

Breaking Ground: An Evaluation of Mercy House's Faith-based Partnerships

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EXECUTIVE SUMMARY

Founded in 1990, Mercy House is a nonprofit organization that began with a focus on temporary shelters and homeless services and has now moved towards creating permanent and comprehensive supportive housing. Permanent supportive housing (PSH) provides affordable housing and services meant to address financial, mental, and physical health barriers experienced by those who are chronically homeless or housing insecure.

This research project was commissioned by Mercy House with the support of Wells Fargo Bank with the aim of understanding the key components of successful PSH developments that are created in partnership with faith-based organizations (FBO). The research investigates the entitlement processes of four proposed housing projects in Southern California in the cities of Costa Mesa, Garden Grove, Santa Ana, and Riverside.¹ Case-based analysis illustrates two entitled properties in Santa Ana and Riverside, a project fallen out of entitlement in Garden Grove, and a development pending entitlement in the City of Costa Mesa. The main objective of the research is to understand the process Mercy House utilizes when partnering with FBOs and to identify best practices for forging partnerships for future PSH developments.

Mercy House has a mission guiding the overall development of its strategic plan:

“To be a leader in ending homelessness by providing a unique system of dignified housing opportunities, programs, and supportive services.”²

Given its strong mission statement, faith-based partnerships have been identified as unique and valuable to the Mercy House development processes because of two key variables: 1.) Shared values and mission in bringing important services to communities in need, and 2.) the financial opportunity that each faith-based organization brings through rights of land ownership.

¹ For the purposes of this research, entitlement refers to the process by which a project receives approval from local governing authorities to begin development.

² Mercy House. “About Us.” (<https://mercyhouse.net/about/> 2020)

The data and findings have led us to four key steps which UCI has termed a Continuum of Success.



Using this Continuum of Success framework, four recommendations are offered:

- 1) Expand the pool of viable faith-based partners
- 2) Expand Mercy House's network of community relationships
- 3) Invest in mapping analytics to strategically identify opportunities for housing
- 4) Create a database of potential funding sources through city, state, and federal grants available for FBOs in affordable housing development.

PROJECT DESCRIPTION

The United States Department of Housing and Urban Development reported that homelessness around the country increased in 2019 by 14,885 people (2.7%). California experienced a 16 percent increase in homeless individuals and accounts for more than half (53% or 108,452) of unsheltered homeless individuals in the United States.³ California is suffering from a lack of affordable housing at many levels, but this is especially acute for the population of housing insecure and homeless populations. Orange County specifically faces a housing shortage that experts believe could double from the current level to over 184,000 units in the next twenty years.⁴ California mandates that local governments plan for the needs of residents of all income levels under the Regional Housing Needs Allocation.⁵ The Southern California Association of Governments has allocated an additional 75,430 low income to very low income units to be built and made available in Orange County by 2029.⁶

Mercy House and affordable housing developers play a critical role in addressing homelessness. Mercy House is more than a service provider. Mercy House does not act as a sole developer. The non-profit seeks out partnerships with a third-party developer such as, Community Developer Partners, National Community Renaissance, HomeAid Orange County, and Wakeland Housing and Development Corporation when developing an affordable housing property. To date, Mercy House has been successful in providing 285 permanent supportive housing units, of which 162 units are owned and managed by Mercy House. 102 units are master leased by Mercy House and 88 units are leased in collaboration with partners and managed by Mercy House. Additionally, Mercy House currently has 296 units under development and provide residential services to an additional 452 units.⁷ Among those served are homeless families, single men and women, single mothers and their children, those living with HIV/AIDS, individuals recovering from substance abuse, and those who are physically or mentally disabled.⁸

³ Meghan Henry, Rian Watt, Anna Mahathey, Jilian Ouelette, and Aubrey Sitrer, "The 2019 Annual Homeless Assessment Report (AHAR) to Congress," *The U.S. Department of Housing and Urban Development Office of Community Planning and Development*. (January 2020), 1-104.

⁴ "Orange County Faces Housing Shortfall," Press Release, Orange County Business Council. (July 10, 2019). <https://www.ocbc.org/orange-county-faces-housing-shortfall-of-over-114000-by-2045/>

⁵ "RHNA - Regional Housing Needs Allocation," Association of Bay Area Governments. (May 5, 2020) <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation>

⁶ "Estimate of SCAG RHNA Allocation Based on Regional Council Approved Final RHNA Methodology," Southern California Association of Governments, (2020).

⁷ Mercy House 2020. "Impact Report." *Mercyhouse.net/about pp. 37-38*.

⁸ Mercy House. "About Us." (<https://mercyhouse.net/about/> 2020)

In partnership with the Livable Cities Lab and Master's of Public Policy Program in the School of Social Ecology at UCI, Mercy House, in partnership with Wells Fargo Foundation, requested a careful review of the landscape pertaining to the role that faith-based organizations play in developing affordable housing and offering permanent supportive housing, and the factors that contribute to a successful partnership between the FBO and the housing developer. Mercy House differs from other developers, as they do not singularly develop properties, but facilitate collaborations between community leaders, developers, and faith-based organizations to provide permanent supportive housing (PSH).

Permanent supportive housing provides long term housing to chronically homeless often in combination with supportive services meant to address physical, mental health or financial problems of the tenants.⁹ For example, in 2016 Mercy House, in partnership with housing developer, Community Development Partners (CDP), opened the Orchard in Santa Ana, a PSH facility that was previously a “seedy motel” as reported by the Orange County Registrar. Most of the current tenants at this location were formally chronically homeless, living outside in the Santa Ana’s Civic Center Area.¹⁰ PSH is also documented to benefit communities. A 2017 report on homelessness in Orange County found that permanent supportive housing could increase housing stability, lower public costs associated with the use of crisis services (such as shelters, hospitals, and jails), and bring value to a neighborhood by replacing abandoned buildings or vacant lots.¹¹ The perception is that in addition to increasing housing security for vulnerable populations but also improved property value and area safety.

Faith-based organizations can play an important role in providing available resources, infrastructure or land that can be repurposed into permanent housing units. While FBOs are loosely defined, Castelli and McCarthy (1997) claim that faith organizations fall under one of three categories: congregations, national networks, or freestanding religious organizations. Other literature points to religiously driven mission statements, institutions that derive their financial support from religious organizations, and initiation into religious institutions as characteristics of

⁹ “Permanent Supportive Housing,” National Health Care for Homelessness Council. (2020). <https://nhchc.org/clinical-practice/homeless-services/permanent-supportive-housing/>

¹⁰ Theresa Walker, “Seedy Motel in Santa Ana is Reborn as Housing for Homeless People,” *OC Registrar*, February 1, 2018, <https://www.oregister.com/2018/02/01/seedy-motel-in-santa-ana-is-reborn-as-housing-for-homeless-people/>

¹¹ David A. Snow and Rachel E. Goldberg, “Homelessness in Orange County: The Costs to Our Community,” (2017) Orange County United Way, University of California & Jamboree Housing.

an FBO.¹² The US Department of Housing and Urban Development notes the term faith-based is more advantageous than “church-based” because it broadens the definition of faith institutions. The term “church-based” can exclude local “synagogues, mosques, and other places of worship” from consideration for eligible funding sources.¹³

Faith-based partnerships offer Mercy House unique benefits in the entitlement process. First, viable faith-based partners share in the same mission as Mercy House by wanting to bring essential services to marginalized members of the community. Secondly, Orange County’s land value is on average 2.6 million dollars per acre, making faith-based partners rich in land or structures.¹⁴ Partnerships with Mercy House result in a win-win situation. Long-term land-lease contracts can significantly decrease the overall cost of development. Mercy House is able to obtain expensive land for minimal cost and benefits from the churches’ tax benefits. Dependent on the cash flow of each project, the FBO might receive an income flow in return for the land lease, along with an improved property. Additionally, the FBO has a chance to share its mission and message with the community.

When Mercy House moved into alignment with faith-based organizations, new partnership opportunities for PSH development arose. This project aims to develop a set of best practices for Mercy House, as well as other like organizations in respect to forging faith-based partnerships for developing PSH. To accomplish these aims, the research team examined faith-based partnerships and the entitlement process for four PSH sites. Four important themes emerged that have been termed the Continuum of Success.

Stage 1 entails how to successfully identify a viable FBO. Stage 2 details moving a relationship with a viable FBO into a business partnership. Stage 3, is obtaining city approval. Lastly, Stage 4 during which project funding is secured.

¹² Ram Cnaan and Carl Milofsky, “Small religious nonprofits: A neglected topic,” *Nonprofit and Voluntary Sector Quarterly*, 26(Supplemental), (1997): 3-13.; Maria Torres, “Faith-Based Participation in Housing: A Literature Review, *Hauser Center for Nonprofit Organizations*; (2005) The Kennedy School of Government Harvard University.

<https://www.innovations.harvard.edu/sites/default/files/10625.pdf>.; Robert Wuthnow, “Linkages between religious congregations and nonprofit service organizations.” *Aspen Institute*, (2000).

¹³ Avis Vidal, “Faith-based Organizations in Community Development.” *US Department of Housing and Development, Office of Policy Development and Research* (August 2001): 1-45 <https://www.huduser.gov/portal/publications/faithbased.pdf>

¹⁴ Richard Florida, “The Staggering Value of Urban Land.” *City Lab*, November 2, 2017, <https://www.citylab.com/equity/2017/11/the-staggering-value-of-urban-land/544706/>

Note that while Stage 1 typically occurs first and Stage 4 usually occurs last, the steps in between can occur in any order and will largely be case specific. While a project may be developed without moving through all four stages, it is worth noting that the completion of each stage further increases the likelihood of success.

The Continuum of Success is marked by four important stages:



METHODS AND DATA

Data was collected from four case studies of permanent supportive housing developments Mercy House has undertaken. The case studies allow for a systematic analysis of the processes Mercy House uses to obtain a faith-based partner and move from conceptualizing a project to entitlement. Traditionally, the term entitlement signifies that a project has received approval from the appropriate local governing authority to begin development. The data are grouped according to each of the four case studies: Santa Ana and Riverside, which were two cases that have achieved entitlement; Garden Grove, a proposed site that did not achieve entitlement; and lastly, Costa Mesa, a development that has been proposed to the city and is still pending approval. For the purposes of this project, the Costa Mesa project is considered to fall within the bounds of entitlement, as submitting a proposal is the beginning of the entitlement process.

These case studies are important to this investigation because they allow for comparison to be made in the procedures and actions that Mercy House, or their developing partner, may take that influences the entitlement process. Table 1 displays the location, the project's faith-based partner (and denomination), and where it falls on the Continuum of Success at the time of this analysis. Each project was in a different stage of the entitlement process during the analysis, therefore data for certain locations is limited because that project had not yet proceeded to the next stage in the Continuum of Success. For example, the project in Garden Grove was stopped prior to the City

Council’s involvement, therefore city council minutes and newspaper data were limited or non-existent.

Table 1. Case Study

City of Site	Faith Partner	Faith Denomination	Continuum Stage
Santa Ana	Santa Ana United Methodist Church	Methodist	In Stage 4 (obtaining funding)
Riverside	St. Michael’s Episcopal Church	Episcopal	In Stage 4 (obtaining funding)
Garden Grove	First Presbyterian Church of Garden Grove	Presbyterian	Stopped in Stage 2
Costa Mesa	Lighthouse Church of the Nazarene	Nazarene	In Stages 2 & 3 (Need approval from the city and FBO)

What happened between Mercy House and the FBOs that led to successfully or unsuccessfully achieving entitlement is documented with a combination of research methods. Semi-structured, in-depth interviews were used to document the experiences of Mercy House, the religious leadership of the FBO, and the development partners in each of the case studies. In-depth analysis of newspaper articles allowed for the evaluation of the dominant public narrative at each site. City council minutes (for applicable cases) presented local views of both supporters and opponents to the proposed PSH developments. The Continuum of Success framework emerged from the analysis of this data.

The use of semi-structured, in-depth interviews with relevant stakeholders provided a rich history of Mercy House and its partnerships with the developers and faith-based organizations in each of the case studies. Key stakeholders among Mercy House staff and development partners were identified and interviewed for their perspective on the logistics and current process for forming partnerships with FBOs. Interviews with religious leaders in each case study were used to ascertain how FBOs benefit from a community development partnership and what obstacles were faced during the entitlement process. As presented below, this data was key to formulating the first (identifying a partner) and second (building the relationship) stages of the framework.

Executive staff from the development partners were also interviewed. The data from these interviews provided an accurate portrayal of the organization's mission, partnership cultivation processes, and obstacles in achieving entitlement.

Information pertaining to the perspectives and opinions of local church leaders involved in the four PSH projects was also gathered. With some of the projects being entitled, one stopped, another awaiting approval, it became crucial to examine the variation in denomination, location (aka zoning), political will, and community support in order to understand which factors were most influential during the entitlement process. There were important similarities and differences among the four sites. Each was similar in that each development proposed a long-term land lease with each FBO. However, they differed in zoning, political will, and community support. Additionally, the denomination, organizational structure, and decision-making process varied across each FBO partner. Thus, it became essential to interview church leadership to derive a comprehensive description of the forces involved for each of the four PSH sites.

Development partners involved in the four sites are Community Development Partners and National Community Renaissance. Interviews were conducted with executive members of each organization to identify the obstacles encountered when working with a FBO, how they responded to those obstacles, their perceived benefits and drawbacks of partnering with faith-based organizations, and where future efforts could improve the overall entitlement process.

Newspaper articles provide the ability to assess the political landscape and community opinions within each of the four impacted communities. Community narratives are important because they permit one to assess the local agenda setting and decision-making efforts. Articles from local newspapers, such as the *Orange County Register* and *Voice of OC*, provide first-person quotations from supporters and opponents of the project. This information also helped in corroborating information gathered from the stakeholder interviews. As noted below, the community narratives played an important role in Mercy House’s ability to form successful partnerships with the faith-organization in each setting. The media coverage also gave voice to the FBOs in terms of whether or not they played a primary or secondary role in gaining the community’s support by pitching the project during the entitlement process.

City government approval and funding are crucial for the entitlement process to reach construction. To understand the role of local government, city council minutes were analyzed, and presentations and public comments were viewed via city archives for the three developments in Costa Mesa, Santa Ana, and Riverside. Garden Grove was excluded from this analysis as the project was halted prior to the involvement of city government. City council meeting minutes and public documents provide a record of decision-makers’ perceptions of Mercy House and their FBO partners. Council minutes are especially important to the investigation as they provide an unvarnished expression of public attitudes surrounding each proposed development and the level of support that each project had from both the city government and the public. These data were used in collaboration with the semi-structured interviews to craft point three on the Continuum of Success – Obtain City Approval.

FINDINGS

Mercy House has been very successful providing permanent supportive housing throughout Orange County and beyond. However, this research finds new opportunities to develop affordable housing and carry out the Mercy House mission with like-minded organizations when aligning with faith-based organizations, enriching the development process. The Livable Cities Lab has examined these opportunities and identified themes that could potentially be exploited to support further development of PSH in collaboration with FBOs; we call the framework for these themes the Continuum of Success:



Each of these four stages consists of key aspects that are summarized in Table 2 and discussed in more detail below.

Table 2: Key Aspects of the Continuum of Success

<p style="text-align: center;">Stage 1: Identifying a Viable FBO</p>	<ul style="list-style-type: none"> · Tapping into existing networks · Exploring opportunities with other FBOs · Finding FBOs with similar mission and vision as Mercy House · Finding FBOs with undeveloped property or substantial financial resources
<p style="text-align: center;">Stage 2: From Relationship to Partnership</p>	<ul style="list-style-type: none"> · Reviewing denomination · Recognizing FBO needs to formalize partnership
<p style="text-align: center;">Stage 3: Obtaining City Approval</p>	<ul style="list-style-type: none"> · Establishing a community presence · Support from interest groups · Community outreach

<p>Stage 4:</p> <p>Securing Funding</p>	<ul style="list-style-type: none"> · Commitment to meeting RHNA allocations · Mitigating community opposition · Local government partnership
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Stage 1: Identifying a Viable Faith-Based Organization



Primary factors contributing to Stage 1:

1. Utilize existing social networks to initiate project discussion

The interviews with Mercy House’s executive director revealed the primacy of developing partnership through networking. Mercy House actively builds relationships with community churches through volunteer recruitment, attending events, and facilitating education about homelessness. Additionally, Mercy House holds an annual volunteer appreciation day, golf tournament, and annual gala in which FBOs may participate.

The relationship that developed between Mercy House and the Church of Nazarene was the result of Director Larry Haynes’ personal ties with community stakeholders and non-profit organizations in Costa Mesa such as Trellis. In Garden Grove, Mercy House had previously collaborated with the pastor of the First Presbyterian Church of Garden Grove by developing a temporary shelter. These are just two examples where existing networks provided a groundwork upon which new viable relationships have been formed. Most of Mercy House’s partnerships, however, consist primarily with organizations of Protestant denomination; this represents a potential opportunity to expand collaboration efforts to include other denominations that both may share in the goal of

alleviating homelessness in their communities and have the underutilized properties/resources to participate in such a project.

2. Find a faith-based organization that shares a similar mission and vision as Mercy House

The importance of curating and maintaining relationships with potential faith-based partners that share a similar mission emerged as extremely important when identifying a viable FBO partner. It was observed that Mercy House's mission is driven and influenced by its religious background. This mission focus provides a commonality to refer to when approaching a church with which they wish to partner. For example, the proposed development on the site of the Nazarene Church in Costa Mesa was one instance where a common mission was important for creating partnerships. The church's mission already includes homeless services, which provides an opportunity for Mercy House to approach the church about expanding its services to include affordable housing.

While the project is awaiting approval by the city, the church remains committed to developing permanent supportive housing with Mercy House and Community Development Partners (CDP).

This shared mission was also observed between Mercy House and the Episcopal church involved in the Riverside site. The Riverside project has experienced multiple delays caused by community petitions to halt development as well as denial of a Conditional Use Permit from the city Planning Commission. Despite these setbacks, St. Michael's has maintained an active partnership with Mercy House and Community Development Partners in an effort to overcome community opposition to the proposed permanent supportive housing. Both the Riverside and Costa Mesa cases demonstrate our second finding: a similar mission focus is an important element that must be present in order for Mercy House to garner buy-in from faith-based organizations. Identifying viable faith-based partners who share a common mission with Mercy House has thus far proven extremely successful. Our research has revealed that partnering with an organization that shares the same mission and values can play an important part in maintaining real estate contracts when a development experiences problems and delays. Mercy House would benefit by expanding their network to include non-traditional FBOs, like faith-based non-profits, other denominations, or other religious affiliations who have viable properties and share in the mission to help house chronically homeless populations within the community.

3. Identify faith-based organizations with unused land or structures that could be potentially repurposed

Ideal faith-based partners will have accessible land or assets that are readily available for development or have the capacity to house. When evaluating land for properties that met this criterion, Mercy House has found such properties lie within the domain of mainline, Protestant churches. Mainline Protestant are generally considered to be eight of the largest Protestant denominations, originating in Europe. These eight consist of: American Baptist Churches, USA; Christian Church (Disciples of Christ); Episcopal Church; Evangelical Lutheran Church in America; Presbyterian Church; Reformed Church in America United Church of Christ; and the United Methodist Church.¹⁵ The two success cases, in Riverside and Santa Ana, are partnerships with churches that had land or structures immediately available for development. The Santa Ana United Methodist Church had a building that was in disrepair and red-tagged by the city as unsafe for public access. The Episcopal church in Riverside was identified by the City Council as a possible site for affordable housing. Additionally, the Costa Mesa project in partnership with the Church of Nazarene features a temporary homeless shelter that the city has identified as suitable for repurpose.

In some of these situations, the city's desire for construction or renovation on the property of interest provided Mercy House, in partnership with Community Development Partners, a unique occasion to present the church with an opportunity to develop the land for a purpose that furthers its religious mission. This resulted in the finding that viable faith-based partners have unused land or structures with the potential for development. One method Mercy House could employ to identify organizations with available land or structures is the use of mapping software such as Geographic Information Systems. Such software could also assist in identifying overlap between faith organizations and existing housing and demonstrate areas where PSH might be lacking.

Stage 2: Moving from Relationship to Partnership

¹⁵ Marcum, J.P. 2017. "W(h)ither the Mainline? Trends and Prospects." *Rev Relig Res.* 59:119-134.



There are two factors that our findings indicate as important for the second stage in the Continuum of Success:

1. The denomination of the church

The decision-making bodies can affect the timing and the final outcome of any proposed partnership. Each denomination has a different governing structure. For example, in the Presbyterian church, decisions are often made by a council composed of nine church elders and the pastor. On the other hand, decisions in the Episcopalian Church must go through the Episcopal Diocese of Los Angeles. Interviews with the St. Michael's pastor revealed that the decision to use property for development ultimately rested with one person, allowing Mercy House to more readily focus partnership efforts without being subject to church bureaucracy, which can prolong the entitlement process. As will be discussed in Stage 4: Securing Funding, prolonging development can lead to missed application windows for funding, leading to entitlement delay. This leads to the finding that different denominations can have important effects on the timing and scope of each proposed project.

2. Remain cognizant to the needs of the Faith-Based institution

Interviews revealed that each FBO stood to gain in various ways across the different developments. In the Riverside development, Mercy House was very cognizant to St. Michael's needs. In this particular example, the FBOs' main goal was to use the property to help marginalized populations and placed a priest with a primary mission to build community without any funding from the Episcopalian dioceses. Mercy House was cognizant to the church's financial and moral obligations and played an integral part in furthering its mission. However, Mercy House was unable to recognize the needs specifically for the Garden Grove project, which fell out of the entitlement process. While the church and Mercy House were both focused on housing the homeless, each party entered the relationship with different expectations. Interviews with church leadership

revealed that the church was looking to partner in developing permanent housing with wraparound services rather than a shelter, which the proposal from Mercy House did not provide. At this point in time, Mercy House was simply looking to develop a permanent homeless shelter. This difference ultimately led to the church deciding to move forward with a different developer. Mercy House had thus correctly identified the First Presbyterian Church of Garden Grove as a viable FBO but was unable to complete the second stage in the Continuum, moving from relationship to formalized partnership. Identifying and being sensitive to the goals of the potential FBO partner is thereby another important finding.

Stage 3: Obtaining City Government Approval



Our findings indicate that the following items are important to facilitating the third important stage in the Continuum of Success, obtaining approval from city council and various city departments:

1. Establish a presence within the community in which Mercy House hopes to develop.

Mercy House has become an integral part of the Santa Ana community. Their original headquarters were previously located only a few blocks from the Legacy Squares' site, as well as two additional operational PSH sites. Their current office remains firmly within the city's boundaries. It was noted by the National Community Renaissance developer that the entitlement process by city staff went very quickly in the Santa Ana case study, taking a mere five months instead of the typical eight to twelve months (or beyond) that other developments experience.

On the other hand, Mercy House has a smaller presence in the City of Riverside. The proposed property in Riverside initially obtained approval by the City Council but was subsequently denied a Conditional Use Permit by the Planning Commission that would allow for construction of multi-family housing on church

property. A review of Planning Commission minutes found members of the commission echoing community member concerns of diminished value of surrounding properties and safety in their decision. This suggests that had Mercy House had a long-standing presence within the community, they may have been able to facilitate a smoother approval process. Therefore, we find that an established presence within the community contributes to the success of a proposed project.

Mercy House has benefitted from executive director Larry Haynes' personality and community ties in the attainment of properties, while the stewardship of each project's entitlement process lies in the hands of Linda Wilson. However, this model is not one that can be sustainable long-term. Mercy House would therefore stand to gain from developing staff that can share in both outreach and relationship-developing duties that have thus far been the sole purview of their director and housing director.

2. Garnering support from community interest groups.

Interviews with developing partners and key stakeholders revealed that the process in both Costa Mesa and Santa Ana involved meeting with and obtaining support from local community interest groups. For example, the Church of Nazarene has a long-term partnership with Trellis International, a non-profit homelessness outreach group within the City of Costa Mesa. The well-known presence of Trellis International within the community has facilitated relationships to help overcome community opposition. Members of Trellis have continuously shown support in City Council meetings, as they have in the past for the Bridge Shelter. Likewise, Mercy House along with developing partners in Santa Ana reached out to specific groups like Volunteers of East Los Angeles (VELA) a non-profit that seeks to provide access to resources and services within communities; and the Historic French Park Neighborhood Association to promote neighborhood safety. The relationships with these organizations have fostered community support and helped Mercy House understand community concerns and allay fears of rising rents or potential evictions. The resulting buy-in from community members indirectly facilitates obtaining city government approval as elected officials are not pressured to re-examine plans or halt development. Thus, another finding is that support from community interest groups has played an important role in past successes. As stated previously, Mercy House can expand on these practices by developing one or more staff members to broker

relationships with communities targeted in future projects. Exclusive reliance on connections through the executive director has served Mercy House well but is an area that can be further developed to ensure future success.

3. Community outreach

The data analysis revealed one commonality among both properties that received City Council approval. Both the Riverside and Santa Ana properties invested in a strong community outreach program to garner support from local residents. Interviews with developing partners revealed door knocking campaigns, community forums and educational initiatives. Outreach efforts have helped overcome community opposition and not-in-my-backyard (NIMBY) attitudes held by local residents leading to the conclusion that strong community outreach programs play an important role in successfully gaining city council approval. This again represents the potential of a dedicated role for one or more staff members, or the hiring of outreach/government affairs consultants early in the development process to help tease out community member concerns before opposition to development can mobilize.

Stage 4: Securing Funding



Finally, the fourth stage of securing funding for development can be accomplished by the following:

1. Identifying cities with a commitment to reaching Regional Housing Needs Assessment (RHNA) allocations.

Existing and projected housing needs for each region, segmented by income level, are determined by a Regional Housing Needs Assessment (RHNA). Each regional

Council of Governments divides up RHNA allocations to each jurisdiction, which must plan for these allocations in the housing element of their General Plan. In speaking with development partners, we found that cities exhibit varying levels of buy-in to the development of affordable housing. According to interviews with developers, cities with a greater commitment to meeting RHNA quotas are more likely to seek opportunities to develop permanent supportive housing, and more likely to work with Mercy House and associated developers to identify funding sources for PSH. Thus, we conclude that identifying cities with a commitment to reach RHNA requirements can play an important role in the future development of PSH. The fourth stage can be strengthened by keeping a database of cities or jurisdictions that have demonstrated a commitment to fulfilling allocation quotas in the past and is another arena that can benefit from utilizing mapping software such as Geographic Information Systems.

2. Maximizing community outreach to mitigate community opposition indirectly assists in securing funding.

Community opposition to PSH can derail entitlement. Interviews indicate that securing funding is a complex, multi-layered process, oftentimes relying on applications that can only be submitted once or twice a year. If opposition is strong enough, it can halt the entitlement process until developers allay community member concerns; in the case of Riverside, this resulted in missing the application window for funding sources, prolonging the overall process. Entitlement can be delayed by community members expressing concerns with project design, causing the developer to modify plans to alleviate concerns; or by circulating petitions to halt development altogether, creating the need for a counter-petition before the project can continue. Each time entitlement is delayed, funding opportunities can be missed, threatening the success of the project. Therefore, a strong, preemptive presence in the community may decrease the likelihood of a stay in entitlement due to the need to respond to opposition, which, albeit indirectly, assists in securing funding.

3. Government partnerships can bolster funding

City governments can allocate additional funding if a strong partnership exists, particularly in those cities that have shown a commitment to affordable and permanent supportive housing. This is evident in the Riverside case, where the

city had obtained pre-existing funding from California's No Place Like Home grant to facilitate the development of affordable housing. Therefore, we find that city governments with pre-existing funding provide an opportunity structure conducive to the development of PSH. Funding sources such as the one mentioned here are numerous and may not apply to every jurisdiction. Furthermore, grant applications are often competitive and may require multiple submissions before receiving the grant. It would therefore be within the interest of Mercy House to keep record of different funding sources, the stipulations for each source identified, and the factors that contributed to the approval or denial of grants. By identifying common funding sources used, Mercy House may also discover untapped sources that could further aid in development.

LIMITATIONS

One limitation for this study is the limited sample size. Case study is the only study design that can be utilized to evaluate small groups. However, findings would benefit from a larger sample. Additionally, the COVID-19 pandemic and stay-at-home order enacted in California during the research period limited the team's ability to gather more comprehensive qualitative data through focus groups with congregation members and face-to-face interviews with other stakeholders. However, when possible, the team converted to phone and virtual meetings with our interviewees in order to compare the entitlement process across each site.

RECOMMENDATIONS

Based upon the findings above, UCI identified four recommendations for Mercy House to consider:

1. Expand the pool of viable, faith-based partners.
2. Expand Mercy House's community networking
3. Invest in mapping analytics to strategically identify opportunities for housing.
4. Create a database of potential funding sources.

1. Mercy House should expand pool of viable faith-based partners

The findings revealed that Mercy House's current portfolio of religious partners are made up of primarily a few Mainline Protestant denominations. This is not the result of a purposeful approach of inclusion/exclusion of other faiths but rather one of opportunity. First, many Protestant denominations tend towards a more progressive social justice agenda resulting in closer alignment with Mercy House's mission. Second, research has shown a steady decline in Protestant churches over the course of the last half century.¹⁶ The result of declining congregations of Mainline Protestant denominations is the closing of churches and parochial schools. These underutilized properties become attractive targets for redevelopment.

However, Mercy House should keep an eye toward partnering with other Christian denominations as well as non-Christian FBOs. The patterns of religiosity and church adherence observed in Southern California may not hold elsewhere. It is also possible that the current pandemic may impact the distribution of population within California and beyond. This could have an impact on the utilization of land and buildings among all FBOs in the region. Recent national surveys show church, synagogue or mosque membership was at an all-time low in 2018 with less than 50 percent of respondents reporting belonging to any organized religion with the steepest membership decline occurring among Catholics.¹⁷ For example, the archdiocese in Chicago announced the closure and consolidation of its congregations, bringing down the number of parishes from 477 to 316.¹⁸ The Catholic diocese in Pittsburgh announced two school closures and two school mergers citing the inability to financially sustain the buildings amidst the Corona Virus Pandemic.¹⁹

Mercy House's development team is proactive in researching new churches that could be potential development partners, and Mercy House annually budgets for outreach to new churches. While the Development and Community Resource Team holds regular donation campaigns and recruits volunteers from churches of all denominations, the current opportunities

¹⁶ Ibid.

¹⁷ Jone, J.M. 2019. "U.S. Church Membership Down Sharply in Past Two Decades." *Gallup*.

¹⁸ Fazio, M. 2019. "From Sacred to Secular: What Happens When a Catholic Church Shuts Down?" *Chicago Tribune*. 28 June 2019.

¹⁹ CBS. 2020. "Catholic Diocese of Pittsburgh Announces Closure of Two Elementary Schools, Merger of Two Elementary Schools." *CBS Local News*. 12 June 2020.

among their faith-based partners in developing affordable housing does not reflect the variety of faith traditions present in Orange County. Mercy House should continue to closely monitor closures/consolidations among all religious groups in an effort to strategically identify potential faith-based partners for new affordable housing projects.

In order to maximize staff efforts, a two-step process for developing a framework of viability and prioritizing touchpoints with non-Protestant FBOs to expand the pool of potential faith-based partners is proposed. Viability should be assessed first by whether or not the faith organization shares a similar mission or organizational goal. It is important to note that a faith-based partner could share a similar mission and vision of creating healthy communities but not be an organized church congregation. As noted above, the academic literature notes that FBO partners can be congregations, national networks, and/or freestanding religious organizations. Potential faith-partners under these categories could come from any religious background, but what Mercy House should prioritize is the shared mission. As the development staff conducts their research, they should pay close attention to the mission and purpose of the potential partner. Questions about the organizational mission should also be among the first asked if an FBO approaches Mercy House inquiring about a potential partnership for constructing permanent supportive housing.

The second component to the viability assessment should be the capacity for housing. Capacity for housing can be understood as either existing infrastructure that can be repurposed for permanent supportive housing, or available space for the construction of a new project. Capacity for housing can also include substantial financial resources that could contribute to the outright purchase of land. Southern California is home to many large non-denominational faith organizations with large financial endowments. These churches may have available land that could be used for development, or immense financial resources, that could be utilized to purchase new land.

Despite the opportunities that have arisen from decreasing congregations among the Protestant organizations, Mercy House should explore expanding its connections to FBOs of various faith backgrounds by utilizing staff's personal connections with other faith traditions. This would necessitate an examination of the composition of its staff, to ensure the organization is representative of a diverse number of faith traditions, especially non-Christian denominations. Organizational diversity could also be increased by having an outside educator deliver workshops on issues of religious diversity, or by employing individuals who are connected to

non-Protestant organizations. This could potentially expand Mercy House's portfolio of faith-based organizations by utilizing the networks of each staff member to create personal connections with potential partners.

2. Mercy House should expand their community networking in Southern California.

To move from Stage 1 to Stage 2 of the Continuum of Success, Mercy House should prioritize transitioning from relationships to partnerships with faith organizations. The interviews revealed the Executive Director of Mercy House is one of the primary vehicles used to form partnerships with faith organizations. While this mechanism has been successful in creating connections across Southern California, and into other states, this strategy is not long-term sustainable.

The first mechanism Mercy House can utilize is to task a staff member, or create a new position within the organization, who is primarily focused on assisting the Executive Director with brokering community relationships and moving towards partnerships. The staff member selected should be personally committed to the mission of Mercy House, actively connected to a faith community, and have experience as a service provider and advocate. This staff member will require an energetic personality, with polished and professional communication skills that are adaptable for both formal and informal meetings. Working in collaboration with, and under the guidance of the Executive Director, the primary function of this individual will be to meet with potential FBO partners with the goal of moving toward a partnership with Mercy House. To allow for a smooth transition, Mercy House may wish to identify and offer this responsibility to a current staff member who has a good employee record and meets the above qualifications. If a current staff member is not available, then Mercy House should open the position to the public.

A second method to expand community networking is through volunteer community outreach organizations. Trellis International's presence in Costa Mesa demonstrated the importance of having a non-profit group partner that is active in community outreach and education on issues surrounding homelessness. Mercy House should utilize a similar model to formalize community partnerships throughout Southern California.

Localized community outreach programs can enhance Mercy House's reputation as a service provider and address resident opposition to affordable housing prior to a project being proposed. It would be in Mercy House's interests to begin conversations with Trellis International to determine if both organizations have the capacity to expand outreach and community service into cities with sites of potential development. In order to bolster that existing partnership, Mercy House may ask staff members or community supporters to volunteer with Trellis International in order to supply the volunteers needed for community projects.

If a city does not have an active organization, Mercy House will need to evaluate whether their operational capacity could be expanded to sponsor a community outreach program within said city. This will require Mercy House's Development and Community Resource team to identify community outreach groups across Orange County and assess the capacity for forming partnerships with those groups. Current connections, such as Trellis, could provide introductions to other potential partner groups. Mining personal connections should be the first research step the Development and Resource Team takes.

3. Mercy House should invest in, or partner with local expertise, in order to utilize mapping analytics to strategically identify opportunities.

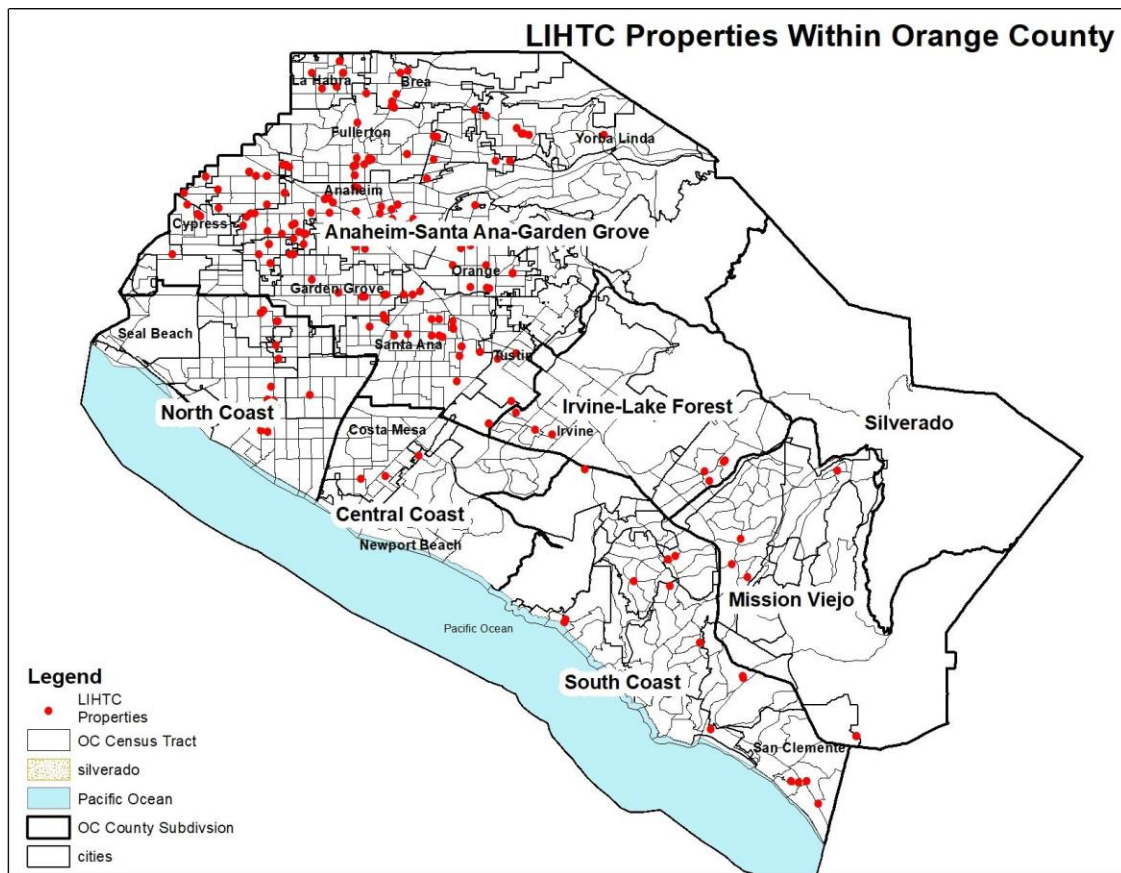
While the case studies were selected in only a few cities, Mercy House operates several other affordable housing sites throughout Southern California and some surrounding states. The developer interviews revealed that some California cities with unfulfilled RHNA quotas may present opportunities for developing affordable housing. Mapping software, or Geographic Information Systems (GIS) can benefit Mercy House by analyzing spatial factors and visually representing cities with potential opportunities for development. The findings revealed that Mercy House does not currently use a GIS program, while their competitors frequently do. Mercy House should consider investing in and utilizing a GIS software to strategically identify cities with new opportunities for development, especially should Mercy House ever decide to act as a sole developer.

One of the most common Geographic Information Systems available is ArcGIS by Esri. ArcGIS can be used to identify cities with few affordable housing units and analyze the other

opportunities near potential sites for development. Mapping files are publicly available through the Census Bureau and the California government, however, in more specialized cases database manipulation may be required to have files that are applicable to the mapping software.

The example below demonstrates how publicly accessible data from the Low-Income Housing Tax Credit (LIHTC) and the Census Bureau can be used to visually display cities in Orange County that are lacking affordable housing. LIHTC data is reported by street address and GIS can be used to obtain the latitude and longitude of each property in order to create a map of properties by city (see Image 1). After geocoding the addresses, the LIHTC data was combined with census tract files from the Census website. Utilizing unique values in ArcGIS, red dots were used to symbolize operational LIHTC properties across Orange County as of 2010.

Image 1: Made with the assistance by Jesus Verduzco and Imani Jerome



Further analysis in ArcGIS could identify where in the county there exists a lack of affordable housing units by the type of service provided, such as housing dedicated for individuals with mental health needs, seniors, or veterans. This sort of analysis will help Mercy House strategically identify the types of outreach and community engagement they will need to complete prior to proposing a development plan. For example, a city that does not have a permanent supportive housing dedicated to individuals with mental health needs may require a different type of community engagement plan than a city in which residents are familiar with that type of affordable housing site. This can help Mercy House better preempt and target its community outreach early on in the entitlement process.

Additionally, the cluster analysis function in GIS would allow for Mercy House to visualize proximity between potential housing sites and necessary community resources. This analytic tool is beneficial in identifying potential development sites in resource dense locations. Resource dense areas are locations that have easy access to public transportation, such as bus stops, Metrolink stations, or local streetcar routes, and are near or around possible centers of employment.

Access to centers of employment are ideal for ensuring would-be residents have opportunities for employment near and around their housing. Proximity to public transportation is crucial for ensuring future residents have modes of transportation to and from jobs and necessary services like schools and medical centers. As the Riverside case demonstrated, neighborhood traffic is a common concern raised by residents and city officials that can derail the progress of a PSH development. Mapping analytics can isolate resource dense locations that can help combat community concerns about increased traffic. This does not mean, however, that Mercy House should foreclose on potential partnerships if a potential development site emerges that is not in a resource dense area.

If Mercy House has the capital and capacity, it should consider encompassing a license and GIS analyst into its organizational design. However, an annual software license and staff position can become expensive. Another option Mercy House can explore is partnering with UCI's Livable Cities Lab and faculty that specialize in mapping analytics, in order to conduct a yearly analysis of PSH development across California.

4. Mercy House should create a database of potential funding sources

The findings revealed that many California cities that have not met their Regional Housing Needs Assessment allocations or have unused Community Development Block Grant (CDBG) funds may have additional capacity for the development of affordable housing. With this increased opportunity, funds for development may become more available. It is recommended that Mercy House create a database of potential funding sources that are applicable to Mercy House and its mission of faith-based partners in PSH development. The database can be as simple as an updated Excel spreadsheet that identifies the organization or agency that administers the grant, the eligibility requirements, and the application components.

The interviews revealed that Mercy House and their developers do not necessarily pursue federal grants related to faith organizations participating in affordable housing development. Mercy House Community Resource Team should curate a list of US Department of Housing and Urban Development (HUD) grants that Mercy House, as a non-profit, and their faith partner may be eligible to receive. This database of federal funds should include: a list of HUD grants administered at the state and county level, as well as a list of HUD grants earmarked for religious organizations involved in community and affordable housing development, as well as, a list of eligibility and reporting requirements. In order to be eligible for some of the grants designated for FBOs, the church partner may need to submit the grant proposal. Mercy House may wish to consider offering their FBO partner assistance in completing grant proposals, in the event that the FBO staff does not include a grant writer.

In addition to the HUD grants, the database should include information about state level grants that are connected to the development of permanent supportive housing. Both the Riverside and Santa Ana cases were undergoing the application for grants administered by the California Department of Housing and Community Development during the time of analysis. Riverside was

undergoing the application process for the No Place Like Home Fund, and Santa Ana was awaiting a decision on the Affordable Housing and Sustainable Communities (AHSC) grant.

This database of funding sources will need to be updated as requirements change or new information about the grant application process is obtained. As the approval process progresses for those grants, Mercy House should update the database with information about the application process, including any reasons that submitted proposals were initially denied or plans that boosted the desirability of a particular project. This will assist Mercy House in streamlining the search for funding sources if they expand their developer partners outside of the two organizations noted in this study.

SUMMARY

Each of the recommendations provides a way to bolster the opportunities Mercy House has for identifying a viable faith-based partner, moving from relationship to partnership, obtaining city government approval, and securing funding for a PSH project.

At the time of analysis, neither the Riverside or Santa Ana site were constructed or operational. Mercy House will want to undertake an internal review of the entire project development for both cases once construction is completed. This will allow Mercy House to analyze any factors that may have arisen after the study period, in context of the Continuum of Success.