

Challenges Facing Social Housing Organizations in the U.S.: Insights from the Boston and San Francisco Regions

November 12, 2016

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**Paper Presented at the European Network for Housing Research Conference
Belfast, Northern Ireland, June 2016
For book being edited by Gerard van Bortel**

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Not for quotation or citation without authors' permission**

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Abstract

Nonprofit housing development organizations in the U.S. have played a central role in affordable housing provision for decades, but are now encountering a number of challenges, some of which are arising within the organizations, while others stem from changes in the context in which they carry out their work. Our work in this area constitutes the U.S. component of a four-country study of current and anticipated future challenges and opportunities confronting the nonprofit housing sector. Our previous work reported on the findings from a survey modified from one deployed in England, the Netherlands, and Australia. This chapter summarizes our findings from in-depth interviews that we carried out with leaders from the 12 organizations in our study in two major metropolitan areas of the U.S.: the Boston and San Francisco Regions.

Keywords: Social Housing Organizations, Adaptations, Diversification

Introduction

The U.S. has a robust nonprofit housing sector. The U.S. social housing stock includes housing owned by nonprofits as well as local housing authorities through the public housing program. Although that stock has not been as historically dominant as that of some western countries, nonprofit organizations have made significant contributions toward alleviating the country's housing problems.¹ This chapter was stimulated by survey work that has been conducted in three countries: the United Kingdom, specifically, England, the Netherlands, and Australia. Our previous work reported on the findings from a survey modified from one previously deployed in these locales (Wiener, Bratt and Rosenthal, 2015).

This chapter discusses the findings from a series of in-depth interviews carried out in December 2015 – January 2016 with leaders of 12 high-performing nonprofit housing development organizations in the Boston area and the San Francisco Bay Area. The nonprofit housing sector in the U.S. is currently encountering a number of challenges, some of which are arising within the organizations, while others stem from changes in the context in which they carry out their work.

The chapter starts with an introduction to the U.S. nonprofit housing sector, a discussion of our methods, and a brief overview of the planning frameworks and housing markets that are the context for this inquiry. The body of the chapter focuses on organizational and internal challenges, the operating environments of nonprofit housing organizations, and organizational adaptations in response to internal and external challenges. The final section presents our conclusions and recommendations.

¹ According to data compiled by Pittini and Laino (2011), among the 27 European Union countries more than one-half (15) have a social housing sector that exceeds that of the U.S. As shown in Figure 1, the U.S. social housing stock of just over 5 million units equals about 3.8 percent of the total U.S. housing stock of about 130,000,000 units. Pittini and Laino's data (2011:24) also indicate that in one-third of the EU countries, the social housing sector comprises more than 10 percent of the housing stock, with The Netherlands having the highest proportion of such housing, at 32 percent.

I. U.S. Housing Nonprofits – Challenges and Rationales

Nonprofit housing organizations continue to be a critical part of the post-public housing era in the U.S. As shown in Table 1, total cumulative production by various types of nonprofit housing organizations comprises the great majority of the total social housing sector; public housing comprises virtually all the remaining total of approximately 5,000,000 social housing units. Among nonprofits, community development corporations (CDCs) are the single largest nonprofit producer.²

The origin of CDCs dates back to the 1960s, as a community-based response to urban problems. Grassroots protest and advocacy movements, which often formed around arson, redlining, displacement due to urban renewal, and dilapidated housing, transformed into a more positive set of initiatives aimed at producing new or rehabilitated affordable units for local residents. During the 1970s and 1980s, the nonprofit housing movement began to take shape, with large numbers of organizations forming. As of late 1990, there were an estimated 2,000 CDCs; seven years later, the estimated number of these organizations skyrocketed to 3,600 (National Congress for Community Economic Development, 1991; 1999). The last census of CDCs, which is now about a decade old, placed the number of CDCs at 4,600 (National Congress for Community Economic Development, 2005). While the number of organizations has grown considerably during the past four decades, we also know that many organizations have gone out of business or merged with other nonprofits. The estimates are not able to capture the kind of more nuanced fluctuations that have occurred.

Within the rural sector, CDCs have also played a profound role since the 1960s (Wiener and Thompson, 2011). A 1998 census commissioned by the National Congress for Community Economic Development (NCCED) and conducted by the Urban Institute estimated that 1,700 organizations were working on community development issues in rural areas, not including Habitat for Humanity programs (Steinbach: 1999). Another census in 2001 by Stand Up for Rural America estimated as many as 3,800 rural community-based development organizations, including 1,400 to 1,500 Habitat for Humanity programs. Some 81% of these groups were involved in housing development and related activities (Muchnick: 2002, 1-2). An update by Stand Up for Rural America in 2005 identified 3,168 rural community developers, with at least 87% (2,756) having a housing component (Stand Up for Rural America: 2006, 8,10). The conclusion was that rural community development remains a “newly emerging industry” (Muchnick: 2002, 1).

Momentum for CDC growth was fueled by the creation of several national intermediary organizations, which began to provide technical and financial resources to nonprofits (e.g., NeighborWorks America, formerly Neighborhood Reinvestment Corporation, 1978; Local Initiatives Support Corporation, 1979; and Enterprise Community Partners, formerly Enterprise Foundation, 1982). The current period, dating from the 1990s, has been marked by increasing professionalism of the sector, a greater focus on training programs, and efforts to work closely with for-profit developers, social services providers, and public officials in collaborative development efforts. This growth also coincided with the creation of new federal financing programs, such as the Low-Income Housing Tax Credit (LIHTC) Program in 1986 and HOME Investment Partnerships

² Most of Section I was written by Rachel G. Bratt, and is excerpted from her unpublished paper (2015). The data presented in the text and Table 1 has been updated, wherever possible.

Program in 1990. The various entities and supports for CDCs have been characterized as being part of a community development system (Bratt, 1989; Frisch and Servon, 2006; Mayer and Keyes, 2012).

Although CDCs are the single most prevalent type of nonprofit housing organization, this sector encompasses several different forms, as noted in Figure 1, each of which has various attributes, strengths, and weaknesses. (For two good comparisons of the various approaches to social housing, see Davis, 1994 and Stone, 2006). Even within the CDC sector, there are many different types from small ‘mom and pop’ storefront groups having only a few employees to large organizations having hundreds of staff members (Vidal, 1992).

Some have distinguished between Housing Development Corporations (HDCs) and CDCs (Wiener and Thompson, 2011). HDCs were formed for the core purpose of producing affordable housing and are still overwhelmingly devoted to residential development. The category of CDCs, as used in this chapter, includes HDCs, as well as organizations that may have originated as multi-purpose developers of commercial, industrial, community facilities, and/or residential property. In addition to increasing the supply of decent and affordable housing, they initiate and run comprehensive neighborhood and community improvement activities, such as seeding or creating new businesses and building or upgrading community facilities, like child care centers and health care clinics. Affordable housing provision may be a major or minor component of their mission.

“Affordable housing” in the U.S. is typically considered housing that a household with an income of no more than 80 percent of the area median income (AMI) can afford, paying no more than 30% of household income. Under the major affordable rental housing production program, LIHTC, units are targeted to households earning no more than 60 percent of area median income. In both the Boston area and the San Francisco Bay Area, annual household median incomes for a family of four hover around \$100,000, with Boston somewhat lower and San Francisco somewhat higher. This means that a household earning 80 percent of AMI and even 50 percent of AMI must have a reasonably robust income. In order for extremely low-income households (those earning 30 percent or less of AMI) to be able to afford housing, they must rely on layering a number of subsidies, finding housing in the traditional public housing program, or accessing a Housing Choice rental voucher (a rent subsidy program that was originally known as the Section 8 program). Also, for a unit to be considered affordable, it must be protected through some type of long-term deed restriction, usually lasting for at least 30 years. Therefore, units on the private market that may be affordable to such lower-income households are not considered as part of the affordable housing stock, since they do not include long-term rental price protections.

Researchers have explored the various challenges that CDCs face and the kinds of capacities needed for them to be productive developers and managers of affordable housing. At the same time, CDCs are attempting to fulfill a broad mission pertaining to neighborhood revitalization, citizen engagement, and providing social supports and other services aimed at promoting economic security and well-being for their residents. Some of the most compelling challenges facing CDCs include:

- the need for strong leadership both by the board and the executive director;
- frustrations over having to work in an environment of scarce resources, both to support organizational operations and to fund development deals;
- the complexity of packaging deals with layers of funding all having different requirements;

- the need to have on staff, or have access to, a team of highly skilled development professionals, who are able to carry out a varied set of tasks that include legal work, financial analysis, community organizing, and delivery of resident services;
- the need to collaborate with a range of public, private and nonprofit organizations in order to bring deals to fruition and to provide the desired level and types of services;
- frustrations because any given development deal is likely to take a long time; and
- the even longer timeframes needed to observe any appreciable change in the local environment. (For additional details see Bratt, 2006 and Glickman and Servon, 1998.)

An additional challenge is that the very structure of CDCs may be problematic. Bratt has summarized the potential conflict as follows: “To what extent can CDCs, organizations whose names include the word ‘corporation,’ and who are forced to work closely with financial institutions and city governments, really be advocates for low-income interests?” (2006, p. 348). These challenges, which have been well understood for a number of years, continue to be concerns for the U.S.’s housing nonprofits. Of course, the extent to which any one group will encounter specific challenges, as well as address and, hopefully, overcome them, is likely dependent on their size, asset base, organizational capacity, and the local context within which they work.

Given the complexity of the challenges facing CDCs and other housing nonprofits, it is reasonable to question whether this, indeed, is a viable strategy. What are the compelling reasons for supporting nonprofit housing development organizations as producers and managers of affordable housing? Indeed, nonprofit housing developers play a much smaller overall role than their for-profit counterparts, producing only about 22 percent of the LIHTC projects placed in service between 1987 and 2014; for-profits produced the remaining 78 percent (Lew, 2016).

First, the basic concepts on which the nonprofit movement is based are still valid. Nonprofits have a clear mission to produce and maintain affordable housing over the long-term. While it is essential that they be able to cover their costs, the desire to maximize returns and to generate profits is absent. This means that their work is focused on the outcome for the residents of the housing, rather than on returns to the organization.

Second, nonprofits that are community-based also provide opportunities for residents to become deeply involved with the effort. This, in turn, not only increases the likelihood that the housing will fit in with the general neighborhood, but it also promotes resident involvement in day-to-day decision-making and, in some cases, may even provide ultimate control of the housing.

Third, since there is no funding for new public housing development, the only way to increase the size of the social housing sector is through the nonprofit sector. As competition for housing continues to be intense in strong market areas, social housing is a key and, perhaps, the best mechanism for providing low-income residents with security against unwanted displacement. Unless housing is separated from the private, speculative market, low-income tenants are faced with the virtual certainty of increasing rents and the need to move. This makes the mission of CDC’s critically important in terms of the social safety net. Business pressures they face threaten not only their bottom line but, ultimately, the welfare of those most dependent on housing assistance.

In view of the overriding need for decent affordable housing in the U.S. and the important role of nonprofit housing organizations, it is timely to explore how organizations are dealing with and adapting to ongoing challenges — both organizational as well as those that are due to changes in the context in which they operate, including public policies, market constraints, and opportunities.

II. Methods

This chapter reports on organizational behavior, adaptations to changes, and anticipated future changes among housing nonprofits in two major U.S. metropolitan areas – the Boston area and the San Francisco Bay Area. The Boston area is located in Massachusetts, on the east coast of the U.S. and the San Francisco Bay area is located in Northern California on the west coast of the U.S. Based on results from 12 organizations in our Boston area and Bay Area cohorts (N=6 Boston; N=6 Bay Area),³ it is possible to draw some observations about the current orientations and future prospects of these organizations, including the nature and importance of changes in operations and strategies and the internal and external factors that are driving these changes. The Appendix lists the names of the organizations included in our study and the individuals interviewed. Two of the Boston area organizations are located outside the city of the Boston and four of the Bay Area organizations are located outside the city of San Francisco.

As noted above, CDCs account for the greatest number of organizations developing affordable housing in the U.S. However, some of the organizations we studied serve geographic areas larger than a ‘community’ -- for example, large regions and multiple states. Therefore, we use the nomenclature ‘Nonprofit Housing Development Organization’ to describe our study population.

Within each region, organizations were identified that met the following criteria: 1) primary focus on housing; 2) currently active in housing development and/or rehabilitation; 3) at least 10 years of experience; and 4) a cumulative total of at least 200 units produced and in their current portfolio. This included organizations that focus on production of housing for rent and/or purchase; mostly target the general population, but also serve special-needs groups; offer supportive services; and perform work typical of other organizations in the nonprofit housing sector.

From our lists of all organizations meeting these criteria, six organizations were selected per region, half of them ‘regional’ and half ‘local’ or ‘neighborhood-based.’ Regional organizations had produced and were operating over 500 units and, generally, worked in multiple cities, counties, and, in some cases, states. Local organizations, generally, worked within a specific neighborhood or neighborhoods in a single city or in nearby cities and had smaller inventories and geographical target areas.

The original survey employed a modified Delphi methodology. The Delphi method asks subject-matter experts to share their perspectives and expertise. There can be multiple rounds of data-gathering; in this case we used two. The first round was the survey, which used primarily closed-ended questions to identify the key issues and interests of nonprofit housing organizations. The second round used the data gathered in the first round to collect more in-depth qualitative data on areas of consensus and difference among respondents. Prior to the interview, each respondent was sent a report that contained his/her own responses and a summary of all responses to a sub-set of questions from the survey instrument (no respondent names or organizations’ names included). These were then used to facilitate the one-on-one interview.

A panel of key informants was selected for each region, one per organization, typically the most senior executive (e.g., Executive Director, Chief Executive Officer, or President). These panelists also were chosen because they are ‘reflective practitioners’ known for being activists and thought-leaders in the field.

³ Chicago, a different type of market area, was originally included in our study. However, it had to be dropped for reasons beyond the control of the authors.

The survey questionnaire, and deployment of the Delphi method, were informed by research teams in three other locations – England, the Netherlands, and Australia – who had field-tested the surveys and shared their findings concerning the status of the nonprofit housing development sectors within their respective national settings (Milligan, et. al., 2013). To the extent possible, we sought to conform the questionnaire format and the language of our questions to that of our international colleagues in order to facilitate possible future transnational comparisons. However, in practice, the terms of nonprofit housing praxis and relevance of influences within different national contexts are not always transferable. Therefore, we changed some terminology, eliminated some questions that were not pertinent in the U.S. context, and added other questions that were more important to the U.S. nonprofit housing sector.

The questionnaire was organized into five sections: the values of their organization; strategic positioning of their organization; recent changes that may be affecting their organization; strategies adopted by their organization in the recent past or anticipated in the near future to adapt to changing circumstances; and other longer-range decisions that their organizations are contemplating or engaged in at an early stage. A prior paper reported on the findings from the written survey, which consisted of approximately 100 questions (Wiener, Bratt, and Rosenthal, 2015). The data were then analyzed and bar graphs were produced for each question. The graphs were further refined to show where each respondent's answers fell out of the group of 12 organizations surveyed. This chapter presents the findings from follow-up interviews which were based on 15 broad questions that had been synthesized from the questions posed in the original questionnaire.

Before presenting our interview findings, we first present an overview of the market conditions and the overall context in which these 12 organizations operate within our two study regions.

III. Planning Framework and Housing Market Context of the Boston and San Francisco Bay Areas

The Boston Area

Both the city of Boston and the state of Massachusetts are well known as innovators in affordable housing development and preservation. Massachusetts is one of only four states to have its own state-funded public housing program and it was one of the first states in the U.S. to launch a housing finance agency, which promotes homeownership and rental opportunities for lower income households.

In addition, in 1969, Massachusetts created the Comprehensive Permit program, usually referred to as Chapter 40B, which is a model effort that addresses local exclusionary zoning practices that substantially limit or completely bar the construction of housing on small lots and multifamily housing. Instead, this statute provides a mechanism that allows the state to override local ordinances in municipalities where at least ten percent of the housing stock is not designated as affordable, thereby encouraging the development of affordable housing in all 351 cities and towns in Massachusetts. Chapter 40B represents one of the most successful fair-share regulatory regimes in the U.S. and has been a bulwark against neighborhood-level resistance to housing development (Bratt and Vladeck, 2014).

This aggressive style of development governance is the envy of affordable housing providers nationwide, since it provides a mechanism for the development of lower-income units where they

are in short supply. However, for our interviewees operating within Boston itself and some other diverse-stock cities in the region, the 40B system is unimportant since such places are exempt from the fair-share law (i.e., more than 10 percent of their housing stock is affordable). However, Chapter 40B is indicative of Massachusetts' generally proactive and creative approach to affordable housing.

Since the 1970s, the state also has supported a variety of public-private financing and technical assistance initiatives to produce and preserve affordable housing and it has nurtured the growth of more than 60 CDCs, many of which are viewed as among the most sophisticated and productive in the country (see, for example, Bratt, 1989). In addition, an innovative state law enacted in 2000, the Community Preservation Act, provides state matching funds to cities and towns that opt to levy a surcharge on their local property taxes. At least ten percent of the funds raised through this program must be allocated for each of three activities – affordable housing, historic preservation, and open space/recreation. As of May 2016, out of the state's 351 cities and towns, 46 percent have passed CPA programs (Community Preservation Coalition, 2016). Further, Republican Governor Charlie Baker recently announced the availability of \$100 million in new funding for various affordable housing finance programs (Mass.Gov. 2016). As discussed in Section VI, in 2012, the state also created a new tax credit program specifically to support CDCs.

In terms of its approach to planning, unlike California, Massachusetts is among the one-half of the states in the U.S. with a weak planning framework. Specifically, Massachusetts does not: mandate regional planning (and county governance is non-existent); enforce the requirement for local comprehensive planning (with a housing element); mandate that municipalities adopt growth management plans; mandate that a certain amount of land in each jurisdiction be zoned for multifamily housing/high-density single-family; and require that local plans and zoning be consistent. There has been little (but growing) recognition of the importance of such consistency. The various limitations and problems with Massachusetts' approach to planning and land use have been widely acknowledged and various initiatives are being debated as a way to modernize Massachusetts' zoning and planning framework.⁴ In addition, municipalities in Massachusetts have Home Rule (adopted in 1966), which gives the residents of every city and town the right of self-government in local matters. There are, however, limits to these powers as set forth in state laws. Chapter 40B is an example of the state setting a standard of performance in an area of public concern that over-shadows local control.

The professional housing community is highly regarded for the depth of its understanding of federal housing issues and for its proficiency in both advocacy and production. For over a decade, the city of Boston and its surrounding areas have been one of the "hottest" housing markets in the U.S. – with escalating home and rental prices and low vacancy rates. This environment makes the production and preservation of affordable housing a compelling and complex issue and creates significant challenges for the nonprofit sector. But the state and local governments are generally seen as important partners.

San Francisco Bay Area

Our other study region shares a number of features with Boston. The San Francisco metropolitan region and California, in general, have been national leaders in creating affordable housing finance programs and local land use and planning tools. This is due, in part, to the intensity of the demand for housing: coastal California, in particular, is known to be a high-demand, high-priced real estate

⁴ This section is excerpted from Bratt, 2012a.

environment. While being scenic and culturally rich, the Bay Area is also seismically active and, as is most of the state, prone to extreme meteorological cycles, often leading to prolonged droughts. Because of its temperate climate, and its global leadership in information technology and energy, as well as tourism and related service sectors, the Bay Area features very high median incomes and accompanying income disparities. Therefore, the area features among the nation's most urgent needs for affordable, low-income housing.

California also has been an innovator in state-level environmental protection. The California Environmental Quality Act, or CEQA, has for nearly fifty years provided private citizens the right to challenge any new residential development project on environmental grounds. The potential bases for CEQA administrative claims and ensuing litigation are extraordinarily broad; projects can be stalled for years, or upended entirely, over claims relating to traffic, parking, greenhouse gases, light and trees, soils, endangered species, and even cultural preservation. The consequent costs and delays only add to the challenging conditions facing Bay Area nonprofit housing development and construction in general.

California has a much more proactive overall framework to planning than Massachusetts. California is a general-planning state and, as such, all land-use authorities must submit the housing element of their general plan for state-level review. This system requires planning analysis of development opportunities and regulatory barriers, and cities which do not plan adequately for a calculated fair-share of construction in various income categories can be determined by the state's Department of Housing and Community Development to be out of compliance with the housing-element law. Although Massachusetts recommends that municipalities submit a Housing Production Plan, and state certification of this plan can provide a protection against unwanted 40B developments, there are no explicit requirements that this plan be submitted.

However, unlike the 40B system in Massachusetts, California lacks a strong regulatory mechanism to encourage the development of affordable housing in the places where it is most needed. Administrative and/or judicial intervention over permit denials is exceedingly rare, and even then courts typically defer to local prerogative over what gets built when and where. In the absence of stronger state mandates, however, over 140 cities and counties, about a quarter of all local governments, have adopted inclusionary housing policies requiring that market-rate developers include affordable units in their new developments or dedicate land or pay fees in lieu of development (Wiener, 2013). California leads the U.S. in the number of inclusionary programs.

Like the Boston area, the San Francisco Bay Area is home to sophisticated nonprofit housing development organizations, intermediary services, and support networks pursuing residential development, despite the aforementioned challenges. Some of these organizations are traditional CDCs; the largest producers, however, fall more comfortably into our HDC category. Like the Boston area, the sector came of age after the enactment of the LIHTC program in the mid-1980s and the subsequent evolution of state and federal aid. The Bay Area's firms and networks comprise highly skilled leadership and technical staff, navigating the complexities of the entitlement and financing environments they face.

These groups are politically organized as well, pressuring regional and state authorities for public funding commitments and the easing of regulatory constraints. As we discuss below, affordable-housing need is a prominent issue on California's legislative agenda. This has yielded a series of multibillion-dollar voter-approved bond initiatives over the last two decades. In addition, legislation enacted in 2014 requires that so-called "cap and trade" funds, which are collected by the state from polluting industries' payments into permit auctions, be used for affordable housing

projects, especially those which reduce greenhouse gas emissions. In addition, legislation enacted in 2016 created a new \$2 billion program to provide housing for the mentally-ill homeless. At the same time, California recently witnessed the gutting of a crucial source of local project-finance, namely, tax increment financing overseen by California's now defunct redevelopment agencies.

IV: Organizational Focus and Internal Challenges

All of the groups in our sample have a strong and longstanding commitment to providing high quality affordable housing. Our interviews made clear that organizations are constantly assessing their mission in the context of the internal and external pressures and challenges they face. Although all the issues discussed in this chapter are interconnected, this section focuses on how the organizations go about their operations and the types of internal challenges they are encountering. The next section focuses on the external issues that are presenting a number of contextual challenges. The four parts of this section cover the following:

- The extent to which organizations see their work as incorporating a larger community development agenda beyond housing;
- How organizations are balancing their social mission with business imperatives;
- The ways in which resident services are being provided and changes in how this issue is being approached; and
- How residents' views and efforts are being incorporated into management decisions.

Community Development vs. Housing Focus

The survey results revealed a split in how groups viewed their housing work within the context of a larger community development agenda. Just over one half of the groups indicated that their work was primarily about housing. Yet, there also was a clear and strong message that nearly all the groups are working on more than "just housing." In addition to the complexities of developing, owning, and managing affordable housing, the nonprofits we studied are, for the most part, focusing on at least some components of a comprehensive community development agenda. These activities typically involve a range of social services, community organizing, and place-based initiatives, including providing community meeting spaces within their developments.

Several of the nonprofits in our sample have deep roots in their neighborhoods. One group in the Boston area embarked on a highly visible and ambitious community development non-housing project -- the purchase and renovation of a social club and dance hall serving the local Irish community during the first half of the twentieth century. Before the organization's purchase of the building in 2000, it had sat unoccupied for decades. The facility was fully restored to its original grandeur and reopened in 2005, using funding from a variety of public and private sources.

Several organizations, despite being non-neighborhood-based, nevertheless, see their role as real estate developers in the context of community development efforts that, for the most part, are carried out by others. When needed, they are prepared to work with groups that do organizing and are committed to making other street-level improvements. But housing is their central focus. Other groups offer a variety of services and programs themselves, as discussed in the next section.

Developing neighborhood-focused retail outlets, which are often located on the ground floor of a building, has become part of some mixed-income or affordable housing developments. One organization completed a redevelopment project which included such retail space, in the hope that

it would contribute to a more vibrant local-market economy and generally help to stimulate development in the area.

Most groups noted the importance of having an anti-displacement agenda – assuring that longtime residents are not displaced as revitalization is occurring. One of the preferred strategies involves the development of mixed-income housing, which guarantees that lower-income people will have a place in that area, regardless of market pressures. With gentrification being viewed as a huge issue in both areas studied, there is a desire to acquire existing properties with deed restrictions that require long-term affordability. As one interviewee commented: “If there are better or more effective ways, I would love to know about that.”

Balancing Social Mission with Business Imperatives

The nonprofit housing organizations in our study group are committed to achieving at least a double bottom line⁵: ensuring financial soundness of their housing developments, while serving the needs of low- and moderate-income residents. Some pride themselves on achieving true balance, but even these organizations realize that assisting those with high levels of need can present a serious financial strain. Organizations with deeper asset bases and cash flows appear to enjoy greater leeway to pursue their social housing mission. They can innovate and collaborate from a position of strength and leverage their financial position in the public interest. Other organizations may operate within tighter margins and, therefore, likely face these tradeoffs more often and in more concrete ways. All must be cognizant of what one respondent labeled the “mission-money” matrix. Clearly, an unstable balance sheet does neither the nonprofit housing organization nor its residents and neighborhoods much good. Although the possible contradictions of the double bottom-line are easy to articulate, in the give-and-take of business management, each decision must be weighed on its own merits.

One place where the mission-business tradeoff is most manifest is in rent-setting. Many of the organizations in our study group operate a variety of building types and units, thereby serving different income levels, with varying operational costs. Those most actively balancing social mission and business demands may draw “excess” revenue from one building in order to ease rent conditions in another. Other interviewees emphasized the need for directing revenues into non-residential services, such as child care, health, nutrition, and other programs. For some organizations, the revenue needed for these expenditures may be generated from commercial spaces and facilities they operate along with their residential properties.

In other circumstances, such as when the federal Housing Choice Voucher Program is used to “mark up to market” U.S. Department of Housing and Urban Development (HUD)-insured properties with contract rents that are unrealistically low, the increased income is likely to provide the nonprofits with a more substantial financial cushion. Refinancing can also provide the same opportunity. With such added financial security comes the chance to reinvest any excess income to meet the needs of the lower-income residents. This kind of budgetary adjustment, to the extent it is feasible given an organization’s business and regulatory constraints, makes the mission-business balancing act more manageable.

⁵ It has also been suggested that many nonprofits are committed to meeting a Quadruple Bottom Line, which also includes “sensitivity to the way the housing fits into the larger fabric of the neighborhood and contributes to neighborhood viability” and a commitment to making the housing “as environmentally sensitive and sustainable as possible, which involves minimizing the use of nonrenewable energy resources and striving to reduce transportation needs” (Bratt, 2015; see also Bratt, 2012b).

A number of respondents spoke of the aggressive approaches needed to manage business situations as not being separable from the skills needed to meet public-interest housing needs. One respondent noted that, while day-to-day efforts may tilt towards the business side, the mission-business tension really represents “a false dichotomy.” Another characterized the balancing strategically as a “both-and” proposition. While organizations may oscillate from day-to-day or month-to-month between social and economic imperatives, the two poles are, in fact, mutually reinforcing. Few leaders of nonprofit housing organizations think of themselves solely as real estate executives. Yet, all of our respondents recognized that real estate prowess is a necessary ingredient for mission-oriented success.

All this said, it is important to recognize that a few organizations in our sample tend to emphasize business sustainability first and foremost. Building and maintaining affordable housing in our two regions, and throughout the U.S., is demanding work. Developing new buildings, preserving their affordability, and insuring compliance with complex regulatory requirements are extraordinarily labor-intensive enterprises. Particularly for developers dedicated to operating the units they build, they wander little from the core purpose of sustaining the buildings’ financial viability. This takes an adequate workforce and the ability to pay competitive salaries and recruit and retain talented personnel.

In the wake of the global downturn and recession, it is not surprising that some firms unapologetically place business first. In their view, they fulfill their missions primarily as real estate professionals committed to providing affordable housing. Inasmuch as the strongest financial bottom line translates into the greatest capacity to take on new debt, expanding the supply of lower-income housing may be dependent on this priority. Nonprofit housing organizations do not have the luxury, as one respondent acknowledged, of running a “deficit budget.”

Resident Services

Resident services are very important to all the groups in our study and there appears to be a growing desire to expand and intensify services provided on-site. All of the organizations are committed to using their housing as a platform for resident empowerment via the delivery of wrap-around services to create greater financial security and social mobility. These services include, for example, school and community-based programs for elementary school-aged kids, adult day health centers, and primary care clinics. A number of organizations are committed to investing any surplus cash flow into their various social and community-oriented activities. A frequently made point was that the nonprofits view their commitment to supporting residents as a distinguishing feature between the nonprofit and for-profit affordable housing development worlds, where the latter typically take excess cash as profit.

Some organizations focused primarily on housing are expecting to expand into non-development, housing-related activities within their target geographic areas. In their view, resident services programs are less about direct provision and more about community-building and community engagement. By being closely connected to the tenant population, the organizations feel they are in a strong position to expand into the wider community. The idea, as one interviewee put it, is to “think beyond the buildings” and to achieve “collective impacts” through a “place-making approach.” Specific programs may include home ownership counseling and making loans for rehabilitation for first-time home acquisition, while others are focused on health, financial security, public safety, food security, and after-school programming. At least one group is interested in forming a Community Development Financial Institution (CDFI) to finance community-based

development via low-interest pre-development and seed money loans for not only housing, but commercial development, including small businesses like grocery stores in retail corridors and transit infrastructure.

On the other hand, several other groups were adamant about the importance of preserving their core products and services. While they were amenable to offering new housing products to new populations, as well as providing services to their properties, they did not anticipate moving beyond a basic rental housing model.

To the extent that service delivery is a priority, groups typically grapple with the question of the extent to which services can or should be provided through the organization directly, or by developing partnerships with local service providers, as discussed in Section VI. For the most part, there is a focus on collaborating with local social services providers to link the services to their residents, via partnership arrangements.

But when a group is interested in bringing services directly into the buildings it operates, or there is a desire to hire a resident services coordinator, the problem of where to find the funding looms large. Where possible, organizations cover resident services costs out of the building's cash flow. Several organizations, for example, are developing their resident services programs through their day-to-day management operations. One of the regional nonprofits in our sample is self-consciously working on blurring the boundary between property management, on the one hand, and residents' services, on the other. This organization is attempting to redefine the meaning of management to encompass far more than rent collection and providing basic operational services, to allow staff to become more involved in meeting a range of residents' needs. Also, they are reforming their project-planning approaches by involving building managers in financial analyses of future operations. For example, in evaluating a potential redevelopment project involving public housing, the organization questioned how much they would be able to afford out of the operating budget for resident services.

At least one other nonprofit leader we interviewed has made a concerted effort to change the organization's overall approach to resident services by providing fewer services more intensely. Another indicated that, whereas they had not traditionally offered resident services programs, the organization has come to understand that a whole array of programs was needed. As it turned out, many of the services were available through the host city, but the services had not been well advertised. By partnering with the city, the organization is now able to bring people to the available services. Also, by partnering with the local police department, the city's community policing program is enhanced, while young adults from the organization's developments are able to get summer jobs in the police department.

Some groups focus on services for specific sub-populations, such as previously homeless households, the elderly, veterans, and people with HIV/AIDS. And, finally, several groups in both the Boston area and the Bay Area are working hard to get the health care industry to bring more health services into their buildings and are trying to figure out how they can qualify for Medicare, Medicaid, or private medical insurance payments.

Empowering Residents

Most of the organizations in our study incorporate strategies for involving residents in the management of their developments. Empowering residents through management was also noted as important in the survey phase of our study. However, our interviews revealed a more nuanced

picture. A concept that was popular several decades ago which involved “resident control” of developments, or extensive involvement in management decisions, has, for the most part, been replaced with various strategies for promoting resident input, engagement, and “empowerment” through non-management/ownership activities. If, for example, an organization provides computer and job training programs, as well as other ways that promote kids going to college, staff feel that they are involved in empowering residents, but not through their management functions and the actual operation of the housing.

In contrast, at least one of the organizations adheres to the earlier view that residents should have a central role in management decisions and is convinced that this support results in better outcomes. Indeed, about 40 percent of this group’s portfolio is owned in collaboration with an organized resident group, which serves as the general partner. For example, if rents need to be raised due to escalating costs, the sense is that if resident leaders understand the dilemma the organization faces, they will, perhaps, be able to explain the situation to their neighbors. And this, in itself, can be empowering.

Other groups acknowledged that, for them, the issue is far from settled, with some staff and board members viewing resident involvement in management as time-consuming, inefficient, and not the best use of organizational time in their role as producers, providers, and managers of housing.

Formal resident councils, which meet regularly with management staff, have been a common strategy for engaging residents. But, at least one group voiced skepticism about the utility of these councils, noting that it is often the same three people that management meets with every month. Indeed, “instead of participating on resident councils, don’t most residents – whether market-rate, moderate- or low-income – just want to live in their homes? Are they really interested in property management issues if everything is going along well?” As one group put it: “We would rather have people engaged in their community, than tie them into the issues involved with managing the development.” And, further, several of our interviews suggested that achieving an effective, formal resident involvement model is complicated, particularly in buildings with one hundred units or more. Nevertheless, the U.S. Department of Housing and Urban Development (HUD) is still insisting on a model of formal resident involvement in, for example, the recently created “Rental Assistance Demonstration” (RAD) program.

Short of formal resident councils, some groups have developed a committee structure to engage residents, with a focus on transportation issues, and organizing various types of celebrations. . Some developments offer residents a variety of ways to make complaints about management issues and, at the same time, they aim to protect residents’ anonymity and shield them from fear of retaliation. One new idea involves fostering community life through less formal, more organic activities that are not directly related to management decisions but, instead, are geared to the specific needs of the residents. For example, one nonprofit introduced something they call “Q mixers.” With food provided, residents are afforded the opportunity to discuss ideas about the quality of life in the developments. These gatherings have resulted in the formation of grandparent groups walking students to school, and even a quilting circle.

Some groups make sure that, as LIHTC buildings approach the time that the rent restrictions on their building expire in year 15⁶, with refinancing options looming, they hold discussions with residents about the needs in their building and ideas going forward. In addition, when there is a

⁶ Although restrictions officially end in year 15, there is a strong expectation that the developments will remain affordable to households below 50 percent or 60 percent of AMI for at least an additional 15 years.

difficult subject to discuss, such as instituting a no-smoking policy, they solicit resident involvement.

One organization expressed a great deal of excitement about its involvement in the NeighborWorks' resident services initiative, known as the Community Leadership Institute. Each year, the organization brings up to seven residents to sessions; the residents can then apply to NeighborWorks for a grant to work on an issue.⁷ In a recent year, the focus was on youth with half of those on the trip under 18. This was the first time the young people had been on an airplane and traveling out of state. NeighborWorks paid 80 percent of the cost, with the nonprofit paying the rest. "The young people came back with so much energy and ideas."

* * *

In summary, our findings concerning the organizational focus and internal challenges facing the nonprofits in our study are as follows:

- Although just over half of the groups indicated their work was primarily about housing, nearly all the groups are working on more than "just housing." The nonprofits we studied are, for the most part, focusing on at least some components of a comprehensive community development agenda.
- The nonprofit housing organizations in our study group are committed to achieving at least a double bottom line: ensuring financial soundness of their housing developments, while serving the needs of low- and moderate-income residents. Regardless, a few organizations in our sample tend to emphasize financial sustainability, since expanding and sustaining the supply of lower-income housing depends on staying in business.
- Resident services are very important to all the groups in our study and there is a growing desire to expand and intensify services provided on-site. All of the organizations are committed to using their housing as a platform for resident empowerment via the provision of wrap-around services to create greater financial security and social mobility. Groups typically grapple with the question of the extent to which services can or should be provided through the organization directly, or by developing partnerships with local service providers.
- Most of the organizations in our study incorporate strategies for involving residents in the management of their developments. However, this does not generally mean a goal of promoting "resident control" of developments, or extensive involvement in management decisions. Instead, most groups are committed to promoting resident input, engagement, and "empowerment" through non-management/ownership activities, thereby promoting residents' skills and self-confidence.

Complementing our look at the internal perspective relative to strategy and operations, we turn to these groups' operating environments, which involve both market and policy conditions.

⁷ More information about NeighborWorks and its leadership institute is available at <http://www.neighborworks.org/Training-Services/Training-Professional-Development/Specialized-Training/Community-Leadership-Institute> (accessed October 24, 2016).

V. The Operating Environments of Nonprofit Housing Organizations

The complexities and resource limits groups face press their capacities and place an extraordinarily high premium on vision and leadership. At the same time, the context in which organizations operate can make it easier or more difficult for them to do their work. This section discusses the operating environments in which these firms strive to meet their business and social missions. Five key issues are explored with reference to how each impacts organizational operations:

- market characteristics;
- local policy context;
- state policy context;
- federal policy context; and
- smart growth, environmental protection, and energy conservation strategies.

Market Characteristics

Since the organizations included in our study operate in two of the highest-cost and most competitive housing markets in the country, it is not surprising that there was a great deal of uniformity in the responses: all groups felt that housing market pressures were an important issue. Most groups voiced serious concerns about the high cost of land and buildings in their area. As a result, access to land and buildings are hotly pursued amidst stiff competition, and development deals are difficult to put together and costly. Nonprofit developers and operators not only compete with one another, but with for-profit firms as well. Being in a strong enough market position to dictate one's own terms is relatively unusual. Only one organization studied felt that competition with for-profit developers was not an issue, stating: "We're still in a place where we are the sought-after partner. If there is a big project, a for-profit will probably talk to us." That organization and others in our sample operate with a portfolio of existing projects and others in the development queue or pipeline. With a large enough pipeline and sufficient number of units under management, at least some organizations feel they will be quite busy for the foreseeable future.

Several organizations observed that market conditions resulted in lost opportunities. One nonprofit leader gave this example:

We were looking at a building in [our area], but it had huge structural problems. The owners were asking \$300,000 per unit. We told them that if they could get that, they should sign the Purchase and Sale agreement immediately. Sure enough, the building sold to a private developer for that amount.

A Boston-based organization expressed concerns about private investors competing for properties in which they have an interest. Apparently, they had lost out on a number of deals where purchasers with international money offered to purchase a parcel in cash, without any concern about due diligence, such as environmental contingencies. In one particularly noteworthy example they reported that:

In February 2015, we submitted an offer of \$4.7 million for a 4.6 acre site in Everett [a city about four miles from Boston and not traditionally considered part of the city's hot real estate market]. We included a 90-day due diligence period. Our offer was not accepted. We were told by our buyer's broker that the sellers had accepted an offer over \$1 million below ours. [Those terms were:] cash, thirty days to close, with no due diligence. We heard through local networks that a foreign investor from

the Middle East was acquiring the property. The Registry of Deeds shows the property was conveyed on March 31st, 2015 for \$2.5 million. So, as long as there weren't other elements of the transaction omitted from the deed, the gap between our offer and the sales price appears to have been \$2.2M.

Clearly, though, the appealing terms of the deal were attractive to the seller and eliminated uncertainty and delay. This same nonprofit also noted that the large volume of new home development by for-profits is creating a backlash, presenting new challenges. "People are tired of development. They're tired of disruptions of their everyday life as construction goes on and on. The feeling on the part of a lot of people is to just say 'no' to all development, rather than offering a more interesting, thoughtful response."

One organization in the Bay Area acknowledged that going after deals close to Oakland and San Francisco is impossible, due to the high costs. Instead, they try to buy properties in locations that, as they put it, are "in front of the wave – before anyone else wants to buy there. If we are able to develop nice homes, then others will want to live there. Crime perceptions change and people will want to move in." And, by going to as-yet undiscovered areas, they feel they aren't contributing to gentrification. Concerning properties in the city of Oakland, market pressures are resulting in a loss of rentals in single-family homes, which, in turn, is putting a lot of pressure on the remaining stock of multifamily housing. With only 450 buildings of 40+ units in all of Oakland, that organization feels that "the more we buy up, the more we can stabilize these neighborhoods."

Along with the general market pressures, in "hot market" areas like the Boston area and the Bay Area, tax title properties (acquired in government auctions following nonpayment of taxes), have provided lots of opportunities for nonprofits. However, despite the ongoing recovery from the Great Recession, most of these opportunities are gone. In addition, the intensity of interest in affordable housing development is resulting in a long queue, for both for-profits and nonprofits, for LIHTC funding. Moreover, the aggregate amount of money available is shrinking, while the demand is increasing.

Organizations are making various kinds of adjustments. One Bay Area organization specializing in suburban projects has changed its acquisition program, seeking to buy and bank more land more quickly. In addition, this group has observed that: "a lot of communities are now very aggressive about density, which may involve creating a mixed-use setting, combining offices with residential development."

Figuring out how to increase density is also a priority for at least one Boston-area group, which holds the view that it is the only way to get the housing built. The Executive Director offered the example of the City of Cambridge, Massachusetts, which, they report, is quite interested in creating zoning overlay districts. If it can increase densities in that fashion, groups operating there will be able to achieve reduced land costs per unit, even if they need to buy properties at market prices. This, they feel, would help to even out and neutralize advantages enjoyed by private developers.

The intense development climate is producing a number of other outcomes, including impacts on personal relationships among organizations. As one regional developer in the Bay Area noted, "There is wide tension in the field because of the price of housing and land." And, according to

another, “there is competition with for-profits and cut-throat relationships with [nonprofit] colleagues because resources just don’t exist.”⁸

Local Policy Context

The intense market pressures on housing are likely responsible, at least in part, for the strong advocacy climate that has begun to take hold. As a Bay Area organizations noted: “the pressure on localities to enact policies on rising rents and displacement is almost universal; the affordability issue is so difficult in the East Bay. Large crowds typically show up at council meetings, which will move policy forward more quickly.”

The housing pressures and the community’s response in the Bay Area and the Boston area have received significant media attention. The lack of housing affordability for working poor and middle-class families has, at least on the surface, changed perceptions regarding the importance of spurring low- and moderate-income construction. The shift is palpable, particularly in the Bay Area.

Indeed, one California interviewee sees this as “the Golden Era for affordable housing.” Voters, businesses, nonprofit groups, and neighborhood organizations have united in new ways. The most politically active among them demand action from local city councils and other bodies to address affordability, gentrification, displacement, and housing development sufficient to accommodate job growth. Political leaders, even those identifying as conservative, seem more willing than ever to partner with the nonprofit housing sector. While local subsidies for low-income construction remain scarce, nonprofit housing organizations and their allies are working hard to change that, sometimes with positive results.

Despite the growing consensus on the crisis-level housing conditions of unaffordability, and a changed political climate for housing as a result, opposition to new construction stills occurs and nonprofit housing organizations continue to struggle against traditional NIMBY (Not-In-My-Back-Yard) arguments. While assertions of regional housing need typically stimulate little opposition, actual projects in specific places face customary obstacles. In addition, one practitioner noted that various types of affordable housing projects, including those aimed at various sub-populations (e.g., the homeless, the formerly incarcerated, or those in substance-dependence recovery) are facing stiff resistance within minority-dominated neighborhoods, where residents often feel they have already hosted their fair share of new construction favoring the poor. All this makes coalition-building thorny. By contrast, housing programs portrayed as benefiting veterans have increasing appeal, and senior housing remains easier to place than new residences for young families. In terms of strategy, nonprofit housing organizations are trying to ride the wave of attention about the need for more affordable housing, while bracing themselves for the boisterous disruptions often caused by affordable housing proposals.

Practitioners in both our study-regions caution that even dense urban neighborhoods can be susceptible to opposition to affordable housing with the classic concerns over density, traffic, and public-service burdens still regularly echoed. Neighborhood activists seem inclined to oppose all

⁸ Perhaps not surprisingly, larger nonprofit organizations consider competition to be less of a concern than the smaller nonprofits in our study. Only one-quarter of the respondents in a recent national survey of such large firms indicated that they expected fairly big changes in the competitive environment in the following three years.” Most organizations expect moderate changes to the competitive environment with both their peer organizations and for-profits in the future, similar to what occurred in the prior three years” (Walsh and Davidson-Sawyer, 2014).

construction, regardless of the affordability built into new projects. Rather than supporting proposed construction, progressives appear to demand that income-eligibility be lowered beyond what might be financially feasible. With concerns over displacement being in the political vanguard, they also demand that new units first benefit those most at risk of losing their homes. Given the long timelines of development and construction, however, not to mention potential legal impediments, guaranteeing new housing for displaced households is difficult for nonprofit housing organizations and host cities to achieve. In both regions, nonprofits strive to ensure that the gentrifying effects of urban neighborhood improvements are mitigated. The goal is for lower-income households to avoid displacement or be able to move into areas undergoing regeneration.

The necessity, as always, is for housing providers to build and sustain strong coalitions favoring new construction, neighborhood improvement, and affordable housing development. Resistance of various stripes remains a fact of life for housing leaders. While optimistic concerning that challenge, our respondents emphasized the novel and unique local politics currently prevailing in the locations where they wish to build. And the typical resistance of local residents, who fear change and prize increasing home values secured by slow residential growth, may persist despite the sense that affordability is of paramount importance on the municipal agenda. What is more, oft-cited studies showing that neighboring property values are little affected by affordable development fail to significantly overcome local resistance.

Regardless of the development strategy, savvy politics still makes for success, and strong leadership at City Hall remains instrumental in hammering out needed compromises among competing factions. For this reason, as one housing practitioner we interviewed noted, it matters who is in City Hall. Organizations in both areas were acutely sensitive to the imperatives of winning local elections and maintaining pro-housing alliances on local councils and boards.

Among the local policies that seem promising are special development fees payable by market-rate developers of both residential and commercial property. Over 140 jurisdictions in California, representing about one-quarter of all cities and counties in the State, have adopted inclusionary zoning programs that require market-rate home builders to include affordable units as a specified percentage of total units built. Most local programs allow compliance alternatives to onsite construction of the units, including dedication of land to a nonprofit housing developer or payment of fees per unit “in lieu” of construction. The in-lieu fees are typically deposited into a local housing trust fund and then can provide a versatile source of funding for a variety of housing activities, new construction being just one.

Increasingly, with the demise of local redevelopment agencies and the loss of local property tax increments for affordable housing in redevelopment areas, localities are modifying their inclusionary programs to prioritize the collection of these payments. Under such a “fee-first” strategy, the fee is required and on-site development of units becomes the in-lieu option. By way of example, the city of Berkeley currently imposes a \$34,000 per unit fee in its inclusionary program. A fifty-unit market-rate building would, therefore, require that its developer contribute \$1.7 million to the city’s affordable housing trust fund unless the developer proposed to build the affordable units itself.

The California Supreme Court recently ruled that local governments can impose inclusionary requirements that include a fee option under their normal land use and zoning powers, without a nexus justification showing that new market-rate development will cause a deleterious financial impact on affordable housing. Some localities that impose fees absent an inclusionary program have elected to perform a nexus study to derive the fee. Such a study aims to set and justify the fee-

level generally applicable to all new market-rate residential development and then calculate additional amounts on the gap necessary to produce affordable units, akin to an inclusionary requirement, may not be necessary. However, following a recent decision by the Supreme Court of California, a nexus study may no longer be legally necessary, although some jurisdictions may wish to pursue them for independent reasons.

In the midst of the Boston area interviews, in December 2015, Boston Mayor Martin Walsh announced changes to its longstanding inclusionary zoning policy, which had been in place for 15 years. The policy had required most large developments to set aside 13 percent of their units at below-market rents or contribute \$200,000 per unit into a city housing fund. The policy change now requires developers building luxury housing in high-cost areas to either contribute \$360,000 per unit for affordable housing to be built elsewhere, or to set aside 13 percent of the on-site units for lower-income households. Market-rate development in other parts of the city will be required to make the old level of contributions for off-site affordable housing (\$200,000/unit).

As in the Bay Area, the Boston area is composed of many autonomous cities and towns, each with its own regulations (or lack thereof) concerning inclusionary housing. The City of Cambridge, for example, has, since 1998 required that 15 percent of all housing development be set aside for on-site affordable housing. Other local communities, such as Chelsea, which has traditionally not been part of the over-heated housing market, do not currently have an inclusionary zoning ordinance, although one is being considered in Chelsea as that market, too, has become more attractive to developers.

State Policy Context

At the state level, California and Massachusetts, the two states in which our study areas are located, differ substantially. However, one of the ways in which these areas are similar is in the adverse publicity that would be likely to occur if the costs of affordable housing development were widely known. Organizations in both of our regions are acutely aware of this potential land-mine: in some cases, the cost is \$500,000 or more per unit. Some indicate that their successes have been uneven because of the lack of subsidy to offset the high costs of innovation and still produce homes affordable to lower-income households. One organization spoke about making strategic innovations in the energy-conservation area. They characterized as “low-hanging fruit” some building upgrades where real savings could be captured relatively easily in a short payback period.

California

No policy change in California has had a more sudden and damaging impact on nonprofit housing development than the 2012 dissolution of more than four hundred local redevelopment agencies by Governor Jerry Brown (see Lefcoe and Swenson, 2014; Stephens and Fulton, 2012). Since the 1940s, the state had empowered localities to create redevelopment agencies (RDAs) to revitalize disadvantaged neighborhoods. The vehicle driving this investment was “tax increment finance” (TIF), which uses expected growth in property tax revenues to underwrite bond indebtedness needed to finance the project. Since the 1970s, the redevelopment law also had required that at least 20 percent of TIF revenues be set aside specifically to support affordable housing – from production of new homes for rent or purchase to operating subsidies for existing housing. The loss of these revenues has been nothing short of seismic.

A consequence of the demise of redevelopment is that some Bay Area localities have since received one-time lump-sum distributions, so-called “boomerang” funds from former redevelopment

accounts. In addition, the success of redevelopment in some areas has produced higher property tax revenues. Local policymakers have made post-redevelopment relief a real priority and have dedicated boomerang resources toward new housing grant and loan programs. Although boomerang money does not represent a sustainable, substitute source of housing project funding, nonprofit leaders noted that these funds have helped ease the pain and bridge the transition to a post-redevelopment world in California. State legislation enacted in 2016 allows cities and counties to bond against their boomerang funds to raise additional capital for affordable housing production.

On a more optimistic note, several California interviewees praised the creation of the state's "Affordable Housing and Sustainable Communities" program (AHSC), the largest new source of funds initiated since the elimination of redevelopment. The AHSC initiative is funded by auction revenues generated in the state's "cap and trade" regime for reducing greenhouse gas emissions (discussed further in the next section). In Fiscal Year 2015-16, this program made \$320 million available for developing dense affordable housing near high-quality transit, thereby promoting energy-efficiency and changes from vehicle use to walking, biking, and public transport. Another \$600 million in general obligation bonds for veterans' rental housing was approved by voters in 2014 and, as mentioned previously, in 2016 the State Legislature created a new program, which could provide up to \$2 billion in general obligation bonds to house the mentally-ill homeless.

Massachusetts

As discussed in Section III, Massachusetts has been an innovator in affordable housing program development. A recent policy innovation in Massachusetts, mentioned by a number of the housing leaders interviewed, is the Community Investment Tax Credit (CITC) program. Created in 2012, CITC provides tax incentives spurring philanthropic investment in certified community development corporations (CDCs). To participate, CDCs submit multi-year strategy documents to the state for review and approval. Those plans must evidence the involvement of local businesses and residents and must show great promise in producing substantial neighborhood impacts. Qualifying CDC plans may encompass expenditures on improvements other than housing, but a key focus of the CITC program has been to address disturbances caused by the foreclosure crisis. The Massachusetts CDCs in our sample detailed how CITC has not only fueled new donations but has also attracted a variety of additional resources, boosting their diversity of funding. The tax credits motivating private donations are expected to raise up to \$66 million before the program's sunset date in 2019.

Housing organizations in Boston also described other initiatives aimed at addressing the shortage of family-sized units in the affordable production pipeline. Projects that receive state housing funds must now include at least ten percent of their units with three bedrooms or more. There is also increasing state concern about rising construction costs, where prevailing wage requirements and specialized trades are making tax credits and other sources less productive in terms of overall units. Also under consideration at Mass Housing (formerly known as the Massachusetts Housing Finance Agency), according to one interviewee, is a replacement program for the successful former Priority Development Fund, which supported community-wide planning processes and facilitated mixed-income projects.

Federal Policy Context

Nonprofit housing providers in the United States have watched public resources at the federal level dwindle for decades. Our interviews focused on the LIHTC program, grant funds, public housing finance and management, budget “sequestration,” and a landmark decision in fair-housing law.

While its structure in the tax code is relatively stable, utilization of the LIHTC program varies by state and tends to expand and contract with the economy. When there is less growth, tax credits become less attractive to investors since those credits offset income-tax liability, which decrease during economic downturns. In the current growth environment, LIHTCs are able to provide major financing for new construction. However, as discussed below, LIHTCs typically need to be supplemented by other subsidies in order to make affordable housing deals work.

Programs like HOME and the Community Development Block Grant (CDBG) are constantly threatened and are not keeping pace with inflation. HOME and other sources are often drawn upon to furnish “gap financing” covering what cannot be funded via LIHTC and state-funded tax-credit programs. Project-based vouchers (via the Housing Choice Voucher/Section 8 program) have proven relatively durable and flexible, but they are never funded to the extent necessary to meet housing needs, particularly for the lowest-income residents. The organizations in our sample are both diversifying sources of funding as well as specializing in the utilization of those they feel are most reliable.

Some respondents emphasized that their experience with prior federal programs put them in a good position to take advantage of the HOPE VI program for rehabilitation of public housing and, more recently, the voucher-based Rental Assistance Demonstration (RAD). The flexibility of the New Markets Tax Credit (NMTC) program may also be beneficial, but its funding levels fluctuate year to year.⁹ And a growing national commitment to end chronic homelessness among veterans of the armed forces has increased funding for Veterans Affairs Supportive Housing (VASH) vouchers. Nonprofit housing organizations, which are agile and able to specialize, tend to seek the most accessible federal sources, on a project-by-project basis.

But, overall, funding for federal housing and related community revitalization programs in the U.S. has undergone substantial retrenchment since the 1980s. One of our respondents noted wistfully, upon considering the organization’s existing portfolio, that many of those projects simply could not be built today. Another charitably characterized the federal scene in housing leadership as one of “low enthusiasm.”

⁹ The HOPE VI program operated from 1992 to 2010 to revitalize seriously deteriorated public housing developments. Typically, units affordable to very low-income households were replaced by a mix of units affordable to a range of income levels; the new developments were often owned by private for-profit developers. The RAD program was authorized in FY12 and allows HUD to approve the conversion public housing units into either project-based Section 8 rental assistance contracts or project-based vouchers. The NMTC program was created in 2001 and provides a tax credit to encourage investors to provide funds for capital-starved low-income communities for small business development, job retention programs, and other revitalization efforts.

An environment of constantly shrinking resources has led some of these organizations to fear the worst. No matter how unlikely, the specter that the LIHTC and the HOME programs might simply be “zeroed out” is a nightmare scenario for nonprofit housing organizations. The situation saps management resources and reduces stability. Some of the less pessimistic voices in our study ventured that affordable-project finance via tax credit vehicles – with market-based lenders, financial analysts, contractors, architects, and others – has too sturdy a footing in the political economy to ever be eliminated entirely. As noted earlier, more than three-quarters of the LIHTC projects placed in service between 1987 and 2014 were produced by for-profit developers.

One interviewee noted that transaction costs per unit within the LIHTC program are too high (sometimes exceeding 15 percent of total project cost). More straightforward grants from the federal government made directly to nonprofit sponsors (e.g., through the Section 202 “Supportive Housing for the Elderly” program) strike some providers as far preferable. But such direct-grant resources have nearly vanished. Students of U.S. nonprofit housing practice quickly learn that LIHTC finance remains “the name of the game.”

A particularly worrisome situation aggravating U.S. nonprofit housing leadership in recent years has been the hyper-politicization of the federal budget. The phenomenon led to the “sequestration” of federal programs and across-the-board cuts to housing programs by the U.S. Congress in 2013. The deleterious limits on resources were moderated only somewhat during the 2014 and 2015 fiscal years, due to a partial resumption of bipartisan negotiations on Capitol Hill.

But the continuing effect and possible resumption of full-scale budget sequestration mark a new status quo that housing producers have to navigate. For FY16 and beyond, new sequestration threats could imperil the National Housing Trust Fund,¹⁰ drastically cut the HOME program, cancel the renewal of numerous Housing Choice Vouchers, and reduce capital and operating funds for public housing authorities. Like other strategic factors we have discussed, sequestration negatively impacts groups working in high-cost areas like Boston and the Bay Area in significant ways.

This study’s interviews took place in the wake of a major judicial development in federal policy. The event was as historic as it was unlikely. A case decided by the U.S. Supreme Court in 2015, *Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.*, preserved and broadened the application of federal anti-discrimination provisions under the Fair Housing Act of 1968. Many welcomed the decision for reaffirming the admissibility of so-called “disparate impact” evidence to prove discrimination. Such evidence can be particularly useful to the victims of discrimination under the Federal Housing Administration (FHA), a division within HUD, since direct proof of discriminatory intent in housing transactions is rarely available. In other words, the intent of a given housing policy may not be to exacerbate segregation, but if it is found to produce that outcome via disparate impact, the Supreme Court ruling provides a basis for viewing it as discriminatory and thus in violation of the Fair Housing Act.

¹⁰ The National Housing Trust Fund (NHTF) was created in 2008 to increase and preserve the supply of rental and homeownership opportunities for low-income households. The NHTF is funded with dedicated sources of revenue, particularly from the federally supported secondary mortgage market entities, Freddie Mac and Fannie Mae. Due to the financial crisis facing these agencies starting in 2008, no funding was provided to the NHTF until 2016.

For our respondents, the high court's landmark decision was welcomed, by and large, but optimism remains guarded. Were the Court to have disallowed all disparate-impact evidence, the FHA's protections against discrimination would have been markedly weakened. Indeed, many observers of the high court thought this result likely, so the eventual decision may be viewed as a narrowly averted disaster. At the same time, nonprofit housing organizations producing units in traditionally underserved inner city neighborhoods are concerned that their work will be viewed as exacerbating racial and economic segregation.

Just a few weeks after the Supreme Court decision in mid-2015, HUD issued the Affirmatively Furthering Fair Housing (AFFH) rule, which is aimed at assisting communities that receive HUD funding with the data and tools needed to help them to meet their fair housing obligations. Currently, the impacts of these legal developments are uncertain, but policymakers seem to be directing affordable housing growth away from densely populated city neighborhoods, toward higher-opportunity suburban locations. Based on our interviews, it appears that some nonprofit developers would be more prepared than others to make the adjustment of working outside their usual areas. Those already operating at a regional scale might even benefit from the shift, with some voicing interest in far-reaching development opportunities.

Smart Growth, Environmental Protection and Energy Conservation: Opportunities and Constraints

An important aspect of the environment in which nonprofit housing development organizations operate is the increasing policy orientation toward innovative, smart growth housing practices. These approaches differ markedly from prior strategies involving the pursuit of development opportunities wherever land and buildings were available. For nearly all organizations, pursuing smart growth projects is now a high priority. One organizational leader whom we interviewed was especially proud of creating a full-time sustainability manager position, focusing on smart growth and other environmental issues.

Smart-growth housing practices meet two important criteria. First, communities generally, and especially low-income residents, need proximity to good-quality supportive and remedial services, on- and off-site, and durable, energy-efficient homes to reduce household costs. Second, government agencies increasingly demand that affordable housing developments be proximate to schools, child care, health care, full-service grocery stores, and other shopping, as well as parks and public transit.

Smart growth practices take many forms. Some organizations are exploring alternative housing prototypes, such as manufactured housing, modular components, and "tiny" houses, to reduce the costs of traditional stick-built, site-built housing. One Boston organization in our sample has explored how to produce more flexible units where floor plans and other features can be altered as family composition changes.

All of our interviewees seek to incorporate green elements into their new projects: solar-paneled roofs; low water-flow fixtures; smoke-free, clean air technologies; fixed thermostats; natural sunlight and building orientation; and recyclable, low-impact construction materials. In existing properties, they are making solar and water conservation retrofits. Some properties are generating so much energy that they can meet their residents' needs and sell the excess to the energy grid to generate additional operating income and serve other buildings in the neighborhood – utilizing "solar farming," as one respondent called it. Other green elements include open spaces, low water-

use vegetation, water recapture, pedestrian walkways, bike storage, and linkages to existing bike paths.

Transit-oriented development (TOD) has become a major focus for many of the organizations. This is in response to the current public policy emphases upon decreasing traffic congestion, long commutes to work and services, carbon emissions, and air pollution, while increasing transit ridership and residential density in urban places with shrinking supplies of developable land. Organizations are building TOD projects with reduced or no parking stalls, concomitantly increasing the number of units and obviating the need for expensive underground parking facilities. For low-income households who lack cars, or who own undependable, high-maintenance cars, TODs have the additional advantage of significantly reducing household expenditures on transportation.

Organizations focused on neighborhood-wide improvements note that they are not only committed to TOD-type housing projects, but are also helping to make neighborhoods greener through better neighborhood design and by developing pedestrian walkways and bikeways and other transit-friendly features that increase connectivity from the project to surrounding neighborhoods. In suburban communities with less good public transit, organizations note the greater difficulty of finding TOD sites for affordable housing that meet the requirements of government programs.

The urban sites best suited for TODs with existing amenities are often very expensive and, in some cases, prohibitively so. Several interviewees suggested that the recent ruling by the U.S. Supreme Court (discussed earlier in this section) would compel developers to launch more projects in expensive, high-opportunity areas. Such a development pattern could have the unintended consequence of exacerbating sprawl by channeling development away from distressed inner-city neighborhoods toward newer and wealthier suburbs without the requisite transit infrastructure.

The new cap-and-trade policy in California is a good example of how smart growth initiatives can be funded. The state has designed a system under which greenhouse-gas (GHG) producing industries must purchase permits at auctions authorizing their GHG output levels. The aggregate level of allowable GHG pollution is “capped” and these permits can be traded among firms. The sale of the permits generated substantial new revenue in the initial years of the program, although less so in 2016, due to legal uncertainty about the program’s future. In 2014, the California Legislature required that 20 percent of all cap-and-trade proceeds be earmarked for a new program, the Affordable Housing and Sustainable Communities (AHSC) Program. AHSC funds affordable housing that reduces dependence on fossil fuels and emissions of greenhouse gasses, typically by funding higher-density developments that are near high-quality transit nodes and corridors, thereby, reducing vehicle miles travelled. AHSC prioritizes urban infill projects and grants rural and disadvantaged communities special consideration in their efforts to promote housing and employment accessibility via lower-carbon transit modes. (Ironically, this priority may conflict with the 2015 U.S. Supreme Court *Texas Department of Housing* decision compelling affordable housing investment in higher-opportunity areas.) AHSC also strongly encourages walkability, bikeability, and energy efficiency (see, for example, Newmark and Haas, 2015).

The 2015-2016 AHSC funding round awarded some \$280 million in housing funding via grants and loans. Although this level falls well short of the approximately \$1 billion redevelopment agencies had contributed toward California housing development annually, some observers are optimistic that the cap-and-trade set-asides will grow incrementally, once pending legal questions are resolved and as long as the economy continues to grow.

California's administration of LIHTC also assigns preferences for amenity-rich projects in urbanized locations with close access to public and community services. Given intense competition for scarce LIHTC funding, developers have no choice but to meet strenuous smart growth thresholds and related policy preferences if they want to develop affordable housing and stay financially viable.

* * *

In summary, our findings concerning the operating environments in which nonprofit housing organizations in our two study areas operate, are as follows:

- All groups felt that housing market pressures were an important issue, with most groups voicing serious concerns about the high cost of land and buildings in their area. Nonprofit developers and operators not only compete with one another, but with for profit firms as well.
- The intense market pressures on housing are likely responsible, at least in part, for the strong advocacy climate that has begun to take hold. The lack of housing affordability for working poor and middle-class families has contributed to changed perceptions regarding the importance of spurring low- and moderate-income construction. Despite the growing political consensus on crisis-level conditions of unaffordability, opposition to new construction stills occurs, with affordable housing proponents often struggling to overcome traditional NIMBY arguments.
- The Boston area and the Bay Area differ substantially in terms of the state policy context in which the local nonprofits operate. No policy change in California has had a more sudden and damaging impact on nonprofit housing development than the 2012 dissolution of more than four hundred local redevelopment agencies. While so-called "boomerang" funds have provided resources for new housing grant and loan programs, they do not represent a sustainable, substitute source of housing project funding. Several California interviewees praised the creation of the state's "Affordable Housing and Sustainable Communities" program (AHSC), the largest new source of funds initiated since the elimination of redevelopment.
- Massachusetts has been an innovator in affordable housing program development. A recent policy innovation in Massachusetts, mentioned by a number of the housing leaders interviewed, is the Community Investment Tax Credit (CITC) program, which provides tax incentives spurring philanthropic investment in CDCs.
- Funding for federal housing programs in the U.S. has undergone a substantial process of retrenchment since the 1980s. In the current growth environment, LIHTCs are able to provide major financing for new construction. However, LIHTCs typically need to be supplemented by other subsidies in order to make affordable housing deals work. In addition, programs like HOME and CDBG are constantly threatened and are not keeping pace with inflation. An environment of continually shrinking resources saps management resources and reduces stability.

- A 2015 U.S. Supreme Court decision on the U.S. Fair Housing Act has created a concern, among nonprofit housing organizations producing units in traditionally underserved inner city neighborhoods, that their work will be viewed as exacerbating racial and economic segregation. At the block or tract level, new construction may appear to concentrate rather than disperse affordability for lower-income populations.
- Nonprofit housing development organizations in both the Boston area and the San Francisco Bay Areas are strongly focused on innovative, smart growth housing practices, rather than pursuing development opportunities wherever land and buildings are available. All the interviewees also noted that they seek to incorporate green elements into their new projects and that TOD has become a major focus of many of the organizations.

VI. Organizational Adaptations in Response to Internal and External Challenges

Organizations must be nimble. They must not only embrace new external opportunities and meet new external challenges but also be able to realign their internal organizational structure and redeploy staff and resources. Nearly all of the organizations in the study group had made important internal changes to absorb the shocks of the Great Recession and were striving to achieve better strategic positioning to survive and thrive in the current environment and in coming years. Doing nothing was not an option. This section discusses the several ways that organizations are responding to the internal and external challenges they are facing:

- Carrying out strategic planning efforts and hiring new staff;
- Shifting their targeting to higher-income populations;
- Changing the geographic target area of organization;
- Delivering new products and services;
- Increasing emphasis on the importance of asset management and recapitalization; and
- Forming partnerships, collaborations, and coalitions.

Strategic Planning and Hiring New Staff

Respondents cited a variety of ways in which they are working on strengthening their organizations. Evaluations of the current and likely future challenges and planning for change were critical first steps, typically involving board and staff retreats, hiring outside organizational consultants, and working on strategic plans. In terms of staffing, often mentioned was the creation of new or expanded human resources capacity, such as adding a chief talent officer, in order to update salaries and benefits and to attract and retain the best employees in a competitive labor market. In addition, various organizations were adding staff in budget analysis, accounting, media communications, and information technology.

Organizations also are upgrading old budget and data systems or installing new systems using the latest software to better manage investments and properties. Technology improvements to track tenant utility usage and to monitor the effectiveness of water and energy conservation measures are seen as a key way to reduce operating costs, particularly given the inelasticity of tenant rents and the lack of operating subsidies for rental developments.

As discussed in Section V, leaders of nonprofit development organizations are acutely aware that federal, state, and local financing resources are dwindling and undependable, while the number of

competitors, both nonprofit and for-profit, has remained the same or increased. In other words, the conventional business model that ties organizational financial viability to a steady revenue stream from the fees developers earn from new unit production is no longer sustainable. Moreover, as one respondent put it, and echoing observations presented in Section IV, organizations can no longer afford to be driven only by “mission, mission, mission,” but must now carefully screen projects for financial viability and make calculated decisions about what is best for their overall economic health and well-being.

The realization that organizations may have to be less reliant on new production in the future is provoking significant internal structural changes. Organizations are deploying more of their existing staff, as well as hiring new staff, to focus on recapitalization and modernization of their older inventories. Asset management of existing project portfolios likely will become a larger component of organizational operations. More staff and staff time are also being devoted to acquisition and rehabilitation of existing properties within their geographic service areas, including smaller market-rate projects and affordable housing at risk of conversion to market-rate developments. A number of organizations are creating new divisions or departments solely committed to recapitalization or acquisition and rehabilitation.

Less reliance on public funding also means a greater reliance on building the organizations’ own capital bases from project income, private investors, and other sources, as well as a focus on forming new partnerships. Some organizations are rethinking their focus on lower-income populations and, instead, are considering the need to serve higher-income households requiring fewer subsidies. In addition, some organizations are creating other profit centers from non-housing lines of business, including child-care and other support services, and even sponsoring retail operations.

Many organizations described making internal adaptations to take advantage of new funding opportunities. The push to reposition old public housing through the Choice Neighborhoods Program¹¹ is offering opportunities to deploy staff to acquire and rehabilitate these units, as well as produce new replacement units on and off public housing sites. In California, to capitalize on the strong emphasis on community sustainability and holism in housing and community development finance programs, one organization created a “healthy neighborhoods” implementation group within its executive team. Every section of the organization must coordinate with this group in developing, improving, and managing projects.

To achieve greater scale, organizations may need to increase partnerships with large, for-profit, market-rate residential developers. In localities willing to use their zoning and approval powers to sweeten benefits for profit-motivated developers while leveraging affordable units in exchange, some nonprofit developers are planning to build and operate the affordable housing portion on-site or on dedicated land. Community benefits agreements will be another opportunity to leverage affordable housing from large commercial projects.

Finally, many organizations have contemplated mergers with other organizations as a way to adapt to new realities, but only one was active in the merger space. Recently, it had absorbed the

¹¹ The Choice Neighborhoods Program followed the HOPE VI program as the newest strategy for redeveloping severely distressed public housing and other HUD-assisted housing developments. Here, too, the focus is on replacing developments targeted only to very low-income households, with residents having a range of incomes. Created in 2011, Choice Neighborhoods is committed to providing social services and coordinating closely with local schools.

inventories of two nonprofit developers that failed during the Great Recession. After doubling its staff in five years, the organization is evaluating whether it has the correct mix of staff in development, asset management, technology, and communications and is focusing on ways to make investments in its expanded portfolio.

Targeting Higher-Income Populations

Challenging business conditions and expensive markets can prevent nonprofit housing organizations from serving as many individuals and families as they would like. And, difficult choices loom concerning the depth of subsidy needed and the breadth of the population to be served. Many organizations allow the terms of building finance and subsidy to dictate the maximum level of affordability they can offer. Others have utilized “mixed income” arrangements, offering assisted units at various income-eligibility levels along with market-rate units.

These approaches have their own challenges, and it is unclear how well they work in practice. Residents in mixed-income developments may still separate themselves socially and spatially (see, for example, Hyra, 2013) and other purported benefits of mixed-income developments have not materialized (Brophy and Smith, 1997; Joseph, Chaskin and Webber, 2007; DeFilippis and Fraser, 2010; Levy, McDade, and Bertumen, 2013; Moore and Glassman, 2007; Schwartz and Tajbakhsh, 1997). But, for a number of reasons, affordability programs that include or target moderate-income households are a growing fixture in the field. Indeed, in most local inclusionary zoning schemes, affordable units are pegged at households earning 80 percent of AMI levels far above those that have very low incomes. And, as one interviewee plainly stated, “We don’t have sufficient resources to *not* look at mixed-income populations.”

Given the high housing costs in the two regions in our study, the majority of organizations we investigated already had explored strategies that included serving diverse income levels. Most plan on maintaining that direction, if not expanding it. Rather than the reasons for this approach being strictly business-related, the need to expand income-eligibility toward better-off households seems, in part, to be politically driven. A plea often echoed in American cities involves the need for workforce¹² housing for “essential” employees, such as teachers, public safety workers, or nurses. This preference is demonstrated in a number of recent state and local funding initiatives specifically supporting mixed-income projects with higher average income-eligibility guidelines. In general, communities appear less resistant to workforce housing; opposition is often strongest when projects target only the neediest households. Moreover, the higher allowable incomes translate into lower financial burdens for the organization, since there is a decreased need for subsidies to produce and operate the new units. That factor alone makes this approach more financially feasible.

The increasing commitment to meet the housing needs of higher-income households is being achieved in a number of ways. Production of multifamily rental housing is the product type nonprofit developers in the two regions are most familiar with, but helping some families become homeowners is another option.

¹² Often, the term “workforce” housing is used to describe housing for politically more “desirable” higher-income populations, although lower-income households are also in the workforce. It raises longstanding questions in the social policy literature about the extent to which resources should be targeted to the “deserving” poor (i.e., low-wage workers) or to the “undeserving” poor (i.e., those on welfare).

Taken together, these circumstances are tending to make it less practicable for our respondents' organizations to serve residents at or below fifty percent of AMI levels. Those with fewer assets, unsteady employment, and serious illness or disability face enormous housing challenges or even a risk of homelessness in places like the Boston and Bay Areas. All this said, the organizations studied here still remain committed, in principle and in practice, to their core missions of maximizing assistance and targeting households with the greatest need. They regularly analyze opportunities and fashion strategies to tackle these challenges.

One strategy mentioned by a few organizations as a way to continue to serve lower-income populations involves moving toward larger-scale projects. The more units in a new development, the greater the opportunity to spread costs, layer income-eligibility levels, and take advantage of cross-subsidy economies. The impediments to success in such efforts, however, remain formidable. For one, simply finding larger-scale buildable sites in dense urban neighborhoods is an enormous hurdle. Another strategy is to spread costs throughout multiple projects. Generally, organizations with the greatest operating margins due to strong asset bases are better able to maintain deeper affordability.

Given the extremely high costs of new construction in the areas in our study, a number of our organizations are looking for opportunities to acquire and stabilize existing buildings as a way to continue serving lower-income residents and preserve affordable housing that is under threat. As housing markets in these two regions strengthen – reaching price levels comparable to or exceeding those seen in the real estate “bubble” and the run-up to the mortgage meltdown – the conversion of affordable housing to market-rate units, neighborhood gentrification, and displacement of the poor are reaching a state of crisis.

At the same time, respondents recognize that maintaining housing opportunities in gentrifying areas can exacerbate the social divides *within* those neighborhoods. One organization in our study houses a number of lower-income, racial-minority residents in a rapidly gentrifying Boston-area neighborhood. Although these residents have not been displaced, life has changed in their local area, with many of the newer businesses springing up being ones they cannot afford to patronize, while the longstanding businesses in the area have been squeezed out.

In the U.S. system of time-limited, rent-restricted contracts, an entire movement dedicated towards *preservation* of affordability has long been underway (see, for example, Fields 2015). In this struggle, we see how income-targeting plays out amid challenges straining these organizations' capacities. New production is an expensive enterprise; but so is the process of recapitalizing and rehabilitating older buildings. Mixing in moderate-income eligibility in reconfigured buildings may help facilitate the infusion of new resources necessary to make the effort feasible, but it also raises questions about how to find replacement housing in the event that deeply affordable units are lost in the process.

Changes in Geographic Target Area of Organizations

While some of the longstanding neighborhood-based groups are still focused exclusively on their local areas, a number of organizations feel that working in a specific geographic area is less important than seizing development/rehab opportunities wherever they emerge. In fact, the

survey revealed an almost even split, with five groups being committed to a community-based agenda, while seven are working in a regional or multi-state context.¹³

Several years ago, one Boston-area group made a conscious decision to expand its geographic focus to include several neighboring towns in order to have a greater set of development opportunities and options. In fact, the organization changed its name, which had included the name of only a single city close to Boston. Its current non-location-specific name reflects its multi-city focus. Similarly, although one Bay Area organization we interviewed started out with a focus on a single neighborhood in San Francisco, it presently sees itself as a citywide agency, although it is still anchored in a gritty urban neighborhood close to downtown. With its housing now located in six additional neighborhoods, it says it is agnostic about location and will develop any site that is feasible, so long as it is in San Francisco.

Another organization in our sample has been deeply embedded in Oakland, the largest East Bay city in the San Francisco Bay Area, for years. But it now has two projects in neighboring Contra Costa County and is considering whether to spread further away from their traditional target area. Part of the motivation to develop housing in lower-poverty areas is due, in part, to troubling research findings on social determinants of health. The Alameda County Department of Public Health has pointed out that there is a 14-year difference in life expectancy for residents living in the least advantaged neighborhoods, compared to those living in more affluent areas. While Oakland continues to have a high incidence of poverty, this organization is concerned about the long-term health implications of continuing to develop units in Oakland.

A smaller, neighboring East Bay group in our sample had explored the possibility of launching out-of-state projects, but it did not go forward with those plans. While the interviewee reported a close connection to the East Bay, the group is looking at other possible development options in the Bay Area, whether to the south, north, or east of Oakland. Similarly, one larger regional group has considered working multi-state, but it is still focused on California, with a newly expanded geographic area reaching to Southern California, as well as to other northern California locales, such as the cities of Sacramento and Santa Clara, and to Alameda, Contra Costa and Sonoma Counties.

Two other California nonprofits within our study group have been working in several parts of California for a long time. Although some 50 percent of their pipeline is in the city of San Francisco, they are also working in other sections of the Bay Area, as well as much farther away -- Los Angeles County, Orange County, and the Central Valley. One of these groups already has projects in some 12 counties across California and is interested in expanding its portfolio in these locales.

Among our Boston-area cohort, there also is some geographic spread among the non-neighborhood-based organizations. One organization, which has been working in a number of states for years, is looking to increase its housing stock in the existing 70 neighborhoods (in 30 cities) where it already has a presence. By 2018, the plan is to expand to an additional 20 neighborhoods.

¹³ The 2014 survey of large nonprofits carried out by the Housing Partnership Network revealed that, over the following three years, more than twice as many groups were planning on expanding their geographic focus compared with those that were anticipating focusing on a specific locality (Walsh and Davidson-Sawyer, 2014)

Although another smaller group in the Boston area has had a citywide focus since its inception, it is now interested in expanding beyond its local service area. This is partly in response to a state program, known as 40T, which gives the State the right-of-first-refusal on the redevelopment of expiring use properties.¹⁴ Although the first three 40T properties this organization has been successful in getting State permission to redevelop are all in its target area, it would be happy to get state approval for any such projects, regardless of where they are located. More generally, the organization is on lists for receiving requests for proposals for the redevelopment of properties in other locales, but so far a site outside the target area has not been secured.

And, finally, an organization in our study group which is devoted to housing for the elderly, and that had started with developments in the city of Boston, has expanded its work to some of the inner suburbs of Boston, as well as to a town some 20 miles west of Boston. While it doesn't have an interest in working beyond Massachusetts, it would not rule out developing a property in other locations across the state.

Delivery of New Products and Services

For all the organizations in our study group, the watchwords are opportunism and entrepreneurship. To better serve clients, to increase competitiveness, and to survive in changing times, a majority of our groups are repositioning and reinventing themselves by creating new, or improving upon, existing business lines. This is especially the case for organizations that are multi-purpose CDCs, with housing being only one component of a larger community development mission.

For most groups, "new products and services" has a number of meanings. For some, it means producing homes to serve new target populations, like teachers and technology workers, and supportive housing for special-needs populations, such as the independent or frail elderly, veterans, formerly homeless, recently incarcerated, people with autism and other developmental disabilities. Some, as previously mentioned, are now developing homes for higher-income populations, such as those with incomes from 60 to 120 percent of AMI (including some market-rate homes), either exclusively or in mixed-income projects.

In some cases, what is new is the organization's *production method*, such as moving from developing new rental housing toward acquisition and rehabilitation of existing housing, or the *housing tenure type*, such as acquiring scattered-site, single-family homes for lease-purchase. And, for all the organizations we studied, expansion and intensification of resident services is more important than ever. As one nonprofit leader observed, product- and service-type flexibility and diversity gives them more "arrows in the development quiver." In addition to housing production and property-based social services provision, as noted in Section IV, some organizations anticipate expansion into non-development, housing-related services within their target geographic areas, to bring housing support services to neighborhood or community residents where they live.

¹⁴ All the public-private partnership programs (in contrast to the U.S.'s public housing program) include a provision for the original private for-profit owner to opt out of their contractual obligations with HUD which commits them to providing affordability for the units for a certain number of years. After the contract period, the regulatory agreements expire, thereby providing opportunities for other buyers, such as nonprofits, to assume ownership, thereby providing one mechanism for retaining longer-term affordability of the units. All units built under the original programs are at risk of being lost from the assisted housing stock unless additional subsidies can be provided to preserve long-term affordability.

Some CDCs are expanding into new non-housing ventures. One of the major ways they are doing this is by creating CDFIs to finance community-based development via low-interest pre-development and seed loans, not only for housing but also for commercial development and infrastructure improvements. One of our respondents, which is operating regionally in many U.S. states, has itself created a CDFI; however, its CDFI operates primarily to support that organization's core business, new housing development. By contrast, other CDCs, via their CDFIs, are financing small businesses like child-care centers and grocery stores in retail corridors and transit infrastructure initiatives.

While all organizations were amenable to the introduction of new products and services, several were committed to what they do best – their core mission and competencies as rental housing developers and operators.

Increasing Importance of Asset Management and Recapitalization

Prudence, as well as the priorities and requirements of funders, dictate that nonprofit housing development organizations set aside sufficient proceeds from their development budgets and project operating income for day-to-day maintenance and longer-term replacement reserves. Recapitalization offers another revenue source for long-term property preservation through re-syndication and refinancing of existing portfolio projects in order to modernize them, increase cash flow from project operations, and pay for staff and other organizational costs. As organizations' inventories age, LIHTC investors phase out after 10 years, and resources for new construction become increasingly scarce, the pressure to recapitalize will continue to grow. The challenge, of course, is how to do that while preserving project affordability for current and future tenants.

Respondents universally recognize the critical importance of regular building maintenance and saving for replacement. Not all have older projects, and not all older projects are amenable to refinancing, but they fully subscribe to the old adage that "an ounce of prevention is worth a pound of cure." One organization in particular, was emphatic about the risk of not spending what is needed in the short-run when it comes to rental housing construction, rehabilitation, and management. Clearly, money saved in the present can end up costing a lot more in the future. Try as they may, however, the pressures of keeping rents low make these decisions very difficult.

In many cases, organizations report they will have insufficient reserves to make major repairs and update units that were built 15, 20, or more years ago and they are aware that relying upon local government agencies to fund renovations is unrealistic. Consequently, recapitalization will inevitably become a significant activity; one organization is currently modernizing its entire portfolio. Some groups anticipate that a majority of their staff will be devoted to asset management in the not-too-distant future, although adding new inventory will continue to be a major goal.

Recapitalization also offers an historic opportunity for project-based learning. Older projects built during the 1980s and 1990s were pioneering in terms of pursuing a new model of place-based, social services-enriched housing to meet the full needs of residents. However, development budgets had very thin margins because developers were under pressure by jurisdictions and funders to control costs. Newer projects are underwritten with much higher reserves than those that were possible in the past. With greater financial sophistication and knowledge of the properties, financial restructuring should enable organizations to do better deals, placing them on a stronger, more sustainable financial footing for the future.

For rental properties financed with LIHTCs, nonprofit general partners can buy out the original tax credit investors after the 15-year compliance period and recapitalize a building. This strategy involves refinancing and/or resyndicating the development with new LIHTCs. The proceeds may be used to repair or modernize a building, such as incorporating new water and energy conservation technologies developed after the property was originally placed into service.

Proceeds from the recapitalization may also be used to support asset and property management staff and reinvest in the organization. In addition, existing debt can be restructured or paid off, allowing properties to continue operations with more affordable rents and greater viability for the future. This kind of financial renewal involves not only preservation, but also extending and improving the building's delivery of housing services for decades beyond its original subsidy period.

In terms of staff and resource allocation, the nonprofit housing development organizations we studied do not see a tension between preserving existing portfolios and growing their portfolios. Both are essential. Where the dynamic tension exists is between how much of an organization's financial and human capital should be devoted now and in the future to growth via new construction versus growth via acquisition and rehabilitation of existing units. In other words, the central question is how, exactly, to grow. Several groups predict that the majority, if not all, of their activity in coming years will be devoted to acquisition-rehabilitation, rather than new construction. A lack of financing and heavy cost-containment pressures point in that direction. How can a \$500,000 per unit cost for new construction be justified when acquisition-rehabilitation of existing units is likely to cost half as much? Moreover, there is the added advantage that existing multifamily sites do not have to be rezoned and NIMBY arguments are unlikely to arise when renovations are being planned.

Finally, as noted earlier (see footnote #13) developments built through various public-private partnership programs are at risk of being converted to market rents in the near future, unless substantial federal, state, and local financing is provided and nonprofits step in to acquire them. Respondents are committed to preserving at-risk properties, but they report that they are often being out-bid by for-profit buyers. Furthermore, the existing for-profit owners of these properties have, in many cases, drained the project reserves and "run them into the ground" (as stated by one interviewee), deferring maintenance needs and providing little to nothing for successor owners to use in repairing the units.

Partnerships, Collaborations, and Coalitions

The support, development, and operation of affordable housing is, by nature and necessity, a highly synergistic enterprise. From the creation of the program and the resources that are affordable housing's lifeblood, to project conception and completion, and through a project's useful lifetime, nonprofit developers must rely on a panoply of partnerships, collaborations, and coalitions to be successful. All of the organizational leaders in the study emphasized the unprecedented levels of collective action, interdependence, and holistic approaches to housing provision.

As leaders and thinkers in the field, and sophisticated political operatives, respondents were acutely aware that funding, land use, and planning decisions affecting affordable housing are innately political, informed by divergent ideological perspectives and competition with other organizations and interests. While they compete for financing with other nonprofit developers, as well as for-profits, organizations in both regions emphasize the necessity of joining national, statewide, and regional trade associations and advocacy organizations to make the case for

affordable housing and build political support for needed financing, land use, and planning laws and regulations. Toward this end, one organization has doubled its advocacy budget within the last five years. With shrinking resources and competing demands for funding by many different sectors, such as health, education, transportation, and environment, policy and program advocacy is more critical than ever.

Affiliating with other affordable housing developers not only has political advantages, but many report that they confer regularly with their local nonprofit peers. Especially in the smaller Boston market, an effort is apparently being made to minimize competition for sites, share peer learning, and support each other. We were told that Boston-area organizations almost never contest the same sites, communicating with each other as a way to avoid conflicts. Some have submitted joint funding proposals to foundations and some are joining “buyers’ clubs” to reduce costs through bulk purchases. At the same time, a national intermediary organization, the Local Initiatives Support Corporation, is encouraging collaborations in Boston in order to share information on best practices.

As previously noted, organizations in both regions have contemplated mergers with other nonprofit developers, but most have concluded it was premature as they are still high-performing and economically viable; only one organization had actually been involved with a merger, since it saw consolidation as inevitable and, in fact, a necessity for organizational and sectoral survival. By and large, however, consolidation of the industry has not occurred on the scale many predicted and organizations do not anticipate near-term mergers.

Another area of intense cooperation is in the development process. Organizations work closely with federal, state, and local government agencies, as well as with conventional banks, CDFIs, and equity investors that finance predevelopment, construction, and permanent take-out financing. They also work with local governments to gain development rights and approvals and confer with neighborhood and citizens groups to build support.

While preferring to retain control, organizations have undertaken or are contemplating joint ventures with a variety of partners as co-developers and co-owners of rental housing assets. These partners include social services providers, faith-based organizations, high-tech companies, and for-profit developers. One organization has partnered with three African Methodist Episcopal churches with excess land and community credibility. A Silicon Valley organization has been courting high-tech companies that may wish to collaborate to house their workers. In both regions, organizations working in communities with inclusionary zoning mandates on market-rate developments are looking to leverage their expertise and local reputation to produce affordable units with financial and other supports from for-profit companies.

* * *

In summary, our findings concerning adaptations organizations have made in response to internal and external challenges, and will likely pursue in the future, are as follows:

- Respondents cited a variety of ways they are working on strengthening their organizations, including holding board and staff retreats, hiring outside organizational consultants, working on strategic plans, forming partnerships, considering mergers, and hiring new staff to address personnel, financial management systems, media communications, and information technology issues.

- With decreased federal, state, and local financing resources available, the conventional business model that ties organizational financial viability to a steady revenue stream from new-unit production is no longer sustainable. Mission must be evaluated in the context of what is best for the organization's overall economic health and well-being. Organizations also are deploying more of their existing staff, as well as hiring new staff, to focus on recapitalization and modernization of their older inventories.
- Some organizations are rethinking their traditional focus on lower-income populations, considering opportunities to serve higher-income households that require fewer subsidies, and assessing non-housing lines of business.
- Many organizations allow the terms of building finance and subsidy to dictate the maximum level of affordability they can offer. Others have developed "mixed-income" housing, incorporating assisted units at various income-eligibility levels as well as market-rate units.
- The need to expand income-eligibility toward better-off households seems to be both business-related and politically driven. Workforce housing typically encounters less local opposition, and some local governments are appealing to the nonprofit housing sector to produce moderate- to middle-income homes in high-cost areas. At the same time, the higher allowable incomes translate into lower financial burdens involved in producing and operating new units since less subsidy is required. That factor, alone, also makes this approach to affordable housing not only more politically palatable, but also more financially feasible.
- The overall development environment is making it less practicable for our respondents' organizations to serve residents at or below fifty percent of AMI levels, although a number of organizations are looking for opportunities to acquire and stabilize existing buildings as a way to continue serving lower-income residents and preserve affordable housing that may be at risk of losing its affordability restrictions.
- While some of the longstanding neighborhood-based groups are still focused exclusively on their local areas, a number of organizations feel that working in a specific geographic area is less important than seizing development/rehabilitation opportunities wherever they emerge and, at the same time, trying to serve a wider geographic area. This approach may help diversify their portfolios as well.
- To better serve clients, to increase competitiveness, and to survive in changing times, the groups in our study are repositioning and reinventing themselves by creating new, or improving upon existing, business lines. Nevertheless, several were adamant that they would stick to their core mission and stay committed to their major role as rental housing developers and operators.
- Prudence, as well as the priorities and requirements of funders, dictate that nonprofit housing development organizations set aside sufficient proceeds from their development budgets and project operating income for day-to-day maintenance and longer-term replacement reserves. Recapitalization offers another revenue source for long-term property preservation through re-syndication and refinancing of existing portfolio projects in order to modernize them, increase cash flow from project operations, and pay for staff and other organizational costs.

- There is a dynamic tension between how much of an organization's financial and human capital should be devoted now and in the future to growth via new construction versus growth via acquisition and rehabilitation. The central question is how, exactly, to grow.
- All of the organizational leaders interviewed for the study emphasized the unprecedented levels of collective action, interdependence, and holistic approaches to housing provision. This includes: joining national, statewide, and regional trade associations and advocacy organizations to make the case for affordable housing and build political support; affiliating with other nonprofit developers; working closely with federal, state, and local government agencies, as well as with conventional banks, CDFIs and equity investors to locate funding opportunities; and embarking on joint ventures with a variety of nonprofit and for-profit partners.

VII. Conclusions

In a sense, the experiences of the nonprofit housing organizations we have studied mirror those of their residents. They strive to succeed in complicated political, social, and economic environments. They typically face severe resource constraints, while working hard to do well for themselves as well as for their communities.

Our study shows that these efforts are as demanding as they are rewarding. Nonprofit housing development in U.S. metropolitan areas like Boston and San Francisco is not a career for the faint of heart. Difficult choices frequently present themselves, and the realities of business survival may, understandably, take priority over the social missions of these groups. Agility and strategy are at a premium; leaders in the sector are forced to become deft forecasters of business conditions and policy changes. They are pragmatic, but also devoted to social improvement. These organizations, their executive teams, and their staff members represent a rare breed.

The individuals interviewed as part of our study are sage observers of their "industry." Many have deep experience across a range of firms and business perspectives. Whether working in smaller community-oriented or more regionally-focused organizations, they share a commitment to improving the lives of working families and the poor. Often operating in or near gentrifying neighborhoods, they see the interconnections between their regions' growing economies and widening income disparities. And they are ever mindful of the need to balance housing development with community development, while assuring the survival of their organizations.

Nonprofit leaders reveal both a commitment to traditional values and a savvy questioning of organizational practices and business models. At the same time, they wish to empower residents, but not necessarily in ways that complicate specific property management tasks. And they strive to operate with a nonprofit mindset, while confronting highly competitive business and subsidy environments. They also question the addition of new functions and capacities in-house when partnerships with outside providers may be preferable. And, they are making the most of housing's increasing prominence on state and local policy agendas.

There is a genuine tradeoff between the twin pressures of pursuing new construction while maintaining and recapitalizing the organization's existing portfolio. The structure of subsidy in the U.S. places time limits on the affordability required of federally-assisted developments (typically, 15 years for LIHTC projects with strong intentions that projects stay affordable for considerably longer, or permanently). The more an organization's capacity is stretched in order to extend and

preserve existing units facing expiring affordability restrictions, the less that organization is able to focus on expanding its portfolio. This situation is particularly worrisome for the social housing sector in the U.S., generally, as the flow of subsidy continues to fall short of what is needed to meet the demand for rental assistance. However, the visions and strategies of the organizations in our study underscore their desire to create opportunities for their target population, in the face of financial tradeoffs and risks.

Based on our survey and our interviews, we remain confident that nonprofit housing organizations will do what they can to survive and to continue to provide a high level of housing- and non-housing- related services. However, if financial survival means diversifying assets, expanding services, creating new partnerships, and making income-targeting more flexible, traditional commitments to offer housing assistance to people in the greatest need in the communities they call home could suffer as a result.

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Figure 1: Components and Approximate Size of the U.S. Social Housing Sector ⁱ

	Number of units	% percent of total social housing units	% of public housing
Public housing			
Federal (family and elderly) (local PHAs N = 3,095) ⁱⁱ	1,156,839 ⁱⁱ	22.9%	76.3%
Department of Defense (for military households)	300,000 ⁱⁱⁱ	5.9%	19.8%
Other programs (state and local)	59,629 ^{iv}	1.2%	3.9%
Sub-total public housing	1,516,468	30.0%	100%
			% of nonprofit housing (adjusted total)
Nonprofit housing			
Community development corporations (including Housing Development Organizations) (N = 4,600) ^v	1,252,000 ^v	24.8%	35.5%
Housing Partnership Network members (N = 97) ^{vi}	219,300 ^{vi}	4.3%	6.2%
Community land trusts (N = 220) ^{vii}	59,813 ^{vii}	1.2%	1.7%
Limited equity cooperatives	425,000 ^{viii}	8.4%	12.1%
Federally subsidized housing for the elderly	400,000 ^{ix}	7.9%	11.3%
Habitat for Humanity (N = 1,400) ^x	130,523 ^{xi}	2.6%	3.7%
Mutual housing and other nonprofit organizations	240,000 ^{xiii}	4.8%	6.8%
Sub-total nonprofit housing	2,726,636	54.0%	
Estimated additional production since data collected on which above figures are based	800,000 ^{xii}	16.0%	22.7%
Adjusted sub-total nonprofit housing	3,526,636		100%
TOTAL ALL SOCIAL HOUSING UNITS	~ 5,043,104	100%	

Sources:

i. Table updated from Bratt (2012, p. 442) and from Bratt (2015). This version appears in Bratt (forthcoming).

The various notes, below, describe some variations from that prior presentation. Attempting to compile this type of data is very difficult and subject to errors.

ii. Cited in Schwartz (2015, p. 164).

- iii. http://www.acq.osd.mil/housing/ct97_congress.htm (accessed February 14, 2016)
- iv. Stone (2006) had estimated 700,000 other state and local public housing units and this was the number presented previously (Bratt, 2012, p. 442). However, my subsequent efforts to confirm this number have proven unsuccessful. Based on the information I have been able to find, I believe that a more accurate number of “other state and local public housing” is 59,629 units. According to Linda Couch, Senior Vice President for Policy, National Low Income Housing Coalition, there are only four states with state-based public housing programs, Connecticut, Hawaii, Massachusetts and New York (email communication, February 26, 2015). Connecticut = 11,500 units (Michael C. Santoro, CD Specialist, Office of Policy, Research and Housing Support, Connecticut Department of Housing, Private email communication, March 3, 2016). Hawaii = 864 units. A report states that there is “no subsidy” associated with these units (Hawaii Public Housing Authority, 2015, p. 10). However, in a follow-up phone call to the agency a staff member, Mari Car, clarified that this means that there is no federal subsidy (March 4, 2016). Massachusetts = 45,484 units. (Number provided by Margot LeClair, Massachusetts Department of Housing and Community Development, March 1, 2016 (telephone call). As of June 30, 1997, there were 50,285 state-aided public housing units (Citizens’ Housing and Planning Association, 1999), meaning that 90% of this portfolio has remained under state control. New York = 1,781. In all, New York State financed the construction of some 66,123 public housing units (New York State, Homes and Community Renewal, 2016). Thus, nearly all of New York State’s state-funded public housing units have been “federalized” – transferred to the federal public housing stock.
- v. This number comes from the last national census of CDCs (National Congress for Community Economic Development, 2005). However, according to the National Alliance of Community Economic Development Associations (2010) the production by community development corporations (CDCs), large nonprofit housing producers and other types of nonprofits totaled 1,614,000 units. In this chart, an effort is made to break out the different types of nonprofits. However, there may be some double counting in the number of units listed for CDCs, Housing Partnership Network members, and other types of nonprofits. This is one reason why the figures in the chart should be viewed as approximations.
- vi. Housing Partnership Network, Membership Profile (2014 data)
- vii. The total number of CLTs is an estimate offered by Emily Thaden (private email communication, February 16, 2016). However, the production data is based only on the number of members in the CLT Network, N = 136. However, since 24 of these organizations did not have any rental units in their portfolio as of December 31, 2014, the production number in the chart is based only on 112 CLTs. “Of members with residential units (n = 112), one member stewarded 32,000 cooperative units, which accounted for 53.5 percent of all member units” (Thaden and Webb, 2015, p. 9). The production figure of 59,813 was calculated from this information.
- viii. The numbers for “limited equity cooperatives” and “mutual housing and other nonprofit organizations” are from Stone (2006).
- ix. See the National Low Income Housing Coalition (2015, p. 4-31). Schwartz (2015) cites a slightly lower number, 360,000 and also notes that some sources indicate that the number could be as low as 270,000.
- x. <http://www.habitat.org/where-we-build/united-states> (accessed February 14, 2016).
- xi. Private email communication from Angie Kuhlmann, Habitat for Humanity, March 10, 2015.
- xii. Several of the figures in the chart are outdated, particularly production by CDCs. CDCs produced some 602,000 units in the seven years between 1998 and 2005, for an annual average of 86,000/year. In view of the continuing sophistication of CDCs as housing producers, one estimate could be that about this number of units has been produced by CDCs in each of the ten years since the 2005 CDC census (National Congress for Community Economic Development, 2005). Additional nonprofit production, by groups other than CDCs is also not captured in the above. In particular, as noted above, the data for “limited equity cooperatives” and “mutual housing and other nonprofit

organizations” are more than ten years old. On the other hand, nonprofit production was likely reduced significantly during the worst years of the recession, so it is reasonable to assume that annual nonprofit production was reduced for several years. On balance, I am estimating that the nonprofit sector has added at least 800,000 units, since the data cited for this chart were collected. Assuming that there have been at least 4,000 CDCs producing housing, across the country, over the past ten years, this would come to an average annual production of some 20 units/year. The total size of the social housing sector is roughly the same as presented previously (Bratt, 2012), but some of the production, by program or organizational type, has shifted.

Appendix – Organizations Included in Study

Boston Area

Homeowner's Rehab, Inc., Cambridge - Peter Daly, Executive Director
Jewish Community for the Elderly, Boston (Brighton) - Amy Schectman, President and CEO
Madison Park Development Corporation, Boston - Jeanne Pinado, CEO
The Community Builders, Inc., Boston – Bart Mitchell, President and CEO
The Neighborhood Developers, Chelsea – Ann Houston, Executive Director
Urban Edge Housing Corporation, Boston (Roxbury) - Chrystal Kornegay, CEO at the time the study was launched; later named Undersecretary of Housing for the Commonwealth of Massachusetts

San Francisco Bay Area

East Bay Asian Local Development Corporation, Oakland – Joshua Simon, Executive Director
Eden Housing, Inc., Hayward – Linda Mandolini, Executive Director
Mercy Housing California, San Francisco – Doug Shoemaker, President
MidPen Housing Corporation, Foster City – Matthew O. Franklin, President
Resources for Community Development, Berkeley – Dan Sawislak, Executive Director
Tenderloin Neighborhood Development Corporation, San Francisco – Donald Falk, Executive Director