-based community ministries:

(1) Congregation-based community development. In this model a single congregation promotes programs and activities within its geographic area of concentration. This model has the advantage of drawing on the resources of the congregation as volunteers and for financial support and physical space for the projects. However, congregations have more difficulty raising outside funds for their projects, since they do not have a 501C3 nonprofit status. This model is also not advisable in denominations that rotate pastors, unless the congregation has strong lay leadership to sustain the programs and activities.

(2) A para-church or community-based organization that provides training and support to a coalition of religious institutions. In this model, a 501C3 nonprofit provides training, technical assistance, and support to various churches for creating community development initiatives. Strategically this approach can take the form of an interfaith group and is able to serve a larger geographic area.

(3) A community development project-oriented para-church or faith-based community-based organization. In this model, a 501C3 faith-based organization functions in a manner similar to a community development corporation. Such groups have the benefit of professional staff who are able to draw on their specialized and technical expertise to participate effectively in collaborations with private, nonprofit, and government entities.

David Mann sees a need for resources to train ministers to be effective leaders, based on the experience of congregation-based community organizing. According to Mann, many ministers have the "hearts and faith, but no method."[10] Ministries committed to improving the lives of low-income and moderate-income families require strong leadership to guide transformation. According to Mann, this requires four elements in ministers' leadership skills: accountability, ongoing evaluation, relationship-building, and mentoring.[11] These are all tools for building social capital.

> Strong leadership, by itself, is not enough if a church's goal is to be an activist for social transformation. Based on the experience of Lutheran Urban Ministry, Richard Luecke argues, *"community revitalization is not achieved through a housing project here, a new school principal there, a jobs program somewhere else.* It begins to look like a circle of things."[12]

It takes organizational capacity and the ability to access the technical expertise necessary to support those projects if they are to be successful. The following case study describes how efforts in New Orleans have piloted the development of faith-based community economic development.

The African American Church Community Economic Development Institute of Greater New Orleans: A Case Study

The Greater New Orleans Foundation launched the African American Church Capacity Building Institute in Community Economic Development in 1998. The Community Economic Development program of Southern New Hampshire University was hired to advise the foundation on the design of the initiative and to develop training for faith-based groups. The training occurred over a period of eight months. The participating congregations were required to send a group of leaders from their congregation or faith-based community organization to participate in all the training sessions. By the end of the training, participants were to develop a project proposal and submit it to the foundation for funding.

The program sought to create the tools and support faith-based leaders' need to become new voices in community economic development in their locale. It also hoped to strengthen the local and regional networks of community economic development and to begin to develop community capacity for implementation of economic development within their parishes. The goals for the two-year program were as follows:

- To build skills and knowledge about promising strategies in CED.
- To broaden the leadership group within the region involved in public decision-making concerning local economic development.
- To demonstrate local programs successfully blending human capital development and sustainable development

The curriculum centered on three fundamental concepts:

(1) *Leadership development* in areas of communication, conflict resolution, leadership style, and group process.

(2) *Community-based business development*, with special emphasis on a community economic development approach, which included the steps of business development and development of a project proposal.

(3) *Planning and leading change for faith-based community economic development,* including how to do a community assessment and how to conduct strategic planning.

Local leaders in community economic development were recruited into the institute as trainers and mentors. Each of the congregations was assigned a mentor to work with them between training sessions and to advise them on the development of their projects during and after the training phase.

The initiative hoped that the various faith-based groups would come to see ways in which they could collaborate and support each other's efforts. The training provided opportunities for peer learning and for mentoring by more experienced groups of the less experienced groups. Training sessions utilized team-building simulations and group work.

The initiative recruited eight congregations to participate in the training. Seven of the groups completed the training and developed a funding proposal. The eighth group had to drop out almost immediately because of flooding from a hurricane. At the end of the training, one of the groups was deemed not ready to move to the next step because they recently experienced a change in their church leadership. The church had had two changes of pastor in two years. The outgoing pastor proposed that a collaborative be developed with six other local churches in order to build a sustainable CED initiative in their area. They have since been funded as part of their newly formed collaborative.[13]

Collaboration is strategically important to faith-based community development. In some denominations, the periodic turnover in pastors is one of the toughest hurdles to overcome.

Collaboration as a Mobilizing Strategy

The increasing popularity of collaboration is often driven by downsizing and cost reductions. As the New Orleans case points out, there are other compelling reasons to use collaborations within the field of faith-based community economic development. Collaboration can be an excellent way to harness resources when groups would not have the capacity to develop a program or activity on their own. Funders often prefer to fund a collaborative organization rather than a single one. In *Religious Institutions as Partners in Community-Based Development*, Scheie et al. (1991) conducted an evaluation of collaborations between religious institutions and other community organizations for the Lilly Endowment. The Lilly Endowment study (1991) identified several partnership structures based on an examination of 28 funded participating projects of religious institutions, including the following:

- A partnership is centered on a single person who may be either clergy or laity and is the dominant decision-maker. Two groups that were started this way are Bethel New Life in Chicago and Brooklyn Ecumenical Cooperative (BEC) in Brooklyn.
- A single congregation forms an affiliated development organization such as the Lawndale Community Church in Chicago or the Abyssinian Baptist Church in Harlem.
- A partnership is formed between a community-based organization (CBO) and one or more congregations. The CBO is usually the lead partner in these relationships. Examples of this approach are Manna, Inc. in Washington, DC, and Quitman County Development Organization, Inc. in Mississippi.
- A group of religious institutions create an affiliated development organization or do development directly. Neighborhood of Affordable Housing (NOAH) in Boston, BEC New Communities, Inc., and interfaith housing groups are examples of this type of partnership.
- A CBO organizes a group of religious institutions, which will be its partners in development. Coastal Enterprises in Maine and Bethel New Life created this type of partnership.

- A hybrid organization (not a religious organization or a CBO) creates a new development partnership or does development directly. The Naugatuck Valley Project in Connecticut and more recently the Merrimack Valley Project in Massachusetts are examples of this type of partnership.
- A CBO and an organized group of religious institutions mutually initiate a partnership. This is the classic partnership of peers. Inner City Christian Federation, which is supported by 50 congregations, partnered with Grand Rapids Area Center for Ecumenism to create a revolving loan fund.

Collaborations exist for the life of the project. A religious organization may be involved in more than one partnership at a time and may be in different types of partnerships. Nor do collaborations have to be with other religious institutions, as illustrated in the Lilly Endowment study.

Collaborative networks can be service delivery networks that seek to coordinate and provide a continuum of services. They can also be composed of public and private stakeholders to focus on community planning or on issues such as public health.

Scheie, Markham, Mayer, Slettom, and Williams (1991: 4) have observed: “Most keys to building strong partnerships with religious institutions are similar to those applicable to other partners.” As with all successful collaborations, there should be shared need, shared values, and shared goals. The organizations must be able to trust one another and be willing to collaborate. Faith-based organizations are not as hurried to move forward as secular institutions, say Scheie et al. This may be a result of their greater reliance on volunteers and the need to be accountable to their membership. Faith-based institutions need project goals and activities that are responsive to their own members and to the people of their community. When the religious institution is an active partner, groups are able to increase access to resources from public and private as well as religious sources.

Two successful neighborhood collaborative initiatives that have been documented are the Dudley Street Neighborhood Initiative in Boston (see Medoff and Sklar: 1994) and the Lawndale Community Church in Chicago (see Gordon: 1995). While the Dudley Street Neighborhood Initiative is not a faith-based initiative, it has had the important support of the local Catholic Church, St. Patrick’s, in the advisory group and as a site to host events. Lawndale is a faith-based model based in the Lawndale Community Church. The stories of their experiences, as recounted in these source documents, can be a very good introduction for newcomers to this sort of initiative.

Hastad and Tymeson (1997), in their article "Demonstrating visionary leadership through community partnerships," identify six steps to developing collaborative ventures. The *first* is to identify community needs that match your strategic vision. As outlined earlier in this guide, a community assessment and the strategic planning process can establish the context for initiating collaborative efforts. Hastad and Tymeson recommend that you not attempt to address multiple issues but instead identify one need and focus time, resources, energy, and talent to that need. In the process of the assessment and planning, potential partners may be identified in the analysis of the stakeholders in your community. You can facilitate this process if you obtain support from your organization for collaboration in the development of your strategic plan.

The *second step*, according to Hastad and Tymeson, is to orchestrate collaboration. They caution that one should be sure to narrow the focus of the initiative but to think big in terms of the involvement of potential partners. Do research on the organization that you wish to recruit as a partner. Learn about its mission and history. Review annual reports or other documents to assess its financial position, resource base, and previous experience in collaborations and other community initiatives. Speak to others familiar with the organization's track record. Once you are sure that this is a suitable partner, identify the appropriate contact person(s) in the organization and initiate discussions with them. Your research on the organization should help you to determine who the best contact person is, and whether it is best to initiate contact by phone call or by letter. In some cases, the best initial contact may be face-to-face. You should have a well-defined agenda and a proposal for review. The proposal should outline the goals, objectives, target audience, activities, and roles of potential partners. Go prepared to present the benefits of the collaboration to the potential partner.

The *third step* is to capitalize on community assets. If you have done an asset mapping assessment using Kretzman and McKnight's method, you can use your findings to get you started. Share your findings with all partners and discuss whether the findings are complete or need further work.

Formalizing the partnership is the *fourth step*. It is important to spell out the duties, commitments, and responsibilities of all the participants in the partnership. Since you are the lead partner, it is up to you to draft the document that spells out the partnership. It should detail the goals, activities, method of evaluation of the initiative, length of the partnership, liability issues, any use of facilities, and other factors needing clarification. The partners should be given time to review the agreement. Allow for several drafts in this step. Once the agreement is final, a press event can be organized where the highest-ranking officials gather to sign the agreement and publicly acknowledge the collaborative effort and its potential value to the community.

The *fifth step* is to encourage the collaboration. The encouragement can take a number of forms. Its purpose is to maintain the interest, energy, and commitment of the partners. In some cases, partners will receive compensation for staff time on the project. When the project involves uncompensated time for volunteers, it is important to build in ways of acknowledging the efforts of volunteers. Media events and press releases can showcase the partnership and the efforts of individuals. Open houses and informal gatherings are also effective. In some cases, the development of a publication about the initiative will encourage the collaboration. Since one of the reasons for collaboration is to capture outside funds, these types of public events can be very helpful for gaining recognition and support for your efforts.

Step six is to retain leadership. The success of collaborations and their future direction often depend heavily on the visionary leadership of the lead partner. The lead partner also needs to be able to work effectively with the other partners and to deflect credit to the other partners for the success of the collaborative effort.

This section has outlined methods and strategies for organizing your congregation to do faith-based CED. The next section will present examples of successful efforts.

Footnotes:

1 Amy L. Sherman, *Restorers of Hope.* Wheaton, IL: Crossways Press, 1997, p. 48.

2 Donna Schaper, "Bricks Without Straw," in *Envisioning the New City*, ed. Eleanor Scott Meyers, Louisville: Westminster/John Knox Press, 1992, p. 31.

3 Schaper, p. 35.

4 Robert D. Putnam. "Bowling Alone, Revisited," *The Responsive Community*, (Spring 1995), p. 19.

5 Nancy Tatom Ammerman with Arthur E. Farnsley II et al. *Congregation and Community.* New Brunswick, NJ: Rutgers University Press, 1997, pp. 338-339.

6 Manuel Ortiz describes this as a major issue of Hispanic ministry, in *The Hispanic Challenge*, Downers Grove, IL: Intervarsity Press, 1993, p. 129.

7 A.F. Deck, "Latinos Shift Loyalties," *The Christian Century*, (6 April 1994): 2 pp. Online. Infotrac Search Bank. 17 September 1996. Available.

8 Otto Maduro, "*Notes Toward a Sociology of Latina/o Religious Empowerment*," in Hispanic/Latino Theology ed. Ada Maria Isasi-Diaz and Fernando F. Segovia, Minneapolis: Fortress Press, 1996.

9 Green, p. 285.

[10] David Mann, "Pastor, Priest, Organizer: Leadership in Community Ministries." in *Envisioning the New City*, ed. Eleanor Scott Meyers, p. 67.

[11] Mann, pp. 68-69.

[12] Richard Luecke, "Themes of Lutheran Urban Ministry, 1945-85," in *Churches, Cities, and Human Community*, ed. Clifford Green, Grand Rapids: Wm. B. Eerdmans Publishing Co., p. 3.

[13] Greater New Orleans Foundation, (2000, February). F.B. Heron Foundation, "Reporting on Project Support Grant," African American Church Community Economic Development Institute. New Orleans, LA: Greater New Orleans Foundation.

4

You must act as if it is impossible to fail.

Successful Models of Faith-Based CED Activities

You must act as if it is impossible to fail.[1]

All successful faith-based community economic development projects share a common characteristic: They address a pressing need. In general, successful community-based enterprises share three traits:

(1) They address an existing problem or need;
(2) They participate in growing markets; and
(3) They do not require employees with extensive formal training.

In this chapter, we will look at three examples of successful faith-based CED projects: The REACH program of Greater Christ Temple (Meridian, MS); the Revolving Loan Fund of First AME Church (Los Angeles, CA); and NOI Security Agency, Inc. of the Nation of Islam (Washington, DC). These three examples illustrate how successful ventures are developed by addressing a need of a community.

Greater Christ Temple (Meridian, MS)[2]

Can a small church with fewer than 50 members and no support from foundations or federal, state, or local authorities successfully initiate a faith-based CED project? Bishop Luke Edwards, pastor of Greater Christ Temple, would answer with a resounding "Yes."

When Pastor Edwards founded the Pentecostal church in 1974, it had only 35 members (33 were on welfare). Within the first year, Edwards had convinced the members to pool their food stamps and buy their groceries wholesale. With the money they saved from buying wholesale, the members bought peanuts and resold them in the church basement. By 1975, church members were selling food to community members out of a makeshift food market set up in the church.

By 1978, the congregation had generated an $18,000 nest egg, allowing them to buy a small local supermarket. The congregation ran the supermarket for several years before selling it. During the same period, the congregation created a nonprofit corporation, REACH Inc., to house its faith-based CED projects. Today, Reach Inc. (Research Education And Community Hope) owns, among other things, two motels, three restaurants, a bakery, a four-thousand-acre farm with a thousand head of cattle, a hog operation, two chicken farms and two meat-processing plants.

The congregation of Greater Christ Temple has built its successful faith-based initiatives largely around one of our most basic needs: Everyone has to eat! They grow crops; raise cattle, hogs, and chickens; and operate restaurants. They met a need and have prospered.

First A.M.E. Church (Los Angeles, CA)[3]

First A.M.E. Church also has developed a number of successful faith-based CED initiatives by discerning and responding to the pressing needs of its community. While the church has developed more than a dozen successful initiatives during the last ten years, we will focus on one, the Business Resource Center. The center operates a revolving loan program for entrepreneurs who wish to start or expand their own businesses.

The Business Resource Center was started after the civil unrest that accompanied the acquittal of the police officers accused of beating Rodney King. Prior to the civil unrest, the church had a long and proud tradition of providing education and social services. After the burning and destruction in April 1992, the church began to commit its considerable resources and influence to work for economic development. The Church adopted the acronym FAME (First A.M.E.) to describe collectively its various community-focused ministries.

A major element of the FAME program is a Revolving Loan Program that makes loans to inner-city businesses ranging from a few thousand dollars to one-quarter million. So far, the program has made more than 60 five-year loans, for a total of $1.4 million. All payments go back into the loan program so that the Business Resource Center can continue to provide financing.

Successful businesses assisted by FAME include a shopping center, Prime Tech Electronic Manufacturing, Athletic Apparel Retailing, Pyramid Art Gallery, and several restaurants. Business Resource Center Director Linda Smith notes that there are two different loan programs: the Micro Loan program, which provides loans in amounts up to $20,000, and the Financial Restructuring Assistance Loan program, which provides loans in amounts from $50,000 to $250,000.

The initial $1 million for the Micro Loan program came from the Walt Disney Corp., which had put out a Request for Proposal (RFP) to manage a loan program. Recalling FAME's efforts to secure the funds, Smith noted:

> They [Walt Disney] recognized that one of the primary causes of the social ills in our community is a lack of economic development and good jobs and that job creation requires more than just getting a big company to hire people. . . . It also

> means nurturing small business development so they can, in turn, nurture growth and hiring from within their own community.

The original proposal guidelines stipulated that 30 percent of the money go to start-ups and 70 percent to existing businesses that could not qualify for conventional bank financing. The average loan in 1993, the program's first year, was $10,000. Loan applications must include a comprehensive business plan of the sort a conventional banker would require. By doing this plan, the applicants prepare themselves for the time when they must seek credit from conventional financing sources.

The completed applications are reviewed by the Business Resource Center's staff and distilled into five- to six-page written summaries that highlight the skills and expertise of management, financial forecasts, key risks, and, for existing businesses, prior performance. These summaries are reviewed by the Center's loan committee.

Linda Smith's initial contact with the Business Resource Center was as a volunteer on the loan committee. She was one of fifteen individuals who served on the first loan committee, which included professional bankers like Smith, entrepreneurs, and representatives of other community-based organizations. "You must bring in that professional expertise because the credit process is more than just handing out loans," says Smith. "There is a whole administrative process that is very labor-intensive and time-consuming," she adds.[5]

An applicant also must make a brief presentation to the loan committee. "*The consensus was that character was a key component in the process*," Smith says, especially since a number of the loan requests fail to meet conventional underwriting standards. "We look past the traditional benchmarks to determine if it will be a good or bad loan." Meeting the individual making the loan request helps the loan committee decide whether the applicant has the experience and skills to succeed. Sometimes, after a presentation, it is apparent to the loan committee that the applicant did not produce the business plan. Other times, an applicant clearly demonstrates a competence and capacity to succeed that were not conveyed by the written business plan, and the committee will approve a loan it might otherwise have declined.

"Micro-lending in itself is not sufficient to meet the needs of an underserved community, but it's a stepping stone you can build on for the next opportunity," explains Smith.[6]

The successful track record of the Micro-Loan Program enabled the Business Resource Center to compete for and win a U.S. Commerce Department grant, which helps businesses that were hurt by the Northridge earthquake but denied assistance from the Small Business Administration. The Commerce Department grant totaled $2.4 million and was used to establish the Financial Restructuring Loan Program for businesses recovering from the earthquake. Business Resource Center loan recipients whose businesses have been in operation less than two years also participate in a ten-week entrepreneurial training program. The Financial Restructuring Assistance Loan program provides loans in amounts from $50,000 to $250,000.

Once the loan application process has been successfully completed, FAME's moral and technical support network kicks in. "Our membership base has some 300 attorneys, 200 CPAs, and 700 business owners," explains Mark Whitlock. "For every loan we make, the recipient also gets a mentor to help support that business." Finally, there is that crucial business advantage: "We suggest to the congregation that they do business with the company owner we just made a loan to."[7]

FAME's Director of Economic Development, Mark Whitlock, summarizes the church's faith-based CED initiative in the following way:

> We are on fire for correcting the economic livelihood of communities. We burn the midnight oil managing economic development programs. Our effort focuses on job creation, business development, transportation, legal aid, and environmental protection. The multicultural voice of FAME (First AME) Renaissance accomplishes its mission via public and private sector collaboration, and through the enabling power of the One who calls all things into being.[8]

To paraphrase Mark Whitlock, FAME not only tends to the socioeconomic wounds of its South Central community, it attempts to cure the economic deficiencies that cause the wounds, by addressing the community's fundamental needs… like the need for credit and capital.

Nation of Islam (Washington, DC)

The third example of a successful faith-based CED project involves the Nation of Islam (NOI). Well known for its leader, Louis Farrakhan, NOI is also becoming well known for its security work in inner-city neighborhoods. The market for private security services has shown tremendous growth during the past two decades, and the NOI has seized the attendant business opportunity.

Private security consists of physical security, alarm services, private investigations, locksmiths, security consulting services, and manufacturers and distributors of security equipment. NOI is a provider of physical security, which typically involves the provision of one or more of the following services:

- Controlling and monitoring the access of persons and vehicles;
- Preventing and detecting unauthorized intrusions; and,
- Safeguarding property (information, buildings, materials and equipment).

The key elements in physical security are trained guards for patrolling on foot or in vehicles, maintaining fixed security posts, monitoring entry areas, and overseeing internal protection systems.

While the National Crime Survey actually shows sharp declines in most areas of violent crime, a broad spectrum of Americans reports a diminished sense of personal safety. This broadly held perception has fueled and continues to fuel a growing demand for security guards. According to the U.S. Bureau of Labor Statistics, as published in its *Outlook 2000*, security operations rank among the top eight service industries in terms of growth rates. The following chart summarizes their findings and projections.

Year:	1980	1990	2000
Gross Annual Revenues: (Contract Guards)	$6.0 billion	$9.8 billion	$21 billion
Number of Companies: (Contract Guards)	7,500	10,000	15,000
Employees: (Contract Guards)	n/a	520,000	750,000

The average annual revenues per company for the private security guard sector are $980,000, with an average workforce of 52.

The security industry is not federally regulated, although most states do have laws requiring agencies to obtain a license and mandating minimum standards for screening and training personnel. While approximately 75 percent of the states regulate the private security industry and its employees to some extent, in general the various state provisions are not stringent. Liability and bonding insurance are required by some states, but the amounts of the surety typically range from $2,000 to $5,000.

The Nation of Islam has seized the opportunity to participate in this high-growth business. In addition to its high growth trend, setting up a private security firm does not require much capital. By comparison, starting a small restaurant would require more capital. Finally, the employees do not require extensive formal education. NOI has obtained security contracts in New York, Chicago, Philadelphia, Los Angeles, Atlanta, and Baltimore. Spike Lee, the film producer, has used NOI security services on a number of his films.

The faith-based initiatives of Greater Christ Temple (Meridian, MS), First A.M.E. Church (Los Angeles, CA), and the Nation of Islam testify to the variety among faith-based CED projects. Despite their differences, these three examples illustrate that most successful faith-based CED projects share a common characteristic: They address a pressing need. In general, successful community-based businesses share three traits:

(1) They address and solve an existing problem or need;
(2) They participate in growing markets; and
(3) They do not require employees with extensive formal training.

Footnotes:

[1] Iyanla Vanzant, *Acts of Faith: Daily Meditations for People of Color*. New York: Fireside, 1993, April 14.

[2] This description of Greater Christ Temple's faith-based CED projects largely relies on two articles: Lloyd Gite, "The new agenda of the black church: economic development for black America," *Black Enterprise*, December 1993 v24 n5, pp. 54-59, and Ralph R. Reiland, "Mixing religion & business," *Commonweal*, June 2, 1995 v122 n11, pp. 6-7.

[3] This description of Greater Christ Temple's faith-based CED projects largely relies on the following four sources:

I. Tomika DePriest and Joyce Jones, "Economic deliverance thru the church," *Black Enterprise*, February 1997 v27 n7, pp. 195-199.

II. Lloyd Gite, "The new agenda of the black church: economic development for black America," *Black Enterprise*, December 1993 v24 n5, pp. 54-59.

III. Nile Harper, *Urban churches, vital signs: beyond charity toward justice*. Grand Rapids: Wm. B. Eerdmans Publishing Co., 1999, pp. 244-53.

IV. John Orr, Los Angeles Religion: 1998 Civic Profile. Los Angeles: Center for Religion and Civic Culture, 1998. Available http://www.usc.edu/dept/LAS/religion_online/center_publ.html.

[4] Quoted by Tomika DePriest and Joyce Jones.

[5] Quoted by DePriest and Jones.

[6] Quoted by Tomika DePriest and Joyce Jones.

[7] Quoted by Lloyd Gite.

[8] Quoted by Harper Nile, *Urban churches, vital signs: beyond charity toward justice*. Grand Rapids: Wm. B. Eerdmans Publishing Co., 1999, pp. 247-248.

5

Unto all things there is a season….

Creating a Legal Entity for Faith-Based CED Activities: The Major Issues

Unto all things there is a season….

Introduction

As faith-based congregations engage in activities beyond the conduct of worship services and the traditional programs that address the immediate needs of the poor (for example, a soup kitchen), the question of how to organize and control the new activities arises. Addressing this task requires the consideration of three major factors: the nature of the proposed activity (function), the desired governance structure, and taxation.

Goals and Objectives

The goal of this chapter is to familiarize the reader with the three major factors that influence the decision to "house" a given faith-based CED activity in either a for-profit corporation or a not-for-profit corporation. For example, a church may have a kitchen that is only used on Sundays. The congregation may elect to use the kitchen to sell meals. In this instance, the activity is the preparation and sale of meals. Should the congregation house that activity in a for-profit corporation or a not-for-profit corporation?

The objectives of this chapter are the following:

- Answer the question, "What is a corporation?"
- Identify the advantages and difficulties associated with establishing and running a corporation.
- Indicate the principal difference between "for-profit" and "not-for-profit" corporations.
- Identify which characteristics typically qualify a not-for-profit corporation as "tax-exempt."
- Outline the basics steps necessary to establish a faith-based community development corporation (CDC).
- Describe several basic models for the governance of a faith-based community development corporation (CDC).

Disclaimer: *Before reading any further, please note that the observations, suggestions, and opinions expressed in this chapter are no substitute for consultation with appropriate legal counsel and, thus, should not be relied upon in making decisions. It is strongly advised that you consult with a competent lawyer and/or tax professional in your state before acting on any of the matters discussed here.*

The purpose of this chapter is to provide the reader with some familiarity with the important issues that might be considered in designing legal entities to house faith-based CED activities. This material may assist the reader in preparing for a consultation with a lawyer.

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Major Advantages and Difficulties Associated with Establishing and Operating a Corporation

The principal reason for establishing a separate corporation to house any faith-based CED activity is to protect the assets of both the members of the congregation and the religious corporation. If a religious corporation operates a job-training program and one of the participants is injured, the religious corporation may be deemed legally responsible. While liability insurance offers some protection, the more prudent course typically is to establish a separate corporation to house and run the faith-based CED activities.

When we use the term “religious corporation,” it implies that the faith-based congregation has established a not-for-profit corporation to “house” all of the activities and assets associated with the congregation’s worship services and practices. If the faith-based congregation is not properly incorporated as a not-for-profit corporation, a “religious corporation,” the first step in creating a structure to house faith-based CED projects is probably the legal incorporation of the congregation. Many congregations operate as an “unincorporated association,” which is a legal structure that has much in common with a general partnership. Typically, each partner in a general partnership has unlimited liability for the debts and actions of the other partners. Similarly, in an unincorporated association, individual members potentially may be held liable for the negligent acts of the minister, the congregation’s employees, or other members. Under most circumstances, a faith-based congregation operating as an unincorporated association will want to incorporate as a not-for-profit corporation.

In addition to the legal protection afforded the religious corporation, the establishment of a separate corporation may make it easier to secure funds to finance the proposed faith-based CED activities. We will explore this further, later in the chapter.

A third advantage of establishing a separate corporation is that it can create an institution that brings together various disparate stakeholders. “For example, a faith-based CDC that is initially formed by one religious corporation can include people from different community groups and religious corporations on its board of directors.”[1]

While there are definite advantages to establishing a separate corporation to house faith-based CED activities, it takes time and effort to establish and operate a separate corporation. The operation of every corporation requires maintaining books and records, the filing of tax returns, and the like.

The Three Major Factors to Be Considered

Function: The first factor to be considered is the nature of the activity to be undertaken (that is, the proposed function). A faith-based congregation might want to start an elementary school, a licensed daycare center, a restaurant, an employee referral service, an auto repair shop, or a credit union. Let's return to our previous example, the congregation with a kitchen that is only used on Sundays. The congregation may elect to use the kitchen to sell meals. So, the activity is the preparation and sale of meals. "Should the congregation house that activity in a *for-profit* corporation or a *not-for-profit* corporation?" The answer to that question depends largely on the answers to four questions:

(1) Who will purchase the meals?

(2) What is the anticipated price of the meals?

(3) Who will prepare the meals?

(4) What are the expected profits from the activity?

For example, if the kitchen plans to prepare meals primarily for homeless individuals and charge $1.00 a plate, the activity probably would best be housed in a not-for-profit corporation, because the overriding objective is to feed the homeless and not the generation of profits.

In contrast, if the kitchen is slated to support a catering service that primarily will serve Fortune 500 firms and generate significant profits, that activity would best be housed in a for-profit corporation.

Governance: In addition to function, some attention must be given to the issue of governance. Governance is another way of asking, "Who will control the corporation?" For example, a congregation might create a corporation to house a specific business activity. Assuming the corporation's affairs are to be overseen by a board of directors, some thought must be given to who will participate in the election of future members of the board. How often will elections occur? Will all board members be replaced at the same time?

Taxes: Finally, we come to taxes. Will the proposed activity generate sizable profits? Could the income generated by the proposed activity jeopardize the religious corporation's tax-exempt status if commingled with the congregation's tithes and offerings?

Before we revisit each of these three factors in more detail, it would be helpful to identify the various types of corporations and define a few terms.

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Types of Corporations

What Is a Corporation?

The "corporation" is one of three forms of business organization. The other two forms are the proprietorship and the partnership. The corporation is the only form of business organization that is legally considered an entity separate from the individuals that own and/or manage it. Legally, a corporation has the capacity commercially and contractually to do anything that a person might do. Legally, it is responsible for its actions. "The corporation's directors, officers, and members are only vulnerable to third-party lawsuits in limited circumstances, such as if they act in a manner inconsistent with a true corporate structure or if they personally engage in unlawful behavior."[2]

Generally, corporations are creatures of the state laws under which a given corporation is formed. For example, different laws of the Commonwealth of Massachusetts authorize the formation of for-profit corporations and not-for-profit corporations. Each of these laws contains a number of rules regarding the governance and operation of that specific type of corporation.

For-Profit Corporations:

For-profit corporations typically have as their principal objective the generation of profits via some commercial activity. A for-profit corporation is owned by its shareholders. Typically, the shareholders elect the board of directors, and the board of directors is charged with running the corporation in a manner that enhances the value of the firm for the benefit of the shareholders.

Not-for-Profit Corporations:

Not-for-profit corporations do not have shareholders. In some instances, they might have members (for example, a church). Unlike a for-profit corporation, a not-for-profit typically has as its principal objective something other than the generation of profits. In other words, the organization must be organized and operated to further some charitable purpose (religious, educational, scientific, or literary activity; assisting the poor; testing for public safety; fostering national or international amateur sports competition; or preventing cruelty to children or animals, for example). Not-for-profit organizations include a wide variety of organizations: colleges and universities; hospitals; trade associations; veteran and fraternal organizations; performing arts groups, and the like. Your local chamber of commerce probably is a not-for-profit corporation.[3] Further, with the exception of reasonable wages or compensation for services rendered, no part of the assets or income of the not-for-profit corporation may be distributed or inure to the benefits of the organization's employees, officers, directors, or members.[4]

Generally, corporations are creatures of the state under whose laws a given corporation is formed. The laws of most states provide for four types of not-for-profit corporations: A, B, C, and D. While the laws of the various states may vary with respect to some of the rules regarding the governance and operation of a given type of corporation, the basic categories are relatively consistent across the fifty states.

"Type A corporations, which are generally formed for the benefit of their members, include fraternal societies and trade associations. Type B corporations include those corporations with "charitable," educational," or "religious" purposes. Type C corporations are those corporations that are organized for any lawful business purpose but with dominant or ultimate objectives that are not-for-profit. Finally, Type D corporations are those corporations that are authorized under another state law, such as the Private Housing Finance Law."[5]

Not all not-for-profit corporations are eligible to receive tax-deductible contributions. To be eligible to receive tax-deductible contributions, a nonprofit corporation must be deemed by the Internal Revenue Service (IRS) to be both organized and operated primarily for one or more of the "charitable" purposes specified in the Internal Revenue Code (Code).

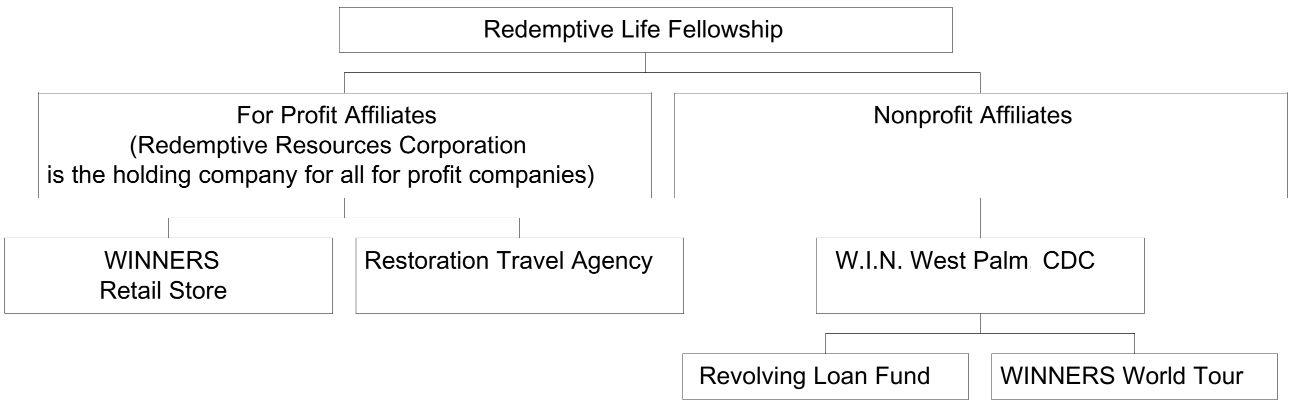
Tax-exempt corporations are those not-for-profit corporations recognized by the IRS to be both organized and operated primarily for one or more of the 'exempt' purposes specified in section 501(c)(3) or other appropriate sections of the Code. Generally, tax-exempt corporations are Type C not-for-profit corporations.

In this discussion of the three major factors that influence the desired legal structure, proposed function, desired governance structure, and taxation are discussed separately for convenience. In reality, one would consider all of these factors concurrently before arriving at a final decision.

I. Function

The first factor to be considered is the nature of the activity to be undertaken (the proposed function). A faith-based congregation might want to start an elementary school, a licensed daycare center, a grocery store, an employee referral service, a travel agency, or a revolving loan fund.

Organization Chart
for
Redemptive Life Fellowship



<u>Note</u>: The above chart does not show all of the entities affiliated with Redemptive Life Fellowship. It was adapted from a chart shown in the following source: Harold Calvin Ray, *Corporate Organization and Structure for Church Related Business*. West Palm Beach, FL: Redemptive Life Press, p. 13.

Using this simplified organization chart for Redemptive Life Fellowship (West Palm Beach, FL), we can illustrate how function informs legal structure. Redemptive Life Fellowship operates a retail clothing and accessories store, a travel agency, and a revolving loan fund, and via WINNERS World Tour, it sponsors fashion shows. The retail store (WINNERS) and the travel agency (Restoration Travel Agency) are organized as for-profit businesses. Both the store and the travel agency do a substantial amount of business with the general public with the intent of generating a profit. Neither of these businesses would seek grant funding or support from a private foundation or a public agency. Both the retail store and the travel agency may seek conventional bank financing in the future. So, given the nature (function) of these two businesses (all else being equal), it makes sense to organize these activities in a for-profit corporation.[6]

In contrast, Redemptive Life Fellowship also operates a revolving loan fund and WINNERS World Tour (a sponsor of fashion shows). At first glance, it might seem advisable to organize WINNERS World Tour as a for-profit organization. It periodically organizes fashion shows that feature the clothes and accessories sold at the WINNERS retail store. However, a closer examination reveals that one of the primary purposes of the WINNERS World Tour is to "promote [positive self-] esteem, dignity and poise" among the youth who participate in the fashion shows. Further, all net proceeds from the fashion shows fund scholarships for needy inner-city students. Finally, the fashion shows are held infrequently. For these reasons, WINNERS World Tour is conducted under the umbrella of a not-for-profit corporation, W.I.N. West Palm Community Development Corporation.[7]

Like the WINNERS World Tour, the revolving loan fund is operated under the umbrella of W.I.N. West Palm CDC. The revolving loan fund provides loans to entrepreneurs who find it difficult to secure credit from traditional sources. As a result, the revolving loan fund typically would seek grants and contributions from foundations and public agencies that are concerned with those members of society with limited access to credit. To add to its available funds for lending, the revolving loan fund typically would seek capital from foundations and federal, state, county, and municipal agencies. Often, foundations and public agencies are limited in their ability to provide funds and support to for-profit corporations. So, by operating under the umbrella of a not-for-profit corporation, the revolving loan fund expands its possibilities for both raising capital and securing grants.

II. Governance

Attention must also be given to the issue of governance. For example, a congregation might create a corporation to house a specific business activity. Assuming the corporation affairs are to be overseen by a board of directors, some thought must given to deciding who will participate in the election of future board of directors. How often will elections occur? Will all board members be replaced at the same time?

As we noted earlier, the law conceives of a corporation as a “legal” person. More specifically, the law sees a corporation like an orphaned minor child. Because a minor typically lacks the judgment and skills to see to its own welfare, a court will appoint a guardian or trustee to be responsible for the child’s welfare. Similarly, a corporation is not capable of any action without the intervention of some person. The law conceives of the board of directors (or the equivalent body) of a corporation in a role analogous to that of a guardian of a minor. The law has similar expectations of a board of directors with respect to its duties and obligations to the corporation.

Typically, the elements of governance of a corporation are prescribed in the bylaws of the corporation. The bylaws generally note who is eligible to serve on the board of directors (or equivalent body). The number of directors (trustees, overseers, or the like) is specified. The bylaws also specify the frequency of election of the board of directors and the length of each director’s term in office. Most important, they indicate who may participate in the election of directors.

At one extreme, one finds not-for-profits where the current board of directors picks any and all new directors without consultation with other parties. At the other extreme, you may have a not-for-profit CDC in which all members participate in the election of the board of directors and membership can be held by anyone who pays a small membership fee. Each organization must determine the arrangement that best suits the situation. However, it is generally advisable to create some mechanisms for capturing the input of the various stakeholders of the faith-based CED initiative in question.

Finally, the bylaws typically specify the officers of the corporation and their powers.

Generally, a not-for-profit corporation offers more flexibility for creating nontraditional governance structure.

III. Taxes

This brings us to the third and final factor—taxes. Will the proposed activity generate sizable profits? Could the income generated by the proposed activity jeopardize the congregation's tax-exempt status if commingled with the congregation's tithes and offerings?

It is helpful here to revisit Redemptive Life Fellowship (West Palm Beach, FL). As we noted earlier, Redemptive Life Fellowship operates a retail clothing and accessories store, a travel agency, and a revolving loan fund, and via WINNERS World Tour, it sponsors fashion shows. The retail store (WINNERS) and the travel agency (Restoration Travel Agency) are organized as for-profit businesses. In both instances, the store and the travel agency do a substantial amount of business with the general public with the intent of generating a profit. Neither of these businesses would seek grant funding or support from a private foundation or a public agency. While the retail store and the travel agency are patronized by members of the congregation, neither of the activities was deemed by the IRS to be one of the "exempt" purposes specified in section 501(c)(3) or other appropriate sections of the Code. As a result, any monies generated by these two activities would be deemed taxable, whether they occurred in a for-profit or not-for-profit corporation. So, all other things being equal, the tax treatment would suggest that both the retail store and the travel agency be organized as for-profit corporations.

In contrast, Redemption Life Fellowship operates a revolving loan fund that provides loans to entrepreneurs who find it difficulty to secure credit from traditional sources. The activities of the revolving loan fund would be deemed by the IRS to be one of the "exempt" purposes specified in section 501(c)(3) or other appropriate sections of the Code. Therefore, grants from foundations and contributions from individuals would qualify as tax-exempt. Often, foundations and public agencies are limited in their ability to provide funds and support to for-profit corporations. By operating under the umbrella of a not-for-profit corporation, the revolving loan fund expands its possibilities for both raising capital and securing grants.

Incorporating a Faith-Based CDC: The Steps[8]

While some congregations will deem it appropriate to establish both for-profit and not-for-profit corporations to house their various faith-based CED activities, with few exceptions, all will want to establish a CDC (Type C not-for-profit). In this section, we outline the five basic steps required to incorporate a faith-based CDC:

1. Select a corporate name;
2. Prepare and sign a certificate of incorporation;
3. Obtain required approvals and waivers from appropriate state agencies;
4. File the certificate of incorporation with the department of state; and
5. Hold an organizational meeting of the board of directors.

(1) Select a Corporate Name

The first step is to select a name for the faith-based CDC:

- ❖ The name cannot be the same as (or confusingly similar to) the name of an existing corporation.
- ❖ The name cannot imply that the organization is a public governmental agency.
- ❖ The name cannot be indecent or obscene or "ridicule or degrade any person, group, belief, business or agency of the government."
- ❖ The name cannot contain the noun or adjective form of any of the professions licensed and regulated by the state in question unless the incorporators and members are licensed to practice that profession.
- ❖ The name cannot contain certain terms such as "bank," "insurance," and "loan" without obtaining approval from the appropriate state agency.
- ❖ The name should include the word "corporation," "incorporated," or "limited" (or an abbreviation of such words.)

(2) Prepare and Sign a Certificate of Incorporation

Step two is the preparation of the certificate of incorporation. It is akin to a birth certificate for a person. The certificate of incorporation indicates under which law the corporation has been created, the purpose(s) of the organization, and the major activities to be undertaken by the corporation. It is critical that the certificate of incorporation be drafted properly. We encourage the reader to retain an attorney with the appropriate experience with not-for-profit corporations to draft the certificate of incorporation.

A properly drafted certificate of incorporation contains a paragraph known as the "purposes clause." The purposes clause is the most critical part of the certificate of incorporation because it states the specific purposes and major activities of the corporation both now and in the foreseeable future. In preparing the purposes clause, it is critical to consider the following three factors.

One, a not-for-profit corporation legally may not engage in activities outside of its purposes clause. Thus, the activities of a faith-based CDC may be unduly constrained by a purposes clause that is too narrowly drafted.

Two, in reviewing the application for tax-exempt status, the IRS will scrutinize the purposes clause thoroughly to determine if the corporation's intended activities are charitable and educational in nature. The IRS may reject the faith-based CDC's application for tax-exempt status if it is improperly drafted.

Finally, if the certificate of incorporation includes in its purposes clause certain activities listed in Section 404 of the Not-for-Profit Corporation Law, the organization must obtain waiver and/or consents from certain state agencies. [*The reader should note that this reference to Section 404 is specific to New York State Law. In other states, there would be comparable provisions in that state's laws.*]

> For example, Section 404(v) of the Not-for-Profit Corporation Law states that if a corporation's certificate of incorporation includes among its purposes "the establishment or operation of facilities for providing alcoholism services," then the corporation must obtain the consent of the Commissioner of the Office of Alcoholism and Substance Abuse prior to filing the certificate of incorporation with the Department of State.[9]

The process of obtaining waivers is dealt with in more detail in step three.

(3) Obtain Required Approvals and Waivers from State Agencies

The third step consists of obtaining any required approvals, consents, or waivers. If the purposes clause of the certificate of incorporation includes activities contained in Section 404 of the Not-for-Profit Corporation Law, the faith-based CDC must obtain the consents or waivers of the state agencies responsible for the activities in question. [*The reader should note that this reference to Section 404 is specific to New York State Law. Other states would have comparable provisions in their laws.*]

We strongly recommend that the faith-based CDC retain an attorney with experience in these matters. Further, we suggest that the leaders of the CDC discuss with the attorney the types of activities that are envisioned for the CDC both now and in the foreseeable future. With an understanding of the intended activities of the CDC, the attorney would review the appropriate law to determine which consents or waivers would be required.

Often, programs with some sort of educational or training function require the consent of the Department of Education. Similarly, programs involved in the care and supervision of small children typically require consents or waivers from a state agency with that charge (for example, in New York State, the Department of Family Assistance and the Office of Children and Family Services). Programs that provide treatment and counseling for drug or alcohol abuse usually require the consent or waiver of a state agency with that charge.

Typically, the faith-based CDC would retain an attorney to assist in obtaining the appropriate waivers and consents.

(4) File the Certificate of Incorporation with the Department of State

The fourth step is the filing of the certificate of incorporation with the department of state. In order to file the certificate of incorporation, originals of the following items are necessary:

- ❖ Executed certificate of incorporation, with cover page that includes the name of the organization, the name(s) of the incorporator(s), and the addresses of the incorporator(s); and,
- ❖ All required approvals, waivers, consents and affidavits.

The previously listed items should be submitted at the appropriate offices of the department of state for your state, along with a request for a certified copy of the certificate of incorporation. This certified copy of the certificate of incorporation, once received, will be sent to the IRS to request tax-exempt status. While the filing fees associated with filing the certificate of incorporation with the department of state vary from state to state, typically the fees will not exceed $250.

Please note that the $250 figure does not include any estimate of fees and expenses that an attorney might require to prepare and submit the certificate of incorporation.

(5) Hold an Organizational Meeting of the Board of Directors

The fifth and final step is to conduct an organizational meeting of the initial members of the board of directors of the faith-based CDC, after the certificate of incorporation has been filed successfully with the secretary of state.

The following actions should occur at that meeting:

- ❖ Adoption of the initial bylaws of the faith-based CDC by the initial directors.

- Election of the board of directors by the initial directors of the organization, unless the certificate of incorporation or the bylaws of the corporation provide that the initial directors shall serve until the first annual meeting of the organization.
- Transaction of any other business necessary to setting up the corporation, such as electing officers, approving a corporate seal, authorizing the application for an Employer Identification Number, and authorizing the opening of a corporate bank account.

Footnotes:

[1] "Legal Guide to Starting a Faith-based CDC." New York: Lawyer Alliance for New York & Faith Center for Community Development, Inc., 1999, p. 3.

[2] "Legal Guide to Starting a Faith-based CDC," p. 3.

[3] Accountants for the Public Interest, "What a Difference Understanding Makes: A Guide to Nonprofit Management, Classifying 501(c) Nonprofits." Washington, DC: Accountants for the Public Interest, 1994, p. 5.

[4] "Legal Guide to Starting a Faith-Based CDC," p. 7.

[5] "Legal Guide to Starting a Faith-Based CDC," p. 7.

[6] Harold Calvin Ray, *Creating Wealth–Determining Destiny*. West Palm Beach, FL, Redemptive Life Press, 1996.

[7] Harold Calvin Ray, *Corporate Organization and Structure for Church Related Businesses*. West Palm Beach, FL, Redemptive Life Press, 1997.

[8] This section of Chapter 5 relies heavily on material found in "Legal Guide to Starting a Faith-Based CDC," pp. 11–22. Much of the material contain in the referenced pages paraphrases relevant New York State Law. In those instances, we generally quoted the "Legal Guide to Starting a Faith-Based CDC" with quotations marks. While the "Legal Guide to Starting a Faith-Based CDC" is specific to those starting CDCs in New York State, the information is instructive for anyone seeking to start a CDC in any of the fifty states across the U.S.

[9] "Legal Guide to Starting a Faith-based CDC," pp. 15.

6

Conclusion: Next Steps

Throughout this publication, we have attempted to provide for the reader a clear and concise understanding of the principles and practices of faith-based community economic development: what it is, what it involves, the benefits to the community of becoming involved, how to get started, and the importance of collaborations.

We have included several real life examples of some successful faith-based initiatives, involving both large and small congregations of various denominations and faith, throughout the United States. We have also included a glossary of community economic development terms, which we hope will serve as a resource to our readers as they continue to seek to enhance their knowledge and understanding of the intricacies of faith-based community economic development.

Again, this publication is not intended to be exhaustive, but to serve as a foundational framework. As you move forward with your endeavors, note that a variety of local as well as national organizations stand ready to provide you with the support and direction you will need as you seek to engage in faith-based community economic development.

The following is a partial resource list of organizations involved in community economic development:

- The National Congress for Community Economic Development (NCCED)
  Faith-based Community Development Program
  1030 Fifteenth Street, NW, Suite 325
  Washington, DC
  Tel: (202) 289-9020
  Website: http://www.ncced.org

- U.S. Department of Housing & Urban Development
  Center for Faith-based and Community Initiatives
  451 7th Street, S.W.
  Washington, DC 20410
  Website: http://www.hud.gov

- The Congress of National Black Churches
  1225 Eye Street NW
  Suite 750
  Washington, DC 20005
  Tel: (202) 371-1091

- Harvard University's Summer Leadership Institute
  c/o Harvard Divinity School
  45 Francis Avenue
  Cambridge, Mass 02138
  Website: http://www. hds.harvard.edu
  Tel: (617) 495-5761

- Coalition for Low Income Community Development
  1118 Light Street, Suite B
  Baltimore, MD 21230
  Tel: (410) 752-7222

- The Pew Charitable Trust
  2005 Market Street
  Suite 1700
  Philadelphia, PA 19103-7077
  Website: http://www.pewtrust.com

- The National Center for Faith-Based Initiative
  2101 Australian Avenue
  West Palm Beach, FL 33407
  Bishop Dr. Harold Calvin Ray, Chief Executive Officer

- United Way of America
  701 N. Fairfax Street
  Alexandria, Virginia 22314-2045
  Website: national.unitedway.org

- The Community Development Financial Institution Fund
  601 13th Street, NW
  Suite 200 South
  Washington, DC 20005
  Tel: (202) 622-8662
  Fax: (202) 622-7754
  Website: http://www.treas.gov/cdfi/overview/index.html

- Pratt Institute Center for Community & Environment Development (PICCED)
  379 Dekalb Avenue
  Brooklyn, NY 11205
  Tel: (718) 636-3486
  Fax: (718) 636-3709
  Website: http://www.picced.org/advocacy/bdghope.htm

- National Community Capital Association
  Public Ledger Building
  620 Chestnut Street
  Suite 572
  Philadelphia, PA 19106
  Tel: (215) 923-4754
  Fax: (215) 923-4755
  Website: http://www.communitycapital.org/inside/contact.html

- National Federation of Community Development Credit Unions
  120 Wall Street, 10th Floor
  New York, NY 10005
  Tel: (212) 809-1850
  Fax: (212) 809-3274
  Website: http://www.natfed.org

Glossary of CED Terms

These easily recognizable terms were taken from public sources as well as a publication called "Breaking Ground—A Beginner's Guide for Nonprofit Developers," published by the Federal Reserve Bank of Dallas.

AMORTIZATION—Liquidation of a debt by making periodic installment payments over a set period of time, at the end of which the loan balance is zero.

ANNUAL REPORT—A yearly report of an organization's financial statements and accomplishments.

APPRAISAL—The process through which valuations of property are obtained.

APPRECIATION—Increase in the value of property due to improvements made to the property or surrounding area/neighborhood by the owner or other parties, including the government and/or more general market forces.

ARTICLES OF INCORPORATION—Legal document submitted to a designated officer of the state for permission to commence business as a corporation (for-profit or nonprofit). The articles of incorporation, or charter, state the purpose, rights, and duties of the corporation.

ASSETS—Anything owned by an individual or business (including nonprofit corporation) that has commercial or exchange value.

AUDIT—An examination of the financial records of an organization to ensure that they are complete and accurate.

BALANCE SHEET—A financial statement showing a "snapshot" of the assets, liabilities, and net worth (fund balance) of an organization on a given date.

BANK-OWNED COMMUNITY DEVELOPMENT CORPORATION—A corporation, either for-profit or nonprofit, that is capitalized by one or more banks for the purpose of making debt and/or equity investments in projects that promote community and economic development, including affordable housing development. It can be a wholly owned subsidiary of an individual bank or bank holding company or a shared-ownership corporation among several banks, or among banks, other financial institutions, community organizations, and public and private investors.

BOARD OF DIRECTORS—The policy-making unit of the organization that is legally responsible for the corporation.

BUSINESS PLAN—A document prepared by an organization that guides the development, operation, marketing, and financial management of the organization.

BYLAWS—The rules governing the internal affairs of an organization.

CASH FLOW—Incoming cash to the organization less the outgoing cash during a given period.

CERTIFIED DEVELOPMENT COMPANY (504 Corporation)—A nonprofit corporation that provides small businesses with 10- and 20-year private, Small Business Administration (SBA)-guaranteed financing. The company's structure and activities must meet certain SBA guidelines, including a membership representing public agencies, lenders, businesses, and community organizations.

CLOSING—The final procedure in a real estate sale, in which property ownership is transferred in exchange for an agreed-upon payment.

COLLATERAL—Assets pledged to secure a loan.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)—Flexible federal aid that is intended for use by cities and towns to promote neighborhood revitalization, economic development, and improved community facilities and services. Specific uses of the funds are left to the discretion of local governments. Funds are administered by either state or city or town (see Entitlement Community).

COMMUNITY DEVELOPMENT LOAN FUND (CDLF)—A private, nonprofit organization that channels private investment capital to community-based organizations and projects. It may operate independently or as part of a community-based organization. Lenders to the fund may have some control over the term and rate of interest on their loans, which are generally more flexible than conventional financing, as well as the usage of their funds. CDLFs can also provide borrowers with technical assistance to reduce the chance of losses on higher-risk loans. Since CDLFs are not chartered or licensed, they have flexibility in their organizational structure, although they may be subject to state laws and regulations. In most cases, they are incorporated as nonprofit 501(C)3s.

COMPARABLE—Real property that can be used to establish the value of a specific property by comparison.

DEBT SERVICE—Loan principal and interest payments.

DEED—A legal instrument that identifies property ownership.

DELINQUENCY—Failure to make timely payments under a loan agreement.

DEMOGRAPHIC DATA—Information about the characteristics of human populations, including size, income, age, wealth, race/ethnicity, gender, housing conditions, and so on.

ENTERPRISE ZONE—An economically depressed area that has been targeted for revitalization by a city or state through tax and other incentives given to companies that locate or expand their operations within the zone.

ENTITLEMENT COMMUNITY—A metropolitan city or urban county with a population of 50,000 or more that, because of its size, is entitled to receive annual Community Development Block Grant funds directly from the federal government. Non-entitlement communities receive CDBG funds through the state office of economic development.

ESCROW—Funds to be paid by a second party to a third party for expenses on property held by the first party; for example, funds held by a bank, often collected with monthly mortgage payments, to meet tax bills and insurance premiums.

EQUITY—Ownership interest in a project after liabilities are deducted.

FAIR HOUSING ACT—Title VIII of the Civil Rights Act of 1968 which, among other requirements, prohibits lenders from discriminating in their housing-related lending activities against any person because of race, color, religion, national origin, or sex. The act covers transactions regarding the sale or rental of housing, including for the purposes of purchasing, constructing, improving, repairing or maintaining a dwelling. Persons or groups may file complaints with the Department of Housing and Urban Development.

FAIR MARKET VALUE—The price that a willing buyer will pay and that a willing seller will accept for real or personal property.

FINANCIAL STATEMENTS—Written record of the financial status of an individual or organization. Statements commonly include income statement, balance sheet, cash flow statement, and, if the organization is a nonprofit, a funds balance statement.

FINANCING FEE—A fee charged by a lender to originate a loan. The fees are based on a percentage of the loan amount, and one point is equivalent to 1 percent.

FORECLOSURE—The legal process used to enforce the payment of debt secured by a mortgage whereby the property is sold to satisfy the debt.

GRANTS—Gifts of money given by foundations, government, or others.

INCLUSIONARY ZONING—A zoning ordinance that requires a developer to include affordable housing or its funding as part of the development. Typically, a developer makes a certain percentage of the units affordable in exchange for a density bonus.

INCOME STATEMENT PROFIT AND LOSS—Summary of revenues, costs, and expenses for a business over a period of time.

INTEREST—A fee for a loan, usually a percentage of the amount loaned.

INVESTOR—An organization, corporation, individual, or other entity that acquires an ownership position in a project, thus assuming risk of loss in exchange for anticipated returns.

LEASE-UP PERIOD—The amount of time it takes for a building to reach a stable occupancy rate and income stream.

LEVERAGE—The ability to use a small amount of funds to attract other funds, including loans, grants, and equity investments.

LIABILITIES—Money owed by an individual or organization.

LINKED DEPOSIT—The deposit of public funds by a city or state government in exchange for a commitment from the financial institution to provide low-interest loans to qualified borrowers. These deposits are not necessarily earmarked for particular usage, but are conditional in the sense that they will be withdrawn if the institution's record worsens.

LIEN—A creditor's claim against a property, which may entitle the creditor to seize the property to satisfy the lien.

LOAN CONSORTIUM—Collaboration among financial institutions that pools capital used to finance affordable housing and economic development projects. The consortium can be structured as an independent nonprofit corporation or as an informal lending agreement. The former has paid staff responsible for all aspects of the lending process, while the latter relies on collaboration among participating institutions to select and service the loans. An institution's participation in each loan may be predetermined or done on a case-by-case basis.

LOAN-TO-VALUE RATIO—The loan amount(s) as a percentage of the property's appraised value or sales price, whichever is less. A lender will use a loan-to-value ratio to determine the maximum amount it will lend on a property..

LOCAL DEVELOPMENT CORPORATION—An investment company, certified by the U.S. Small Business Administration, formed to help finance small businesses. An LDC can obtain special financing from the SBA that enables it to extend long-term fixed-asset financing to local small businesses.

MICRO ENTERPRISE LOAN FUND—A revolving loan fund that provides small, short-term loans and technical assistance to small businesses. Loan amounts and terms are more flexible than conventional financing.

MISSION STATEMENT—A statement of purpose, or the assignment the organization is to carry out.

MORTGAGE—A temporary and conditional pledge of property to a creditor as security for the repayment of a debt.

NET OPERATING INCOME (NOI)—Gross profits minus operating expenses and taxes.

NONPROFIT CORPORATION—A corporation established under state law for purposes other than making profits that would be distributed to the owners, directors, members, or officers.

PRINCIPAL—The currently unpaid balance of a loan, not including interest.

PRO FORMA FINANCIAL STATEMENTS—Projected financial statements for a given period in the future in which certain amounts are hypothetical or estimated.

PROPERTY TAX ABATEMENT—Reduction or exemption from property tax for a specified time period.

PURCHASE OPTION—The right to buy a property at a specified price within a specified time.

REAL PROPERTY—Land, including all things permanently attached to the land, such as buildings and infrastructure.

RESERVES—Funds held to pay future liabilities. Typical reserves include replacement reserves for major repairs, operating reserves for covering negative cash flow, and contingency funds.

REVOLVING LOAN FUND (RLF)—A pool of funds structured so that loan payments are used to make more loans. RLFs are often funded by public investments and then leveraged by private investments to make affordable housing or economic development loans. Terms and rates are typically more favorable than conventional financing.

SECONDARY MARKET—Markets into which originating lenders sell their loans to investors who are seeking longer-term investments.

SECTION 501(C)(3) EXEMPT ORGANIZATION—Internal Revenue code for nonprofit organizations entitled to receive tax-exempt status and tax-deductible donations. Organizations include religious, educational, charitable, scientific, and literary.

SMALL BUSINESS ADMINISTRATION (SBA)—An independent federal agency that guarantees loans to small businesses and assists them with certain management and financial problems.

SMALL BUSINESS DEVELOPMENT CENTER (SBDC)—Provides management and technical assistance to small business owners. SBDCs are part of an SBA-established program. They are generally located in academic institutions and are structured as a joint venture among the institutions, the state and local governments, and the SBA.

STRATEGIC PLAN—A plan of action that guides how a goal, such as developing affordable housing, will be accomplished.

SUBORDINATED DEBT—If more than one lender has a lien on a property, the subordinated debt is paid after the debt of lien holders in superior positions.

SUBSIDY—Financial assistance granted by a government to an individual or organization.

SWEAT EQUITY—The equity that is added to a property when the owner or potential owner saves labor costs by putting his or her own labor into its improvement.

TAX CREDIT—A credit against the amount of tax owed, reducing the overall tax payments.

TERM—The period of time from when the loan is made until maturity.

TERMS—Provisions specified in a loan agreement.

TITLE—The documented evidence that a person or organization has ownership of real property.

TITLE INSURANCE POLICY—A policy insuring an owner or mortgage lender against loss by reason of defects in the title to a parcel of real estate, other than those encumbrances, defects, and matters that are specifically excluded by the policy.

UNDERWRITE—To agree to lend money after a lender has assessed the risk of the proposed loan.

UNSECURED—A loan that has no collateral pledged as security.

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