



U.S. Department of Housing and Urban Development  
Office of Policy Development and Research



# Faith-Based Organizations In Community Development

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# **Faith-Based Organizations In Community Development**

Prepared for  
U. S. Department of Housing and Community Development  
Office of Policy Development and Research

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## FOREWORD

Recently, there has been greater recognition and value given to the contributions of faith-based organizations (FBOs) in providing social services. Historically, FBOs have been particularly prominent in providing food, clothing, and shelter to people in need.

Faith-based organizations have also assumed a role in helping promote housing and community development. Some fourteen percent of community development corporations (CDCs) are faith-based. The activities of Habitat for Humanity in providing homeownership opportunities are well-known. Nearly half of all sponsors of housing for the elderly developed by HUD are faith-based.

The importance of faith-based organizations in our communities is underlined by the Bush Administration's creation of a new Office of Faith-Based Activities. The initiative will take advantage of the energy, experience, and commitment of such faith-based organizations by expanding their role. As a federal agency with a long history of working with FBOs, HUD has a great deal of interest in this initiative. Not only have FBOs been deeply involved in the development of housing projects such as those indicated above, FBOs are important to the cohesion of neighborhoods and the development of local communities.

Unfortunately, the extent to which these organizations have undertaken social service, community development, and housing programs is not well understood. In order to address this fundamental lack of information about the activities of faith-based organizations, HUD sponsored research on FBOs which was conducted over the course of the past year. As result, I am pleased that we are able to publish this report, "*The Role of Faith-Based Organizations in Community Development.*" This report provides some useful guidance as this Administration's initiative moves forward.

The report tells us some important, rudimentary information. First and foremost, community development activities administered by faith-based organizations are going on, and will go on. We are given working definitions of different types of FBOs, and the report lays out clearly some advantages and disadvantages of FBOs doing community development and housing work. The report also confirms what many already understand—we don't know a lot of basic facts about what these activities entail, who they serve, or what their impacts are.

Faith-based organizations are viable organizations doing important work, well-positioned to do even more. This, then, is a great opportunity for us to learn more about what these programs do, and how we can help them be more effective. These organizations are too important to ignore, and they are too important for us not to know what they are doing.



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**APPENDIX A**

# Faith-Based Organizations in Community Development

## Executive Summary

In recent years, policymakers have begun looking to churches, synagogues, mosques, and other faith-based organizations to play a greater role in strengthening communities. Yet little research exists on the role of faith-based organizations in community development. This report summarizes the current state of knowledge and identifies the policy conclusions and major questions that follow from what is known. Because the research is limited this report also draws on interviews with knowledgeable scholars and practitioners in community development.

This report uses two key terms—community development and faith-based organization—in specific ways:

- Community development is asset building. It centers around housing and community economic development but also includes developmental efforts, such as job training, to prepare residents for more productive lives.
- Faith-based organizations are of three types: (1) congregations; (2) national networks, which include national denominations, their social service arms (for example, Catholic Charities, Lutheran Social Services), and networks of related organizations (such as YMCA and YWCA); and (3) freestanding religious organizations, which are incorporated separately from congregations and national networks.

More than half of all congregations and many other faith-based organizations provide some form of human services. Congregational participation in providing human services is greater among worship communities that are larger (and hence have more resources), are located in low-income neighborhoods, are theologically liberal, and are African American. Supportive pastoral leadership is central.

A key finding of this report is that relatively few faith-based organizations participate in community development activities. The most common participants are faith-based community development corporations (CDCs), some national denominations and their affiliates, and Habitat for Humanity.

Faith-based participation in community development is limited for several reasons:

- Congregations have two preferred approaches to service: they donate small amounts of cash or in-kind goods to other service delivery groups, or they provide small groups of volunteers to conduct relatively well-defined, periodic tasks. By contrast, community development activities require regular and sustained involvement in a range of complex processes and tasks.
- Community development is best done by independently incorporated organizations. Establishing and fostering the growth of such affiliated organizations are the least common mode of congregational engagement in services, and poses numerous challenges.



- Congregational staff and volunteers typically lack the skills, knowledge, and time required to successfully sponsor community development projects.
- Most congregations have not applied for government grants or undertaken the legal and financial responsibilities required to sponsor community development projects, and many lack the management capacity to do so.

No existing research compares how the outcomes of community development efforts sponsored by faith-based organizations with those of secular organizations. Some information is available about the challenges facing organizations that have tried to enter community development, but little is known about the impediments faced by the minority of faith-based organizations interested in obtaining government funds to sponsor community development. These are among the questions requiring new research.

The implications of the report's findings include the following:

- The community development field needs significant technical assistance to ensure that faith-based organizations in community development spend government funds responsibly, given the small size and inexperience of many such organizations. This is especially the case for new entrants to the field.
- Faith-based organizations interested in community development may increase their effectiveness by partnering with existing CDCs and other experienced nonprofit organizations (even though such collaborations present known challenges) rather than by sponsoring projects independently. These collaborations might be facilitated by Federal technical assistance. Other forms of participation, such as securing new vehicles for social investing, should be explored.
- Only a fraction of the organizations studied currently have the resources to successfully engage in community development activities. However, when they do have such resources, faith-based organizations are uniquely positioned to have a significant impact beyond simply sponsoring community development projects. Congregations can increase public support for affordable housing and other community development initiatives in their communities by engaging in public dialogue and joining coalitions that support social justice.

It is important to note, however, while this report suggests possible roles that faith-based organizations can play in community development, it is built on limited research and programmatic experience. There is still a great deal about this topic that is unknown or uncertain; much more research and exploration is needed to build the base of useful knowledge.

## CHAPTER 1: FRAMING THE REPORT

In recent years, policymakers have begun to look to churches, synagogues, mosques and other faith-based organizations to play a greater role in strengthening communities; the Charitable Choice provision of the welfare reform legislation is but one example. Policymakers' optimism that faith-based organizations might take on a greater role has multiple sources: the desire in some quarters to reduce the role of the public sector; the existence of a small number of high-profile successes in housing and economic development sponsored by large churches; the perceived paucity of other strong institutions in many disinvested neighborhoods; and high expectations about the potential of faith communities to address problems that others have found intractable.

The large size of the religious sector contributes to this optimism. Taken together, congregations, denominational organizations, and other faith-based organizations represent the third largest component of the nonprofit sector in the U.S., after health and education. Congregations alone number about 350,000; collectively, their estimated yearly expenditures exceed \$47 billion (Hodgkinson, 1993). Numbers of this magnitude attract attention.

Substantial scale, coupled with the observation that congregations are often among the strongest institutions in otherwise disadvantaged communities, has stimulated growing interest in increasing faith-based involvement in community development. Yet the role of faith-based organizations remains among the least well-researched aspects of community development. The most recent national survey of community development corporations (CDCs) found that 14 percent of the reporting organizations consider themselves to be faith-based (National Congress for Community Economic Development, 1999). Yet we know very little about how they differ from, and what they share with, secular CDCs. Anecdotal evidence suggests that their role in the CDC movement, both currently and historically, may be even more important than this figure suggests. Information about the role of other types of faith-based organizations in community development has been negligible.

This report responds to this paucity of information in two ways by:

- presenting an overview of the current state of knowledge, summarizing what we know about the community development activities of faith-based organizations, the factors that stimulate their action and enable them to be successful, and the obstacles to expanding their activities; and
- identifying the policy conclusions that follow from what is known, and the central research questions that must be addressed in order to better inform policies and programs intended to facilitate effective faith-based engagement in community development.

### Defining Terms

The core issues addressed in this report center around two terms - "community development" and "faith-based organization" - that are used widely but with a variety of intended meanings. This report uses these terms in very specific ways.

Conceptually, community development is “asset building that improves the quality of life among residents of low- to moderate-income communities” (Ferguson and Dickens, 1999). Communities are defined physically, i.e., as neighborhoods. Assets may be of many types (physical, economic, social, political, human), but all produce a stream of services over time. For example, constructing an apartment building is development, since it adds an asset to the community; that asset, if properly managed, provides a stream of housing services over a period of many years. Thus, communities develop when investments of either capital or labor produce changes in the ability of the community to foster and sustain productive community members and a good quality of life for them. Community development helps communities and their members *get ahead*, not simply *get by* (Briggs, 1998).

In general, the CDC movement has used the term in this way. In that context, it includes a wide variety of specific activities, but currently centers around a core composed of housing and community economic development (both real estate development and business development). Especially in the context of welfare reform, it can also include developmental efforts, such as job training, to prepare residents for more productive lives. Examining the role of faith-based organizations in community development, understood in this way, is the primary focus of this report.<sup>1</sup>

The term “faith-based” has become widely used, but not embraced with universal enthusiasm. Dionne (1999) notes that it sounds a bit antiseptic; Safire (1999) views it as a euphemism adopted as a convenience by politicians, and urges what he sees as the more honest and straightforward term “religion-based” or, more simply, “religious.”

In policy discussions such as this one, however, the term “faith-based” has at least two important advantages. First, it is inclusive. “Church-based” would leave out synagogues, mosques, meeting houses and other places of worship; “congregation-based” avoids this problem but still omits the many non-congregational organizations engaged in significant public-benefit activities (Dionne, 1999). Second, it helps ease concerns about the separation of church and state. As Safire (1999) explains: “American political tradition...shies away from religion in politics,” but not away from religious values in public life. By substituting *faith* (trust in the truths) for *religion* (the organized set of beliefs), the new compound adjective gets around the traditional objection. For both of these reasons, this report uses the term “faith-based” throughout.

Faith-based organizations are more numerous and diverse than is commonly recognized. Current public conversations about the possible role of faith-based organizations in community life often assume that these organizations are local worship communities, commonly called congregations.<sup>2</sup> In fact, many other types of organizations are faith-based. One useful typology (Castelli and McCarthy, 1997) divides faith-based groups into three sets: (1) congregations; (2) national networks, which include national denominations, their social service arms (e.g., Catholic Charities, Lutheran Social Services), and networks of related organizations (such as YMCA and YWCA); and (3) freestanding religious organizations (which are incorporated separately from congregations and national networks but have a religious basis).

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<sup>1</sup> Note that members of faith communities often use the term much more broadly to encompass almost any type of community-serving activity (including social service provision), variously known as urban ministry, social ministry, or social justice ministry.

<sup>2</sup> Although this usage is common and is adopted here, it is not always technically correct. Peter Dobkin Hall notes that “... even familiar terms like “parish,” “member,” “congregation,” and “denomination” that non-specialists treat as having simple meanings actually mean very different things in different faiths.” (Hall, June 28, 1999).

Each of these categories includes organizations that are quite diverse. Congregations may be affiliated with more than 200 denominations, and vary in size, membership, and so forth. Denominational organizations include entities directly involved in church governance, such as a Roman Catholic archdiocese, and a variety of special purpose organizations such as seminaries, religious orders, and pension funds for clergy. Their service agencies include both decentralized multi-service providers such as the Jewish Federations and specialized service institutions, e.g., a United Methodist Hospital, Notre Dame University. National networks include special-purpose groups formed to mobilize the energies of individuals and congregations around projects and specific goals like Habitat for Humanity and the Christian Coalition (Hall, 1999), increasingly referred to as parachurch organizations. Freestanding organizations can be as simple as an independent nonprofit organization spun off by a congregation to pursue a particular ministry (e.g., a CDC or a substance abuse program) or as complex as an interfaith or ecumenical coalition of congregations or clergy.<sup>3</sup>

### **The Nature of the Literature**

Most of this report draws from published literature about faith-based organizations. This literature has several limitations that necessarily become limitations of the report itself, so identifying them briefly is important. While the literature on these organizations, including their secular social-benefit activities, is voluminous, it suffers from three problems when considered from the perspective of this report: critical empirical analysis is in short supply; existing research is highly compartmentalized; and little research has focused specifically on community development.

*Critical empirical analysis is in short supply.* Most of the literature is descriptive rather than analytical. It includes no comparisons of similar types of secular and faith-based activities, no analyses of the outcomes of any of the activities conducted, and hence no assessments of the factors that influence the scale or quality of outcomes.<sup>4</sup> Thus, it provides some information on what is happening, but little on “why,” “how,” or “with what effect.”

Much of the literature falls into one of three categories. The first includes an abundance of descriptions of particular urban ministries. They range from short magazine articles to autobiographical books by pastors whose churches have active urban ministries. The second consists of articles and monographs that urge congregations to become involved in ministries that serve poor individuals and communities, and provide a theological rationale for such involvement. The third encompasses numerous “how to” books that run the gamut from step-by-step handbooks, e.g., on how to set up a nonprofit organization, to more technical works on the real estate development process.<sup>5</sup>

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<sup>3</sup> Ecumenical associations include different denominations within the same faith, e.g., Catholics, Methodists, and other Christian denominations; interfaith associations, literally, include participants of different faiths, e.g., Christians, Jews, Muslims, and Buddhists.

<sup>4</sup> Both Castelli and McCarthy (1997) and Foley, et al. (1999) attempt a thorough reconnaissance of the published literature; the former also reports on an extensive exploration of unpublished information. Both concur with this finding about the state of the literature.

<sup>5</sup> An excellent annotated bibliography of materials of this type is Elliot Wright (Ed.), *An Annotated Bibliography for Faith-Based Community Economic Development*. Washington, D.C.: National Congress for Community Economic Development, 1999.

Two factors help to account for the dearth of both good quantitative analysis and systematic, comparative case studies of faith-based organizations. The most pervasive problem has been the lack of a comprehensive list of organizations from which to draw a representative sample - a familiar problem in community development research. This compromises the reliability of the quantitative research in the field. With the exception of the recent National Congregations Study, discussed in detail later in this report, empirical studies at both the local and national levels have struggled with the absence of a full listing of the population to be studied. Even the analysts who have done the best job of trying to compile such lists acknowledge that their results fall short.<sup>6</sup>

In addition, efforts to survey congregations routinely experience very low response rates. Many factors contribute to this problem. Some are resource-based: almost 30 percent of congregations have no telephone, 32 percent have no full-time paid staff, and pastors (typically the survey's target) have many demands on their time. Other factors are attitudinal, e.g., privacy concerns, suspicion of the unknown survey sponsor. Taken together, they raise serious concerns about the representativeness of data gathered through surveys of congregations.<sup>7</sup>

Given these obstacles to serious quantitative research, one might still hope to find strong qualitative research, e.g., thoughtful explorations of how different types of congregations make decisions and the factors that help them move successfully into new types of activities, or good ethnographies of effective faith-based services agencies. Some do exist, but they are surprisingly few and far between.

Second, the *existing research is highly compartmentalized*. Researchers interested in faith-based organizations have diverse professional specializations, e.g., sociology of religion, the nonprofit sector, community-level social work, divinity. The members of each group commonly see other members of their group as their primary audience. As a result, the writings of these specialized groups appear in different journals, libraries, and publishers catalogs. For example, the major research indices commonly used by social scientists and policy analysts do not list many of the works written by participants in faith communities (scholars in divinity schools, clergy, laity, and people writing for those audiences).<sup>8</sup> Relevant journals are even more specialized. This makes the complete literature difficult to find, and often means that research done in one area does not inform research done in the others.

The fragmentation of the literature appears to mirror actual fragmentation in the field - among congregations, along denominational lines (which partially translates into separations along lines of color and ethnicity), and between faith-based organizations involved in community development and secular CDCs.

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<sup>6</sup> See, for example, Hodgkinson, et al., 1993, surveying congregations for the Independent Sector; NCCED, 1999, surveying CDCs.

<sup>7</sup> For example, a survey of congregations in Washington, D.C. by the Center on Nonprofits and Philanthropy at the Urban Institute made unusually extensive efforts to prod nonrespondents and still obtained only a 25 percent response rate (Printz, 1998) a rate considered enviable by some who have attempted similar exercises, but worrisome from a methodological perspective even when it is the best available.

<sup>8</sup> Conversely, the American Theological Literature Association (ATLA) Religion Database, the most widely used index to published materials about religion (including research in related fields such as sociology or history) is found mostly in libraries serving seminaries and divinity or theological schools. Some other research libraries may subscribe to the ATLA index; the Library of Congress is one example but probably an atypical one.

Finally, *little research has focused specifically on community development*. Most examinations of the secular activities of faith-based organizations focus on human services because they are the most common secular activities. Housing, community economic development, and job training are often not even identified as distinct activities. "Community improvement," when it is identified, encompasses a very broad array of activities. Most research focuses on a limited geographic area, typically one city. Many analyses say nothing about the type of community or congregation served; those that do typically focus on Christian churches, particularly African American churches. Major gaps in the descriptive literature include the activities of Latino churches, mosques, and Asian churches and temples.

Thus, the number of works that speak directly and helpfully to the topic of this report, i.e., faith-based organizations' involvement in housing and community economic development, is very small. The literature gives more attention to the service provision activities of faith-based organizations that are potentially germane to welfare reform. However, the issue of whether services are offered in a way that helps households *get ahead* as opposed to *getting by* (i.e., whether they are developmental in character) is rarely raised. Nevertheless, some of this literature sheds light on issues of organizational capacity.

Given the limited treatment of faith-based community development in the published literature, the scope of the research done for this report was broadened by conducting one-hour telephone interviews with 27 researchers and practitioners (listed in Appendix A). They were chosen because they are broadly knowledgeable about the subjects covered here, or because they have specialized knowledge that could enrich the work. The interviews provided valuable information not readily available in the literature: background, promising research topics, and up-to-date information about the state of the field and the issues it confronts.

## **A Roadmap to the Report**

The body of the report contains three chapters. Chapters 2 and 3 present key findings from the literature review and interviews. Chapter 2 provides an overview of the non-worship activities of faith-based organizations. It indicates the diversity of activities they have chosen to undertake, and presents their community development activities in that broad context. It also provides some insight into the organizational capacity of these groups and flags some of the methodological problems involved in studying them.

Chapter 3 presents what the CDC movement has learned about the requisites of effective community development practice, and compares those requisites with organizational characteristics commonly found in congregations. It uses this comparison to characterize the strengths and weaknesses that congregations bring to community development, and reflects on what they imply about the opportunities and challenges of expanding faith-based participation in the field.

Chapter 4 outlines promising research opportunities and highlights the policy implications of what is currently known.

## CHAPTER 2: FAITH-BASED PARTICIPATION IN SOCIAL SERVICES AND COMMUNITY DEVELOPMENT

Optimism about the potential of faith-based organizations to engage in community development is based in part on the active role many of them play in providing social services. Collectively, faith-based organizations spend between \$15 and \$20 billion annually in privately-raised funds on social services, in addition to millions of volunteer hours (Castelli and McCarthy, 1997). A close look at existing evidence reveals that despite their broad involvement in services, most faith-based organizations are not active in community development. Congregations, in particular, typically approach their service activities in a manner that appears poorly matched to current community development practice. However, specific examples illustrate that when they do become involved in community development, they can achieve significant impacts. Faith-based organizations can also provide indirect support for community development through their social investments.

This chapter presents the key findings concerning what is currently known about the activities of faith-based organizations in community development, placing them in the context of their broader involvement in services. The discussion addresses, in turn, each of the three major types of faith-based organizations: congregations, denominational organizations and national networks, and freestanding organizations.

### **Congregations**

Many congregations engage in activities that extend beyond worship. The best available evidence, from the National Congregations Study, indicates that 57 percent of congregations engage in some type of service or community activity (Chaves 1999).

Although this figure makes clear that a majority of congregations are active in their communities, some readers may find it surprisingly low. Until recently, the best available information on congregational activity was from an earlier survey which found that over 90 percent of congregations were involved in service provision (Hodgkinson et al., 1993). However, for methodological reasons, that survey over-represented large congregations, which are the ones most likely to undertake service activities.<sup>9</sup> There is widespread agreement that the more recent evidence is more accurate.

The range of these activities is enormous. Broadly speaking, human services and health-related programs predominate (Hodgkinson, et al., 1993). In human services, the most frequently offered are youth programs (including camps), marriage counseling, family counseling, and meal services or food kitchens. Visitation or other supports for sick persons and shut-ins are the most widespread health-related activities. When one looks in more detail at specific activities, the most common ones are food programs, housing/shelter, and clothing provision (see Table 1 taken from Chaves, 1999). Only 18 percent of congregations participate in any type of housing program, which is the most common community development activity, and only one percent engage in employment-related programs.

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<sup>9</sup>In developing its sampling frame for that survey the Independent Sector relied heavily on telephone directories. They estimated that the nation had approximately 355,000 congregations, of which only 250,000 had telephones. Those without telephones are disproportionately small.

**Table 1**  
**Congregations= Social Service Activities**  
 (Number of Congregatons = 1,236)

Program Type	Participating Congregations (%)	Congregants in Participating Congregations (%) <sup>1</sup>
Food	33	50
Housing/shelter	18	32
Clothing	11	18
Homelessness	8	16
Health	4	10
Education (not including religious education)	6	10
Domestic Violence	4	7
Tutoring/mentoring	3	4
Substance abuse	2	4
Employment	1	2
All projects	57	75

Note: Congregations could give multiple responses

Source:

<sup>1</sup> These figures are larger because large congregations are more likely than smaller ones to offer services.

These high levels of engagement may appear to imply the operation of formal programs, but that is not the norm. Although the activities are numerous, the amount of money involved is generally small. For example, Hodgkinson, et al. (1993) estimated that the more than 236,000 congregations involved in human services/welfare activities devoted an impressive \$4.4 billion to them. However, Chaves and Tsitsos (2000) find that the “median dollar amount spent by congregations directly in support of social service programs [by which they mean all non-worship activities] is about \$1200” not counting the value of staff or volunteer time or donations to denominations.

High rates of participation supported by small amounts of funding are the product of the approach congregations typically take to involvement in service activities. For example, while 33 percent of congregations support food programs (see again Table 1) they do so in many different ways. Some donate money to a food bank or supply volunteers to a meal-making project; others operate a soup kitchen or distribute holiday food baskets to the poor. In short, “when congregations do more than donate money or canned goods or old clothes, they are most apt to organize small groups of volunteers to conduct relatively well-defined tasks on a periodic basis” (Chaves and Tsitsos, 2000).

This distinctive approach extends to participation in activities commonly considered part of community development (see Table 2). For example, of all the housing programs for seniors supported by congregations, 86 percent are actually conducted by other organizations; 73



percent of affordable housing programs are done in this way, as well. Chaves (1999) finds that by far the most common form of congregational participation in housing is supplying volunteers to Habitat for Humanity.

**Table 2**  
**Percentage of Congregations**  
**Engaged in Activity Areas by Program Type**  
 (Number of Congregations: 257,648)

Areas of Activity	All Congregations	All Programs	Program Run within Congregation	Program Separately Incorporated	Participates in, Supports, or is Affiliated with Programs in Other Organizations or in Denomination
Housing/shelter programs for homeless people	38.7	43.6	9.9	6.9	83.3
Affordable housing development or programs	19.7	22.5	13.8	12.9	73.3
Housing programs for seniors	19.2	20.8	3.4	10.6	86.1
Programs in community, including economic development, job training, etc.	20.2	24.0	16.7	11.3	72.1

Note: Congregations could give multiple responses.  
 Source: Hodgkinson, et al., *From Belief to Commitment*, 1993 Edition, Independent Sector.

Relatively low levels of congregational participation in community development may be explained, at least partially, by this preferred approach to service. Community development, as currently practiced by CDCs and others, is best done by independently incorporated organizations because this provides the greatest financial and legal security for the participants. Working with or through a separately incorporated organization is the least common mode of congregational engagement in services. The challenges congregations face in starting up a separate nonprofit organization are discussed further in the next chapter.

### ***Housing Development***

Faith-based CDCs are the most common examples of congregational sponsorship of spin-off nonprofit organizations that engage in community development. Although only a small fraction of congregations participate in housing development by forming separately incorporated entities, prominent examples illustrate the up-side potential of this approach. For example, Abyssinian Development Corporation (ADC) was established by Abyssinian Baptist Church in Central Harlem. During its early years, ADC received from the Church important in-kind support, including rent-free office space, free telephone and telephone answering service, access to xerox and fax machines, help from Church volunteers, and high-quality financial management services from the individual who performed that function for the Church. ADC's first project was a 25-unit transitional housing development, with on-site services, for formerly homeless families; they have now developed more than 400 units of housing as well as a variety of economic development projects (Vidal, 1998).

Another widely publicized example is Allen African Methodist Episcopal (AME) Church in Jamaica, New York. The CDC started by the church began its work by developing a \$13

million, 300-unit senior citizens center with funding from the Section 8 and Section 202 programs; it is one of the largest faith-based elderly housing developments ever constructed (Decaro, 1997). As in the ADC example, housing production marked the beginning of a steady stream of community development activity.

New Community Corporation (NCC) is by far the largest faith-based CDC. It has developed more than 3,300 housing units (permanent housing for both families and seniors, plus transitional units for formerly-homeless families) and a number of economic development projects in its Central Ward neighborhood of Newark, New Jersey. Through its affiliates, it also provides a variety of social services. Although now it is sometimes seen as being associated with St. Rose of Lima Church, where NCC's leader Msgr. William Linder is the priest, that is not the case. NCC's origins lie in a coalition of urban and suburban churches formed in response to the Newark riots in 1968 (Briggs and Mueller, 1997).

A collaborative faith-based community development venture is the Nehemiah Project mounted by East Brooklyn Churches (EBC) through a separately incorporated entity. After several years of discussion and exploration mainly organized by the Industrial Areas Foundation, this partnership formed in 1981 to recreate livable neighborhoods in devastated parts of East Brooklyn by providing opportunities for home ownership. The Nehemiah Project built two- and three-bedroom row houses which it sold to families with average annual incomes of \$15,000 to \$25,000, less than the cost of construction.<sup>10</sup> By 1996, Nehemiah had built and sold 2,300 single-family row-house units (Thomas and Blake, 1996). Other well-known examples with similarly structured sponsorship include South Bronx Churches Nehemiah Homes and Harlem Churches for Community Improvement (HCCI), which spurred the redevelopment of Bradhurst, a 40-block neighborhood in upper Central Harlem.

### ***Economic Development***

The most well-known examples of faith-based economic development projects are CDC-sponsored commercial real estate developments. These include NCC's strip mall anchored by Pathmark Supermarket, a similar development recently completed by ADC, and smaller scale retail development done by Allen AME on the block that houses their school. Equally prominent commercial developments, such as CDC of Kansas City's (CDCKC) two shopping centers, are much less strongly identified with faith-based groups, even though a neighborhood coalition of churches provided early financial support and raised seed capital for a limited number of new businesses to occupy smaller storefronts in those developments.

Some congregations support community development finance, mainly credit unions (Nowak, et al., 1989). For example, Concord Baptist Church in Brooklyn established Concord Federal Credit Union (CFCU) after eight members of the congregation were refused credit by conventional banks. CFCU is a separately incorporated nonprofit organization, accountable to the Church through its 14-member board of directors; the board members manage the credit union with the help of a part-time paid manager. CFCU, with almost one thousand members and just under \$3 million in assets, offers services that range from payroll deductions to auto loans (Toussaint, 1997).

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<sup>10</sup> In 1987, the typical Nehemiah home cost around \$53,000 to construct. The homes were sold for \$43,000. The difference of \$10,000 was financed through a zero-interest second mortgage sponsored by the City of New York and repayable upon resale of the property. Nehemiah homeowners paid between \$325 and \$425 monthly towards repayment of the primary mortgage.

First African Methodist Episcopal Church (FAME) in Los Angeles manages a substantial micro-loan fund, established after the violence in South Central Los Angeles that followed the announcement of the Rodney King verdict. When rebuilding efforts began, FAME received a \$1 million grant from the Walt Disney Companies, used to develop the program, which supplies low interest loans of \$2,000 to \$20,000 to minority entrepreneurs in the area (Gite, 1993).

### ***Which Congregations are Most Likely to do Community Development?***

A small number of high-quality quantitative analyses have identified five factors that appear to influence a congregation's likelihood of participating in some type of service activity. While there are no analyses that look specifically at community development activities, it is reasonable to hypothesize that the same factors would affect engagement in community development.<sup>11</sup>

**Size.** Larger congregations have more contributors and hence more funding; they also are more likely to have paid staff, more staff, and a larger pool of volunteers to support activities. Chaves and Tsitsos (2000) find that large congregations report supporting more service programs than smaller ones. This finding confirms the finding in Chaves (1998) that large congregations are more likely than others to report that they would be willing to apply for government funds to support social services; however, this effect is significant only for congregations with more than 900 members.

- **Race.** Predominately African American congregations are significantly more likely than white congregations to provide social services (Chaves and Higgins, 1992). Chaves (1998) confirms that congregations that are more than 80 percent African American are significantly more likely than other congregations to be willing to apply for government funds to support social services.
- **Income.** Evidence on the importance of income appears mixed. Early evidence linked wealthier congregations to higher levels of social service activity (Castelli and McCarthy, 1997). However, Chaves (1998) found that after controlling for size, congregation income (measured as whether more than 20 percent of the congregation is poor) was not a significant determinant of likelihood of activity. Later analysis of the number of service programs reported by congregations found a positive income effect (Chaves and Tsitsos, 2000). This suggests that what influences participation is the presence of enough income within the congregation to support service activity, not the presence of low-income members who advocate for that activity.
- **Theological and political orientation.** Liberal congregations are more likely than others to engage in social services. An analysis which included a pastoral rating of each congregation's general ideology (from liberal to very conservative), found that liberal congregations provided more social services; in some cases, they were twice as likely as very conservative ones to provide a particular service (Foley, et al., 1999). Chaves (1998) and Chaves and Tsitsos (2000) confirm this general finding using a typology based on the congregations' denominational affiliations.

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<sup>11</sup>All of the findings reported in this subsection except the one on leadership and the report by Castelli and McCarthy (1997) are based on multivariate analyses of data from the National Congregations Study done by Chaves and his co-authors.

- **Community Need.** A congregation is more likely to provide services if its house of worship is located in a neighborhood where services are clearly needed. Thus, congregations located in census tracts where more than 30 percent of the residents have incomes below the poverty line report more service programs than those located in other types of neighborhoods (Chaves and Tsitsos, 2000).
- **Leadership.** Case studies and other qualitative accounts consistently emphasize that the extent to which a congregation engages in service activities is heavily influenced by the tendency of its leadership to be so engaged. This finding flags the fairly obvious point that any effort to influence congregational behavior will likely hinge on reaching, educating and persuading ministers, priests and other congregational leaders.

In the aggregate, this evidence suggests that the group of congregations most likely to become actively engaged in services includes large African American congregations that are located in lower-income communities but that attract as members significant numbers of congregants who are not themselves poor. These findings take on particular salience in light of the examples cited above of prominent faith-based CDCs, most of which were founded by congregations that meet this description.

### **National Denominations and Their Affiliates and Networks**

Congregations are not the only faith-based organizations doing important social service work. National denominations and their social service arms, such as Catholic Charities, Lutheran Social Services, the Salvation Army (actually a religious denomination) and the United Jewish Federations provide a wide variety of services, often on a much larger scale than congregations. Together with national denominations, networked organizations such as the YMCA and YWCA provide many of the same kinds of services congregations do, often with the same family focus, but their greater size and resources enable them to provide more professional, in-depth case work. Private contributions to the six largest such social service providers in 1994 were estimated to be more than \$1.6 billion, with which they assisted more than 60 million people (Castelli and McCarthy, 1997).

Unlike congregations, many of which have small staffs whose main purpose is supporting the spiritual life of the congregation, national denominations are typically large, sophisticated entities with professional staff. They tend to be much better than congregations at record-keeping because they handle much larger sums for which they are more likely to be held accountable; their social service agencies are also much more likely than congregations to use some public funding to support their work. Although their larger size and superior record-keeping make them more amenable than congregations to study, there is no overall portrait of this part of the religious sector.

### ***Housing Development***

The most visible community development activity of this part of the religious sector is the work of Habitat for Humanity International (HFHI), an international network founded in 1976 as an ecumenical Christian housing ministry. In the aggregate, network members had completed an estimated 60,000 homes by mid-1997 (Applied Real Estate Analysis, 1998). However, the majority of them are abroad. In 1995, only 3,280 of the nearly 10,000 homes completed were in the U. S. Most were newly-constructed single family homes, many built with some sweat equity from the purchasing low-income families.

All Habitat homes are built under the aegis of local affiliates, which are responsible for assembling sites, materials and volunteer labor, and for screening buyers and selling them the homes.<sup>12</sup> HFHI reported more than 1,400 U. S. local affiliates in 1997. As affiliates, they adopt HFHI's faith-based status; as a matter of religious principle, Habitat home mortgages carry zero interest.

Although the network is large, most of the individual affiliates are not, and each builds a relatively small number of homes annually. The lifetime production of the 19 affiliates selected for Applied Real Estate Analysis (AREA) study (most of which were founded in the 1980s) ranged from a low of 11 homes (Eugene, Oregon) to a high of 176 (Jacksonville, Florida). Thus their average housing output is small compared to that of the average CDC (Vidal, 1992).

Other organizations that have actively developed housing include Catholic Charities, Lutheran Social Services, the Salvation Army, the Jewish Federations, and B'nai B'rith. Some of their activities are reported by Castelli and McCarthy (1997), who cite a study by Catholic Charities (1996) indicating that Catholic organizations sponsor more than 50,000 housing units serving more than 70,000 people, most of them elderly.

Interview data indicate that the extent of housing work by the denominational service organizations varies from place to place. For example, Catholic Charities' level of activity varies greatly by diocese, with some dioceses (e. g., New York, Brooklyn, Chicago, Detroit) having the reputation of being particularly active. Catholic Charities sometimes works on housing in conjunction with parishes, but also works independently—either directly, in a partnership, or by spinning off a separate development organization such as a CDC. Similarly, Lutheran activities are organized, and vary, by synod. The housing work of the Jewish Federations, in contrast, does not follow strong organizational lines; its more than 150 member agencies are heavily supported by the contributions of non-religious Jews who feel a strong cultural affiliation.

Faith-based organizations have been active participants in two major federal housing production programs: Section 202 and Section 236. However, the limited data on the participation of religious groups in those programs do not distinguish between congregations and denominational or other national organizations. Given the greater resources and organizational capacity of the denominations, however, it is likely that they account for a large share of the faith-based housing production.

A survey of Section 202 projects in 1988 found that 49.7 percent had religious sponsors (Select Committee on Aging, 1989); they had produced an estimated 161,000 housing units. If the rate of production held steady since the time of the survey, and if religious sponsors maintained their share, they would have a current inventory of more than 215,000 units; this would make them the holders of a substantial fraction of the Section 202 housing stock.

Faith-based organizations were also important participants in the Section 236 program, which provided assisted housing for families. However, anecdotal evidence suggests that congregational sponsors, in particular, experienced high default rates in this program. One view is that "church groups often looked upon the projects they sponsored as a form of charity, kept

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<sup>12</sup> Since Habitat for Humanity works through this national network, it is discussed in this section. However, some researchers consider Habitat a parachurch organization, and as such might be more comfortable including it in the discussion of free-standing organizations. This is but one example of the difficulty of applying a simple set of categories to a very diverse set of organizations.

rents artificially low, and were willing to overlook rent delinquencies” (Comptroller General of the U.S., 1978). Another, expressed in interviews, is that residents of the developments “didn’t feel they had to pay rent to the deacons.” While nonprofits did have higher default rates than for-profits, no hard information is available about how faith-based nonprofits performed relative to secular ones (Calhoun and Walker, 1994).

### ***Economic Development***

National denominations and their affiliates also provide some indirect support for community development through their social investments. Starting in the early 1970s, the Interfaith Center for Corporate Responsibility (ICCR), an affiliate of the National Council of Churches, has taken the lead in fostering faith-based work on corporate responsibility and social investing. At that time, the early efforts by churches to invest in poor neighborhoods were experiencing substantial difficulty. A study commissioned by ICCR found that these investments were commonly treated as “ancillary to the church’s basic mission,” that churches invested little strategic planning or discipline in the investment process, and that they had unrealistic expectations about risk. Seventy percent of the programs studied were defunct or in the process of being dismantled at the time of the study, and 55 percent of all debt and equity investments made by the ten programs studied were either considered poor performers or had been written off as bad debt (Nowak, et al., 1989).

This negative experience gave social investing something of a bad name in the religious community, and limited its range. Over time, however, the social investment climate has gradually improved through both the education programs of ICCR and the emergence of high-visibility positive investment opportunities (most notably South Shore Bank {now Shorebank Corporation}, which received considerable help from the religious community). Faith-based investors, often through ICCR, began to treat their investments more professionally. This included developing investment policies that clearly define positions on risk, financial return, and social impact; investment strategies consistent with church resource and operating constraints; and financial leveraging strategies with public and private agencies.

Today ICCR oversees more than one billion dollars in social investments on behalf of 270 investors, including denominations, religious orders, pension funds, hospitals and other institutions. Of this, between five and six million dollars are invested in community economic development. Typical economic development investments are deposits in minority banks, credit unions, various types of loan funds and cooperative businesses. ICCR participants also make similar types of investments (of unknown amount) through a multitude of local and regional social investment vehicles.<sup>13</sup> In addition, pension funds (of various denominations and religious orders) participating in ICCR have approximately \$300 million invested in low-income housing (Smith interview, June 7, 1999).

### **Freestanding Faith-based Organizations**

Freestanding faith-based organizations constitute a heterogeneous group. It includes ecumenical and interfaith coalitions; large nonprofit institutions such as universities or hospitals with a current or previous religious affiliation; and a multitude of smaller nonprofits formed for a variety of purposes. Although several types of these organizations could have a community development role, the literature on their participation in social services and community

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<sup>13</sup> Nowak, et al. (1989) provides a rich profile of the shape of these investments in the Philadelphia area.

development consists primarily of analyses of the smaller faith-based nonprofits, which are therefore the focus here.

As noted earlier, religious organizations sometimes form small faith-based nonprofits that incorporate as 501(c)(3) or 501(c)(4) organizations. Their religious affiliations may be formal, ideological, or simply based on shared values. They appear to be numerous, and have been gaining increased attention as a research topic. However, they are difficult to study because the roots or other ties that make them faith-based may not be readily apparent, and what fraction they constitute of the nonprofit services sector remains unknown.

This group includes the smaller separately incorporated nonprofits started by congregations, including faith-based CDCs and credit unions. As noted in the introduction to this report, about 14 percent of the nation's CDCs report that they are faith-based. Preliminary indications are that they are younger and smaller, on average, than secular CDCs: they appear to have significantly smaller full-time staffs and are more than twice as likely to have annual budgets of less than \$500,000.<sup>14</sup> As the previously-cited examples illustrate, however, some of them are substantial organizations.

Like congregations, small faith-based nonprofits are much more likely to provide direct services to individuals than to engage in broader community benefit activities. Wolpert (1997), studying such organizations in distressed neighborhoods in Philadelphia and Trenton, finds them heavily concentrated in the human services (although he provides no numbers). Gronbjerg and Nelson's (1995) examination of small nonprofits in Illinois found that only nine percent of religious nonprofits, but 16 percent of their secular counterparts, reported housing or community development (not defined) as their primary mission.

The literature on small religious nonprofits includes a number of findings about their characteristics. They are often begun through the initiative of a religious leader who may have some expertise in the organization's program area. Nitterhouse (1997) argues that the tie to a parent organization increases the viability of new small religious nonprofits relative to their secular counterparts. The parent can provide a pool of volunteers with a shared faith and commitment to the activity; meeting space, office equipment, free mailing and telephone service and other in-kind support; initial program expertise; management support; visibility; and possibly start-up funds. Wolpert's (1997) analysis makes a similar case. He notes that the small religious nonprofits he studied were more stable than their secular counterparts and attributes this to several possible causes. These include their ability to tap the parent organization for funds, their lower salary base and administrative costs, and their effective recruitment of volunteers and locally resident board members.

## **CONCLUSION**

Faith-based organizations are engaged in a wide variety of activities beyond worship, most of which provide services and immediate benefits to needy individuals and families. More than half of all congregations participate. The approach they take most frequently is to support with donations and volunteer labor service delivery conducted by other types of organizations. The likelihood that they will become involved in this way appears to depend on several factors, including whether the congregation's house of worship is in a poor neighborhood; whether the

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<sup>14</sup> These estimates are based on a preliminary, unpublished analysis of NCCED data done for this report.

congregation has or can raise adequate resources, which depends importantly on its size (especially whether it is very large), and possibly on congregant income; its racial composition; its theological and political orientation; and pastoral leadership.

Taken together, these factors suggest that independent participation in community development (i.e., without partners) is likely to be attractive to only a small fraction of congregations. To engage with maximum effect, they will generally need to work through a separately incorporated nonprofit entity, and fostering such an entity makes special demands on congregations. Despite their limited numbers, however, those congregations could make significant contributions to community development.

Larger faith-based organizations, particularly those affiliated with major denominations, have some experience in housing and community economic development, both directly and through their social investments. However, the extent of their participation is unknown. Among the freestanding faith-based nonprofits, faith-based CDCs are the easiest community development participants to identify, but a systematic analysis of their characteristics and activities remains to be done.



## CHAPTER 3: WHAT DO CONGREGATIONS BRING TO COMMUNITY DEVELOPMENT?

Congregations have a unique vantage point from which to enter community development. It is a vantage point with both advantages and disadvantages. Many congregations possess some of the qualities—such as an organizational structure and the dedication to improving the situations of low-income people and their neighborhoods—needed to engage in successful community development. However, congregations that attempt to do community development may also stumble upon difficulties, including a lack of financial and technical expertise. Ultimately, the degree to which a congregation can successfully engage in community development depends on its ability to navigate the rough terrain of its advantages and disadvantages.

### Requisites of Successful Community Development

Community development is difficult to do well. It requires activities that are technically complex and must be sustained over time to achieve a meaningful impact. As community development has matured from a movement into a small industry of sorts, both funders and researchers have become increasingly interested in the factors that contribute to successful CDC performance. Walker and Weinheimer (1998), based on an analysis of CDCs in 23 cities, identify five types of organizational capacity important for successful, sustained CDC performance. They must have the ability and capacity to do the following:

- **Plan effectively.** This includes developing (with community input) an understanding of community assets and needs that informs a strategic vision for change, and internal planning to match its resources, programs, etc., to the requirements of implementing that vision.
- **Secure resources.** This includes acquiring grants, loans, contracts, fees or earnings, and technical assistance.
- **Develop strong internal management and governance.** This includes establishing good working relationships between board and staff and representation of the community on the board.
- **Deliver programs.** This includes erecting systems to deliver the full range of programs undertaken.
- **Network.** This includes building relationships with other entities, both public and private, inside and outside the community.<sup>15</sup>

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<sup>15</sup> Glickman and Servon (1998) take a somewhat different tack in covering this same ground, identifying qualities similar to those above, but organizing them differently and giving them different relative emphasis. They argue that CDCs need five kinds of capacity: (1) resource, (2) organizational, (3) networking, (4) programmatic, and (5) political. This review works with the Walker and Weinheimer framework for three reasons. First, the usefulness of distinguishing between the ability to relate to the public sector and to community constituents, on the one hand (political capacity), and to others involved in the CDCs work and organizational success, on the other hand (networking capacity), is not clear; many similar skills are involved. Second, the Glickman and Servon framework does not leave out planning capacity, as Walker and Weinheimer implicitly suggest; at least some elements of planning are included within other types of capacity (e.g., to plan for organizational growth, to project revenues and revenue needs, to do strategic and project planning). However, focusing directly on the importance of various types of planning is important in the current context since, as discussed below, congregations as a group are commonly believed to have limited capacity in this area. Finally, Walker and Weinheimer do a better job of embedding their

Other studies round out these findings. Based on an analysis of 130 exemplary CDCs, Vidal (1992) identified five factors consistently associated with high levels of housing production: leadership stability; existence of a clear organizational strategy; size;<sup>16</sup> the importance of the activity to the organization (e.g., was housing a strategic priority); and years of experience, where longevity (16 or more years) yields disproportionate positive returns.

Most CDC-built housing is rental housing; once built, it must be managed. Nonprofit housing organizations need the following program delivery and internal systems characteristics to manage their housing well: the willingness and ability to treat property management as a *business* rather than a *service* activity; the ability to do physical and financial planning; the capacity to establish and maintain systems that facilitate management of numerous types of details; and the ability of the property manager (whether in the nonprofit's employ or an outside agent) to establish positive relationships with tenants, either individually or through tenant associations (Bratt, et al., 1994).

Finally, all three of these major analyses emphasized the importance of the local institutional and programmatic setting. CDCs are more productive and effective when they have access to funding, technical assistance, and supportive partners (such as foundations, banks, national intermediaries, local housing partnerships, and city government) who willingly coordinate their activities.

Congregations (and other faith-based organizations) that seek to enter the community development field as it is currently structured will need to bring similar competencies to the table to be successful.

### **Congregations Bring Distinctive Advantages to the Table**

Congregations can bring distinctive advantages to the task of establishing an organization that can engage effectively in community development.<sup>17</sup> The advantages they possess include:

- ***Potential as an incubator.*** Between 5 and 15 percent of congregations, depending on their size, that are involved in some community development activities conduct some of those activities through an independent nonprofit organization (Hodgkinson, et al., 1993). There is also ample evidence of congregations supporting a wide array of programs in-house with a mix of funding, in-kind support, space and volunteer assistance. Both of these facts suggest that a congregation's potential as an incubator can be an important advantage. Anecdotal evidence about early congregational support for now-well-known faith-based CDCs, such as those cited in Chapter 2, further supports this point, as does the literature on small religious nonprofits.

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discussion of needed CDC organizational capacity into a larger discussion of what the community development support can/should provide to individual neighborhood organizations.

<sup>16</sup> Size was defined in terms of the CDC's annual non-development budget, taken as the best ready indicator of available resources; a separate piece of analysis estimated that organizations did not begin to benefit from any economies of scale until they reached operating budgets above \$1 million. Note, however, that budget and staff size are usually highly correlated.

<sup>17</sup>This discussion adopts the framework developed by Nowak, et al. (1989).

- **Potential access to volunteers.** Several interview respondents made a point of noting that congregation volunteers represent more than “free labor.” They are consistently characterized as good-hearted, generous, committed people who come to their volunteer activities with energy and a positive attitude. At the same time, they were sometimes characterized as being politically and financially naive. They may not necessarily have the technical and financial expertise need for development activity (Gittell and Vidal, 1998).
- **Potential access to the financial resources of the congregation and its affiliated organizations.** This advantage is very real, but it is also easily susceptible to exaggeration and wishful thinking. Most congregations have modest amounts of money available for public-benefit activities, and the claims against those resources are often numerous and worthy (Hodgkinson, et al., 1993; Chaves and Tsitsos, 2000). This is especially true of congregations that are located in lower-income communities and that also have significant older buildings to maintain (Cnaan, 1997). Further, more money flows from congregations to denominational organizations than flows in the other direction. Nevertheless, modest amounts of seed money, strategically used, can often make a big difference to a fledgling program or organization. In addition, congregations or their denominations (or the religious orders of their clergy) can occasionally provide badly needed emergency support. In a few instances, congregations may be in a position to offer debt and/or equity for development projects, or to provide on-going operating support. Nowak, et al. (1989) found, however, that this latter form of support is the least common.
- **A context that engenders public trust.** Although this fact is not commonly acknowledged directly, religious organizations are widely presumed to be able to act on behalf of principles that rise above narrow self-interest. This positions them to help legitimate ideas and to play a constructive role in resolving social conflicts - both of potential importance in implementing development projects.

### **Congregations Also Encumbered by Some Disadvantages**

Potential advantages are, of course, accompanied by a set of potential disadvantages that congregations seeking to enter community development will need to avoid or learn to manage. These include:

- **Potential for projects to be viewed as church rather than neighborhood initiatives.** This issue is especially likely to arise when concrete benefits (such as housing, jobs or child care slots) are to be made available to individuals. Congregants often have an understandable inclination to make sure that “their own” have access to the benefits they have worked hard to provide. The community, in turn, may be prone to view the allocation of individual benefits as a test of whether the congregation really has the neighborhood’s interests at heart.
- **Congregational staff may have too many demands on their time.** Especially when community development organizations are new and projects are first being started, the tendency is often for members of the congregation or its staff to oversee the new venture. This calls into question whether the project will receive the concentrated time and attention it needs in order to be successful (Nowak, et al., 1989).
- **Congregational staff may lack necessary skills.** Numerous observers voice concerns about the financial management and record-keeping of congregations (and hence of

activities they engage in directly), fearing that many lack the capacity to avoid co-mingling of community development and congregation funds. Since much community development work depends on public investments or subsidy dollars, the fact that only an estimated three percent of congregations receive public sector funds (Chaves, 1998) and understand the standards of accountability that those funds impose on the recipient also provides grounds for caution. In fact, several of those interviewed for this project noted that many congregations avoid public funds precisely because they do not want to deal with those standards and oversight.

- ***Potential for conflicts between religious values and the demands of the marketplace.*** Development is not charity; it is a difficult business and in poor, disinvested communities it is even more difficult. A challenge for faith-based developers is to retain and draw strength from shared spiritual values, but to do so in a way that is consistent with practicing development as a business, e.g., preparing sound financial plans and budgets, collecting rents consistently, and so forth. The congregational experience with Section 236 projects reinforces the importance of attending to this issue.

### **When Congregations and Community Developers Join Forces: A National Example**

What happens when congregations partner with seasoned community developers who can help them navigate the unfamiliar waters of development? Religious Institutions as Partners in Community Based Development, a national program launched by the Lilly Endowment in 1989, invited congregations to form partnerships with experienced community development organizations and propose initial development projects. Lilly funded 28 competitively chosen partnerships, the majority of which were urban and served low-income, minority communities. In 1989, the Lilly Endowment commissioned an evaluation of these partnerships. The results, reported in Scheie, et al. (1991), offer insight into the road ahead for faith-based organizations that enter development work, even though the participating congregations did not shoulder the burdens of development on their own.

In large part, the partnerships were successful. Most accomplished almost all of what they set out to achieve. At the end of the project period, 900 housing units had been built, rehabilitated, repaired, or were under construction; another 400 units were in the planning or design phase. Additional results included eight businesses started or strengthened, 11 new revolving loan funds with nearly \$6 million in new assets, and an increase of \$500,000 in the funds held by seven faith-based credit unions. In addition, the evaluation found evidence that “bringing religious institutions and community development groups together opens up the possibility for building bridges across racial and class lines.”

These positive results were possible, in part, because many of the congregations partnered with very strong community developers. However, despite having such strong partners—and despite the great satisfaction they felt as a result of their accomplishments—congregational participants reported that:

...the cautious or balky behavior of financiers and government officials was “frustrating;” the required technical knowledge of design, construction, finance, marketing, and property management was sometimes “overwhelming;” the persistence and attention to detail was “tedious;” and the tendency of secular partners to value religious partners’ financial or property contributions more than their spiritual and interpersonal contributions was “irritating.”

The evaluators presented their assessment of the likelihood that the new partnerships would be sustained; 75 percent of the partnerships were judged capable of continuation in each of six “critical” dimensions. These included the partnership (1) being organized and committed to continuing community development activity, (2) having knowledgeable and respected staff, (3) having community support, (4) having a plan for continuing its activities, (5) having continued funding, and (6) having equipment and other resources. Absence of a plan and lack of funding were the two most common missing ingredients. Overall, however, Scheie, et al., (1991) felt that the greatest risk to sustained future involvement in community development lay in the narrow base of support the activity had within the congregations: active participants were typically very committed, but few in number. This may account for the missing ingredients observed. A narrow base of support is unlikely to stimulate a congregation to make demanding new plans for which it must actively seek out new sources of funding.

## **Conclusion**

Although faith-based organizations may face many challenges if they engage in community development, they also bring distinctive advantages to the field. The degree to which they will be successful community developers depends in large part on their ability to draw on their advantages while managing or overcoming their disadvantages. If they embark on this course, many will need assistance—both organizational and technical as well as financial. Even so, many will find traditional community development approaches daunting. For these organizations, new institutional vehicles to channel their contributions may need to be developed. Chapter 4 considers these possibilities.

## CHAPTER 4: IMPLICATIONS FOR RESEARCH AND POLICY

Policymakers have increasingly viewed congregations as vital community institutions that should play a greater role in building stronger communities. Some congregations, already committed to addressing the needs of the poor, have responded with interest; so have some of the national denominations or networks of which they are a part. Lively dialog, and some careful early action, have been the result. This report is an effort to advance that dialog and support careful action.

In order to proceed responsibly, each group has important questions to which research has only begun to provide answers. Supporters of community development need to know if faith-based organizations bring distinctive strengths or advantages to the field. Faith-based organizations (not just congregations) need to understand better which among their numbers are well-suited to this potential new activity. Both groups, and their prospective supporters from all sectors, need to identify what help faith-based organizations need to explore this new territory and seize its opportunities, but to avoid fruitless and possibly costly mistakes.

This chapter builds on the findings reported earlier by advancing a research agenda that would start to answer these questions. The proposed agenda is not intended to be comprehensive. Rather, the effort is to both focus and structure the options in ways that will inform practice, recognizing that the list of relevant question may grow and sharpen as more is learned and faith-based community development practice evolves.<sup>18</sup> Specifically, the proposed agenda tries to:

- Focus on the community development mainstream, but reflect a broader view of the field that can help researchers, policy makers and the public to think broadly about how to select and position their own efforts;
- Focus on possibilities that build incrementally from existing knowledge; and
- Inform efforts intended to help faith-based organizations enter the field in ways that capitalize on their strengths.

The chapter concludes by identifying policy implications that seem warranted on the basis of the limited amount of “hard” knowledge that is currently available.

### **The Issue of Faith**

In pursuing the suggested agenda, researchers and funders may need to face directly an issue some find troublesome: how to deal forthrightly with faith. Advancing a respectful research agenda requires identifying ways to treat faith as something more than an organizational label. This will be both challenging and delicate, and extends well beyond the need to tread carefully the separation between church and state.

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<sup>18</sup>Readers interested in conducting or funding research in the field should know that a small number of substantial analyses are currently planned or in progress. They include a book that will present comprehensive findings from the National Congregations Study; a national survey-based study of Hispanic congregations based at Brooklyn College; the U.S. Congregational Life Survey Project to be conducted by Research Services Presbyterian Church (U.S.A); and an analysis of seven parachurch organizations, including Habitat for Humanity, and an in-depth study of Catholic Charities, both based at Loyola Marymount University.

Members of faith communities want their participation in urban ministry to be valued for more than the money, free space and cheap labor many hope they can bring to the table. As one interview subject put it, “It’s insulting; they come with dollar signs in their eyes.” Faith-based practitioners feel strongly that they bring something distinctive and valuable to community development, something eminently worthy of respect; if research and researchers are perceived as not showing that respect—and they are sometimes perceived that way—valuable learning opportunities will be lost. The challenges posed by this issue arise most directly in research on congregations, but also have potential relevance for studies of ecumenical and interfaith coalitions, where the issue of how to manage differences in religious beliefs and practices may become important.

Methodologically, it is not always clear which organizations should be considered “faith-based.” Some cases, e.g., congregations and religious orders, are straightforward. Others are not, especially among freestanding groups like small faith-based nonprofits. Two examples illustrate the methodological problem, which will likely be most nettlesome in analyses intended to compare the conduct and outcomes of faith-based and non-faith-based community development. As noted in Chapter 2, CDCs and other nonprofits created by religious organizations often have close ties to their “parent” organization initially. In some cases, this tie is enduring; in others, it atrophies as the new group matures, clergy and CDC staff turn over, and congregants’ interests change. In time, the spin-off group may be indistinguishable from its counterparts with secular roots. In conducting research, how should one distinguish between organizations that are and are not “really” faith-based in any particular analysis? Even more vexing is the methodological challenge presented by the fact that the community development movement has attracted many individuals whose work in the field, often at a very senior level, is strongly motivated and shaped by their religious faith even though they may not work for an organization with current or historical religious ties. How should researchers treat (or even identify) the organizations they lead, e.g., in a comparison of faith-based and non-faith-based CDCs? In both of these examples, relying on the organization’s self-identification creates a defensible categorization, but does not necessarily address the underlying analytical problem.<sup>19</sup>

An especially difficult unanswered question is whether and how faith makes a difference in the character of community development work. Addressing it directly does not mean undertaking research on the so-called “miracle factor.” Rather, it entails careful exploration of the various ways in which a belief system or ties to a religious organization affects decisions about whether and how development is done. For example, congregations may choose to provide services that meet the immediate needs of the poor (rather than to engage in development) because this activity matches their organizational capacity or because their belief system emphasizes the importance of charity. Some faith-based organizations may be wary of adopting the market-driven principles that accompany some types of development, e.g., taking the chance that they might need to evict a poor household that could not meet rent payments. The perceived importance of dealing with the needs of “the whole person” might give faith-based organizations an advantage over their secular counterparts in developing and operating transitional housing for troubled families. These types of questions are researchable; additional hypotheses worth pursuing are identified in the next section.

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<sup>19</sup> How important this problem might be is a function of whether, for any particular issue, what really matters is an *individual leader’s* faith (e.g., spiritual beliefs or life experience in a religious family or faith community, as they affect the organization), or an *organizational connection* (either spiritual or formal) to a faith community. This question is one on which opinions differ, but is an empirical, researchable question, at least in principle.

Finally, not all research on faith-based organizations in community development is well-suited to public sponsorship or involvement. Members of faith communities are quick to point this out. For example, one minister interviewed made the case that faith-based audiences need research on how community development or other social ministry affects their religious self-consciousness. He was very clear, however, that this was not an appropriate topic for publicly-funded research.

## **Do Faith-Based Organizations Bring Distinctive Advantages to Community Development?**

This question is most readily addressed by comparing faith-based and secular organizations active in the CDC movement. The primary objectives are to describe the extent to which the two groups differ (or not) and to obtain insight into any distinctive advantages or disadvantages that faith-based organizations bring to the field. One way to do this is to compare and contrast the two types of organizations in segments of community development already known to include both faith-based and secular participants: CDCs, community development financial institutions (CDFIs), and workforce development organizations. A second approach is to compare the experience of all types of faith-based and secular nonprofit organizations in implementing federal community development programs. This section discusses each of these alternatives, in turn.

### **CDCs**

The best way to do a systematic, national comparison of faith-based and secular CDCs would be to analyze the data collected to prepare *Coming of Age* (NCCED, 1999). (It reports that 14 percent of survey respondents self-identify as faith-based.) This analysis could examine variations in such characteristics as age, size, types of communities served, mix of activities, output in several key categories (including rental and owner housing production, square footage of commercial and industrial space produced, and lending in support of small business), amount and sources of funding, and denominational affiliation (if any). Sample sizes would be too small to support analysis of individual denominations, but would likely permit use of a typology of denominations (such as the one used by Chaves (2000)) to compare the faith-based CDCs to one another in various ways.

Any analysis of the NCCED data to examine the activities of faith-based CDCs will certainly have a sizeable housing component, since that is those CDCs' major development activity. That analysis should include an initial look at how faith-based CDCs have used various federal programs and how their reliance on those programs differs, if at all, from that of secular CDCs. Analogously, any analysis starting from the Independent Sector or National Congregations Study data could identify a sample of congregations reporting housing activities and investigate in detail which programs they have used and what their experience has been. Both types of analyses could also explore whether faith-based organizations have a record of successfully developing affordable housing without federal funding and, if so, how and why they have done so.

The NCCED data set could serve as a sampling frame to select samples (random, clustered, or stratified) of CDCs for more detailed qualitative study.<sup>20</sup> Such samples could

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<sup>20</sup> An ideal sampling frame would include a complete listing of all entities in the category to be studied. The NCCED survey respondents do not constitute the relevant universe, but this listing is by far the most complete single



support additional comparative analyses, e.g., to compare faith-based and secular CDCs in terms of the characteristics of the staff (composition, compensation, training, turnover), the role of residents and other community stakeholders in governance, and access to various types of financial and technical resources. They could also support qualitative assessment of a number of hypotheses relevant to community development practice, such as:

- Faith and/or participation in a faith-based organization sustains community development practitioners in the face of burnout and poor compensation, thereby increasing leadership stability and enhancing organizational capacity and production.
- Faith-based development groups diversify beyond housing more quickly than other groups because of their orientation toward assisting “the whole person” and the conviction (at least for some) that the person reaches full potential only in connection to community.
- Faith-based development groups do a better job than secular groups, on average, of keeping residents engaged in the organization’s work. As one interview respondent put it, “they are *gemeinschaft*, not *gesellschaft*, organizations.”

Alternatively, samples drawn from the NCCED data set, or from existing lists of CDCs in particular states or localities, might be employed to examine in greater detail distinctive features of faith-based CDCs. For example, rich analytic cases could explore and illustrate, from their perspective, what “faith-based development” means, how congregations or denominational organizations have influenced them, and the kinds of things that they believe they do distinctively well. An expansion on this approach might develop cases from multiple points of view, e.g., the faith-based CDC, the clergy and laity of the affiliated congregation(s), and others (such as members of other significant community organizations, or funders and partners outside the community). Comparative analyses of these cases would shed light on the dynamics of the “spin-off process,” and would also begin to inform the question of whether differences among faith-based organizations are important in community development and, if so, how.

More broadly, archival research and in-depth interviews might document the role of faith-based organizations in the development and growth of the community development movement. Some of the CDC movement’s roots lie in the civil rights movement, in which African American churches played crucial roles, but these early congregational influences have yet to be well-documented.<sup>21</sup>

At the national level, it would be interesting to explore the question of whether congregations or other faith-based organizations offer a way to deal with the uneven geographic distribution of CDCs. The national community development intermediaries have, each in their own way, made efforts to foster or strengthen CDCs in environments where they are weak or non-existent, but have met with mixed success. Congregations might present an untapped opportunity to seed community development in such places; alternatively, they might,

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list available and it could be supplemented in a variety of ways (to make it more complete) if resources were available.

<sup>21</sup> One resource that could inform this effort are the archives from the Community Development Oral History Project conducted by Pratt Institute Center for Community and Environmental Design. They include videotapes and transcriptions of more than 200 hours of elite interviews with figures important in the founding of the CDC movement.

for theological or local cultural reasons, be unlikely to be drawn to community development as a form of urban ministry.

### ***Community Development Financial Institutions (CDFIs)***

Faith-based organizations nationally do substantial social investing, and faith-based credit unions have been an important part of the congregational activities in Philadelphia (Nowak, et al., 1989). This suggests that examining more systematically their participation in CDFIs might be fruitful. Comparing secular and faith-based community development credit unions would be a promising way to begin, since the ranks of community development credit unions have expanded considerably since Nowak, et al.'s analysis. This growth is reflected in the rising membership of the National Federation of Community Development Credit Unions; that membership could serve as a sampling frame identify organizations for comparative analysis of such matters as their relative numbers; their membership, assets and services (including "soft" services like credit counseling); the quality of their management and financial health; and the extent to which they receive assistance from congregations or denominational organizations. These all speak to the central question of whether a religious origin or affiliation appears to provide faith-based credit unions with distinctive advantages or disadvantages.<sup>22</sup>

Mirroring the approach suggested for studying CDCs, the subgroup of faith-based credit unions could be used to explore in greater depth the role of sponsoring congregations and any related denominational organizations in the credit union's establishment and operation, and to identify the sources of any financial or technical assistance received. On the assumption (based on Nowak, et al.) that many of the congregation-based credit unions are small, an analysis of the feasibility, advantages and disadvantages of multi-congregation credit unions or other collaborative efforts might be quite useful; linking small credit unions - but without reducing the sense of mutual obligation and trust that members feel - could increase member access to a range of financial products and services, and simultaneously allow for professional management when capable volunteer oversight is not available.

More broadly, the full range of federally designated CDFIs could be polled to determine the role of the faith-based sector in supporting them, through either investments or deposits. Religious organizations provided considerable early assistance of this type to South Shore Bank—but it was the first of its kind and relatively high-profile. Whether faith-based social investing and depository practices can play an equally significant role as the number of CDFIs expands is an open question. So is the issue of how the risk of investing in these institutions compares with the risk of other investments in the faith-based social investment portfolio. This latter issue will influence efforts to increase the social investments of faith-based organizations and to attract those investments into community development.

### ***Workforce Development Organizations***

Harrison and Weiss's (1998) findings that several exemplary workforce development organizations have their origins in faith-based network organizations suggest the hypothesis that such organizations may have distinctive advantages in this challenging field. Two lines of analysis might illuminate whether this is the case and explore the feasibility and desirability of expanding their role in workforce development. One would start with the Independent Sector or

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<sup>22</sup>Unfortunately, as the Philadelphia analysis made clear, many faith-based credit unions do not belong to the Federation. Hence this analysis will likely overstate the size and financial strength of the universe of faith-based credit unions.

National Congregations Study databases to identify and do exploratory case studies of congregations that report supporting employment and training. The other might follow up on Harrison and Weiss's examples to focus specifically on the role of faith communities in these state-of-the-art examples (a topic their book does not address). For example, do clergy or congregants, either in a single church or a network of churches, play a role in identifying and/or recommending candidates for training or placement? If so, how do they perform this role, and what criteria do they use? Do they assume responsibility for assisting candidates they identify if they encounter difficulties, and with what result? What special advantages, if any, do they seem to have in conducting this work?

### ***Major Programs in Community Development***

Faith-based organizations have participated extensively in HUD's Section 202 program. It would be instructive to draw a sample of those participants to determine the types of faith-based organizations involved - not only congregations of different types, but also denominational groups and coalitions - and look at their impetus to become involved. Such an analysis should also assess their organizational structure, organizational capacity (for both property development and management), and track record (including strengths and problems, both in development and management). Since Section 202 housing is comparatively straightforward to develop and manage, an understanding of how and why faith-based groups perform as they do might establish some basics about their ability to create and sustain the capacity to handle core development and property management activities.

A small but potentially fruitful inquiry would revisit the experience of faith-based organizations that received funding in their formative periods from the now-defunct John Heinz Neighborhood Development Program. This analysis could examine a range of activities supported by this program, including housing development and management, economic development, development of service delivery mechanisms, and planning and financing for voluntary neighborhood improvement. One technical assistance provider interviewed observed that the modest scale of the awards under this program was "right" for new organizations and programs, and that faith-based groups typically used this money well. An alternative view (offered by another interviewee) was that "HUD gave folks \$50,000 and when it was gone they still didn't have a program." The point of revisiting this program would be to learn whether the information sought from applicants and the criteria used to assess them, combined with program experience about what recipients accomplished with the funds, hold any lessons regarding how technical assistance providers and prospective funders should assess the capacity of faith-based groups, especially those just getting started. It would also be very useful to determine whether participating CBOs received assistance of various kinds from their affiliated religious organizations.

Finally, nothing systematic is known about the participation of faith-based organizations in the major current housing production programs: HOME, the low income housing tax credit, and HOPE VI.

### **Will Faith-based Organizations be Effective in Community Development?**

This core question is more difficult than the previous one because faith-based organizations are so diverse; to help address this difficulty, the following discussion considers the basic types of organizations separately. In each case, the premise is that examining their community development experience—both how they choose to become involved and what

activities they undertake—holds the greatest promise of providing insight into their relative strengths vis-a-vis community development. Since faith-based organizations, like most others, have limited resources and many worthy uses for them, the key issue is whether community development makes good use of their comparative advantages.

### ***Congregations***

This area is rich with potentially important research possibilities. It is at the congregational level (or the faith-based CDC level) that some insight into the role of “the faith factor” might be gleaned most readily. Good case studies are a useful place to begin. A major gap in the literature is the absence of rich ethnographic descriptions of different types of congregations with varying types of involvement in community development activities, and of the independent development organizations they either spin off or choose as partners. The literature review reveals, as well, the absence of a corresponding set of materials that would provide portraits of the organizational development and capacity of those same organizations. Given how poorly the participation of faith-based organizations is understood, there is little doubt that some carefully chosen examples would be widely informative. They might address such questions as: What factors affect congregational engagement? How do congregations decide what urban ministry activities to undertake? What factors affect congregational willingness to adopt an inclusive neighborhood-oriented approach? Are there appropriate opportunities for public, philanthropic or denominational organizational organizations to influence these choices? Ideally, these case materials should attempt to comparing different types of faith-based groups to one another, since such contrasts are likely to call attention to the obvious but often-overlooked fact that congregations exhibit great variety.

It would also be useful to conduct a comparative analysis of the experience of congregations as they decide to expand community ministry by creating, supporting, or collaborating with other organizations. The dynamics of when, why and how congregations spin off community-serving activities, and what influence they retain over those spin-offs, has received too little attention. What we know is almost all framed from the perspective of the spin-off nonprofit organization, not the congregation. Nowak, et al. (1989) and Nitterhouse (1997) both argue that start-up religious nonprofits can have distinct advantages over their secular counterparts in their development stages because they benefit from the resources of the parent religious organization. At the same time, Nowak, et al., also state (without providing potentially embarrassing examples) that more congregational efforts to start independent community development entities have failed than have succeeded. Given the tenor of current policy discussions, in which congregations are looked upon to assume new roles, and given the need for them to establish separate nonprofit organizations to move into community development on their own, determining how best to help them do this well is an obvious priority.

Since smaller congregations are likely to have considerable difficulty moving into development on their own, a second path of inquiry is needed to develop alternative ways for them to contribute to community development. Habitat for Humanity clearly provides one such opportunity. Understanding of how best to devise additional options is likely to come from exploring, (a) from the top down, how Habitat and any similar denomination-sponsored programs facilitate participation by small congregations and manage their contributions and, (b) from the bottom up, how congregations decide to participate in various types of collaborations, and the pros and cons of their engagement in those collaborations from both the congregations’ and the coalitions’ perspectives. This would logically include an examination of how congregations’ theological and political orientations, denominational affiliations, and structures

affect their decisions about whether and how to participate in local collaborations.<sup>23</sup> Consideration of the possible role of intermediary organizations would also be valuable.

Finally, much may be learned about the willingness of congregations to make use of public funding by monitoring the extent to which more of them become active in response to charitable choice.<sup>24</sup> Since public funding is an irreplaceable part of much community development work, unwillingness to accept such funding could severely limit congregational participation in it.

All of this work should include careful attention to the need for, and availability of, technical assistance and education and training for clergy and laity. Those interviewed as part of this project differed considerably in their views about whether adequate technical assistance is available to faith-based organizations, particularly congregations. Many entities, both for-profit and nonprofit, provide assistance to nonprofits in the domains of organizational development and housing development (presumably the first task of the new or emerging organization).<sup>25</sup> Disagreement centers around whether the available technical assistance resources are “appropriate,” and the issue is a sensitive one. To the extent that congregations are able and willing to take advantage of the technical assistance services routinely tapped by CDCs, existing resources may be adequate, or nearly so. To the extent that congregations need, or insist on, technical assistance provided by faith-based providers, the supply of “appropriate” assistance could easily be inadequate. Interviews with the leaders of two prominent faith-based CDCs revealed that they receive many requests for free assistance from congregations trying to decide whether to enter community development.

### ***Faith-based Networks Formed Through Community Organizing***

Community organizing is often considered not only outside the boundaries of community development, but a challenge to its core premises. However, changes in the field are leaving this viewpoint increasingly open to question. Community organizing has itself become less confrontational in nature. Practitioners and funders have seen examples of the contribution that good community organizing can make to leadership development in poor communities. And the importance of community leadership to successful community development has become clearer.

What remains unclear - indeed, completely unexplored - are the circumstances under which faith-based community organizing, now a significant portion of the organizing done by the major national community organization networks, leads (or might lead) to the formation of agencies with a development agenda. Some conspicuous positive examples illustrate that community organizing can be a launching pad for powerful community development organizations. The protest origins of many current CDCs suggest that organizing can be fertile

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<sup>23</sup> Although this discussion focuses on examining housing activities, lessons about networks and other collaborative approaches might also be gleaned from corresponding analyses of social service collaboratives. As noted in Chapter 2, such collaborations are the most common form of congregational engagement in social service provision, and the strategies they have developed may have applications in community development.

<sup>24</sup> Charitable choice is the term commonly used to refer to the provision of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (a.k.a., welfare reform) that extends the conditions under which religious organizations may deliver publicly supported social services.

<sup>25</sup> Note, however, that the geographic distribution of these resources is uneven; nonprofits in rural areas, small cities and towns, and sometimes even in larger cities in the South, may have to seek this assistance outside their local areas.

ground for new community development groups - a topic that a sample drawn from the NCCED database might be used to examine. On the other hand, those interview respondents who had an opinion were skeptical about whether contemporary faith-based organizing lends itself to this type of organizational evolution.

The types of faith-base organizing processes and foci that do and do not lead to the establishment of effective development organizations remains unmapped territory.<sup>26</sup> Both faith-based CDCs and congregations that report engaging in organizing, advocacy or public policy (on the NCCED and National Congregations Study surveys, respectively) are good candidates for grounding such research. Each group could provide the foundation for a well-structured longitudinal study of congregation-based community organizing. These studies could shed light not only on the conditions under which organizing leads to direct involvement in development, but also its effects on the community, on leadership development, and on local public policy.

### ***Denominational Organizations and National Networks***

These organizations are attractive policy research targets because they possess substantial influence, resources and overall organizational capacity.<sup>27</sup> They present research challenges insofar as they are relatively large organizations with distinct missions and organizational cultures. In addition, many allow their members or affiliates, both regionally and locally, to work quite independently, so their activities can vary importantly from place to place. The national organizations may or may not collect systematic information about those decentralized activities.

The limited literature available and the information from the interviews, taken together, suggest two sensible research foci. The first is the role of these organizations in housing. The second is their participation in social investing.

In housing, the most basic question is “what are they doing?” This investigation could be expansive and exploratory in character, or it could pick a short list of the organizations believed to be the most active and examine them in a more intensive way. In either case, the inquiry should not focus narrowly on numbers of units produced and dollars spent, but should also try to learn about other more policy-relevant issues such as where these units are being built, who the housing serves, where the resources are coming from (public subsidies, church-owned land, denominational equity investments and/or debt), whether it makes sense to expand this work, and, if so, where the most promising opportunities lie and what would be required to capitalize on them.

Within this line of analysis, it would also be interesting to understand better the extent to which national or regional entities (e.g., dioceses) do their housing development and other activities in collaboration with local congregations. To the extent they do so, what challenges does this present and what advantages does it bring (e.g., improving the standing of the congregation in the community, providing residents of the new housing with better local ties and

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<sup>26</sup> The very promising work of such groups as South Bronx Churches (an ACORN affiliate) in education reform and the growing number of examples of congregations, organizing groups and CDCs taking on community policing and other safety-enhancing activities - both of which are viewed as essential requisites for making low-income city neighborhoods genuinely developable into decent, family-supporting communities - seems a healthy reminder that meaningful community development must sometimes extend beyond physical and economic change.

<sup>27</sup> In addition, their size and comparatively professional character mean that each is likely to have relatively good data about its activities, outputs and finances.

sources of support, or giving the congregation important technical support). If they do not, why not? Might there be benefits, either in gaining public approval for the developments or for the residents of the housing, to doing development in this way? If so, what are the impediments?

This research might also assess the possibility of using national denominational groups, like Catholic Charities, coalitions or parachurch organizations to build affordable housing that could support housing mobility (i.e., poverty deconcentration) goals. For example, the dioceses with reputations for high levels of housing development activity are mainly those that serve older inner cities with high concentrations of poverty (New York, Detroit, etc.). Is this housing, generally being built in high-poverty neighborhoods, contributing to the concentration of poverty, or is it an unrecognized vehicle to deconcentrate housing affordable to the poor? If the latter is the case, do congregations in receiving communities help to give such developments public legitimacy? Do they provide support to low-income families moving into unfamiliar areas, or entering home ownership or workforce roles for the first time? This might be thought of as the flip side of possible support by faith-based organizations (such as the Nehemiah Project) to diversify the income mix in neighborhoods whose community development potential is limited by the fact that the current residents are overwhelmingly poor.

In the social investment arena, faith-based organizations had an unfortunate initial exposure that gave social investing a poor reputation; this reputation appears to have been largely overcome (Nowak, et al., 1989). Since no literature has addressed this subject since Nowak, et al., further exploration via interviews should precede defining the specifics of a research agenda. Likely promising avenues include: what intermediaries (national, regional and local) and investment vehicles are in place to facilitate social investments in community development by these groups (and possibly others); and what additional niches (for either organizations or investment vehicles) remain, and how might they best be developed and promoted. This line of inquiry might include consideration of whether national and local community development intermediaries provide an opportunity to engage organizations of this type.

Very little is known about the roles, and possible new roles, of local denominational and ministerial alliances and interfaith coalitions. Several of the scholars interviewed have found indications, in the course of their work on other topics, that the number of such coalitions and their participation in housing appear to be growing. Explorations in this area should include not only possible direct housing development activity, but also the activities of such coalitions in housing partnerships and fair housing issues.

### ***An Integrated Faith-Based Portrait***

Community development is a fundamentally local activity. A full picture of faith-based activity in community development includes consideration of how different aspects of community development, conducted by all the various types of faith-based organizations, come together in particular places. A series of comprehensive, thoughtful analyses of the universe of faith-based community development activity in a modest number of metropolitan regions would be very instructive. These should surely be urban regions known to have diverse religious profiles; some variety with respect to level or type of community development activity would also be desirable, although selecting places in which the level of activity is very low is unlikely to be useful. These rich cases should include considerable qualitative analysis, e.g., about institutional and political relationships and the distinctive styles of various organizations. However, they should also include systematic information about such topics as what and how

much faith-based groups produce, and the extent to which they receive financial and other support from various sources. Since faith-based organizations tend to define community development relatively broadly, these cases might have to be guided by a broader construct of community development than the one used in this paper in order to capture this work *as it is viewed locally*. The excellent profile of the Philadelphia area by Nowak, et al., (1989) might be used as a model in designing such a project, although the efforts in that volume to capture the national landscape should obviously be done only once (either as part of this project or independently) and used as context for the metropolitan portraits. Such cases might also provide a much better understanding of local religious ecology as it relates to urban ministry.

## **Policy Implications and Challenges**

While much remains to be learned, what we know now suggests the high likelihood that only a small fraction of congregations are currently well-positioned to become independent community development agents, i.e., they are located in communities where development is needed and they have (or can access) needed financial and technical resources. Many, perhaps most, of these are African American churches. The strongest candidates are those that are located in poor neighborhoods and have credibility there, but that have large congregations including substantial numbers of members who are, themselves, not poor.

We have enough good examples to be clear that well-positioned congregations can make significant community development contributions when they commit themselves to doing so. These examples share the element of a professionally staffed, independent nonprofit development organization founded by, and receiving some support from, one or more congregations. They also share a long time horizon; they are committed to staying in the community, and understand that development is a demanding, time-consuming process.

Capitalizing on the potential that congregations represent is likely to require investments in the organizational capacity of congregations, both to help them make good decisions about whether to enter community development and to help them get any newly-incorporated development organizations off to a good start. This may require the development of new systems to deliver technical assistance and other types of support.

A better understanding of what has enabled the existing crop of faith-based CDCs to emerge and grow—and what distinctive problems they have faced, if any—would inform this effort. Given the consistent finding that faith-based organizations do not have slack resources to devote to urban ministry, significant expansion of their community development activity will need to tap state or federal funds. Technical assistance will be critical to their ability to use those funds responsibly.

Congregations could also become involved in community development in other ways, either as direct agents or as supporters. For example, they could partner with experienced community developers (as in the Lilly demonstration program); provide mentors to participants in job training programs; or participate financially, e.g., through the management of their investments and bank deposits. Congregations in moderate- and middle-income communities could contribute by supporting community development directly (recall the example of suburban churches giving New Community Corporation financial and political support in its early years) and/or by creating a supportive climate for local development of affordable housing for families. All congregations could contribute by working to create a political climate supportive of community development investment. For example, congregations are potentially significant



allies for community developers in building local and regional coalitions to promote supportive local, state, national, and corporate policies.

The field needs to explore alternative strategies for congregational involvement. These might include new mechanisms to stimulate and support coalitions or collaborations; links between inner-city and suburban congregations; new shared social investment vehicles suited to small scale and/or shorter term investments; and new mechanisms for groups of clergy and laity to affect the climate of public discourse and opinion. Differently stated, community development practitioners may find it worthwhile to invent new ways to tap congregations' strengths—not only their space and volunteer labor, but also their potential for positive, ethical engagement in public dialogue.

Finally, the fact that faith-based organizations *could* engage in community development does not necessarily mean that they *should*. Congregations and other faith-based groups, like other kinds of organizations, have strengths and weaknesses. They work in environments that pose different kinds of problems and offer varying kinds of opportunities. As the huge range of activities they already conduct demonstrate, faith-based organizations have many opportunities to make socially valuable contributions. They should apply their energies in ways that capitalize on their comparative advantages; for many, that will not lead them into community development.

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**APPENDIX A**  
**List Of Individual Interviewed**  
**(Titles and Affiliations Were Current at the Time of the Interview)**

Linda Byrd, Director  
Communities of Shalom

Mark Chaves, Associate Professor  
University of Arizona

John Coleman, Professor  
Loyola Marymount University

Fred Davies, Program Officer  
The Ford Foundation

Carl Dudley, Co-Director of the Center for  
Social and Religious Research  
Hartford Seminary

Craig Dykstra, Vice President  
Lilly Endowment

Helen Rose Ebaugh, Professor  
University of Houston

Michael Foley, Associate Professor  
Catholic University of America

Ben Hecht, Vice President  
The Enterprise Foundation

Joanne Kane, Executive Director  
McAuley Institute

Spense Limbacher, Executive Director  
Neighborhood Funders Group

Msgr. William Linder  
New Community Corporation

Fred Lucas, President  
Faith Center for Community Development

John McCarthy, Professor  
University of Pennsylvania

Joseph McNeely, Executive Director

Development Training Institute

Karen Phillips, Executive Director  
Abyssinian Development Corporation

David Scheie, Associate Director  
Rainbow Research, Inc.

Timothy Smith, Executive Director  
Interfaith Center on Corporate  
Responsibility

Stanley Carson-Thies, Senior Fellow  
Center for Public Justice

June Manning Thomas, Professor  
Michigan State University

Carol Thompson, Senior Program  
Associate  
Annie E. Casey Foundation

Dr. Harold Dean Trulear, Vice President  
and Director of Faithbased Initiatives  
Public/Private Ventures

Mark Weinheimer, CEO  
Weinheimer & Associates

Mark Willis, President  
The Chase Manhattan Foundation

Robert Wineburg, Professor  
University of North Carolina at Greensboro

Wheeler Winstead, Director of the  
Faithbased and Community Development  
Program, National Congress for Community  
and Economic Development

Elliot Wright, Consultant  
National Congress for Community and  
Economic Development