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Los Angeles

The Housing Crisis and the Third Sector

A dissertation submitted in partial satisfaction of the
requirements for the degree Doctor of Philosophy
in Urban Planning

by

Karna Lorraine Wong

2015

ABSTRACT OF THE DISSERTATION

The Housing Crisis and the Third Sector

by

Karna Lorraine Wong

Doctor of Philosophy in Urban Planning

University of California, Los Angeles, 2015

Professor Paul M.Ong, Chair

During the Great Recession, nonprofits experienced unprecedented financial strain while demand for their services increased (Anheier, 2007; Golden et al., 2009; Johnson, 2011). This research focuses on nonprofit housing development organizations (NHDOs) in California during the years 2000-2010. NHDOs typically develop and manage housing, in addition to providing social services for low-income persons. Over the past 20 years, many NHDOs have struggled to maintain adequate capital and operating reserves to preserve their affordable housing stock (Bratt et al., 1998). For NHDOs, these financial issues were exacerbated by the housing and economic crises, in addition to the recent elimination of the State of California Redevelopment Agency funds in 2012. A few researchers have studied the effects of the economic crisis on the nonprofit sector, but none have systematically analyzed outcomes for NHDOs.

This dissertation is divided into five chapters: Chapter 1: Literature Review, Chapter 2: Research Methods, Chapter 3: Bivariate and Multivariate Analysis, Chapter 4: Qualitative

Interviews, and Chapter 5: Analysis of Findings. My dissertation addresses the research question: how were nonprofit housing development organizations affected by the Great Recession that began in 2007? It quantifies the effects of the housing and economic crises on NHDOs regarding survival and revenue. This mixed-methods research has: (1) a quantitative component with bivariate and multivariate analyses from Internal Revenue Service (IRS) 990 tax form data of about 800 nonprofit housing developers, and (2) a qualitative component with findings from 18 interviews of executive directors and managers of nonprofit developers and housing associations to assess how and why these organizations experienced variations in survival and revenue.

In many ways, the factors that determined a NHDOs' sustainability and performance were similar to for-profit and other nonprofit entities. For example, older and larger organizations with more staff and revenue tended to fare better during this ten-year time period. Other factors were unique to the affordable housing sector. The region and type of housing developed by the nonprofit affected outcomes. For example, NHDOs who were predominately general housing developers (rather than specialists in senior or rental housing) were less likely to survive. NHDOs in urban areas, such as the Los Angeles and San Francisco regions, had higher survival rates. In contrast, NHDOs in exurban and rural areas, e.g. the San Joaquin Valley region, were less likely to survive. An unexpected finding was reliance on government funding was negatively associated with NHDO's survival and revenue. This may be an indicator of how government funding decreased or was unstable during this time period. With funding cutbacks on all levels of government (federal, state, and local), NHDOs had to strategically manage their housing development pipeline, real estate portfolios, staffing levels, programs, and services. Organizations that survived and performed well exhibited the following characteristics: (1) diversified funding sources, (2) benefited from agglomeration effects, (3) implemented adaptive management, and (4) established partnerships, joint ventures, and mergers. The lessons and

management tactics learned from these NHDOs inform other organizations about how to survive and thrive during tough economic times.

Keywords: nonprofit housing developers, affordable housing, housing crisis, Great Recession

The dissertation of Karna Lorraine Wong is approved.

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DEDICATIONS

This dissertation is dedicated to my parents, family, and friends; to Maximiliano Pasek;
and to all of the hard working affordable housing developers and their clients.

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The Housing Crisis and the Third Sector

Introduction

The Great Recession that began around 2007 had worldwide ramifications for the economy and housing markets. With an international recession of this magnitude, the private, public (or government), and third sector (or nonprofit) organizations¹ are reevaluating economic and social policies. A large body of literature exists on the private and public sectors' roles in causing and resolving the crisis. My dissertation, however, analyzes the third sector's institutional changes before, during, and after the crisis.

My research focuses on nonprofit housing development organizations (NHDOs) in California during the years 2000-2010. Nonprofit housing organizations typically develop and manage affordable rental housing, in addition to providing social services for low-income persons. The housing market crash is predominately linked to homeownership foreclosures, but the subsequent bailout of bankrupt financial institutions has also altered the rental market and construction industry. Economic and real estate theories serve as the framework for my research; however, nonprofit housing development organizations, at times, operate countercyclically from these markets. Some organizational and management theories on sustainability and performance are applicable, but little empirical research has been conducted specifically on nonprofit housing development organizations.

This dissertation has two components: (1) a quantitative component, which includes bivariate and multivariate analyses for about 800 California nonprofit housing development organizations and (2) a qualitative research component, which includes 18 interviews with

¹ The nonprofit or third sector is not for-profit and non-governmental. A nonprofit organization is a group organized for charitable purposes (rather than generating profit) and no part of the organization's income is distributed to its members, directors, or officers (Cornell University Law School, 2015). In the United States, most nonprofit organizations file for the Internal Revenue Service (IRS) 501(c)(3) exemption from federal income tax as charitable organizations, e.g. churches, hospitals, schools, colleges and universities, etc. (IRS, 2015a).

executive directors and managers to determine how and why these organizations experienced variations in survival and revenue.

During the Great Recession, nonprofits experienced unprecedented financial strain while demand for their services increased (Anheier, 2007; Golden et al., 2009; Johnson, 2011). In the past 20 years, many NHDOs have struggled with having adequate capital and operating reserves to preserve their affordable housing stock (Bratt et al., 1998). These financial issues are exacerbated by the housing and economic crises. In California, nonprofit developers recently lost a valuable funding source with the elimination of state redevelopment funds, which was approximately \$1.6 billion a year statewide (Leffall & Rein, 2012).² There have been a few studies on the effects of the economic crisis on the nonprofit sector but no systemic analysis on outcomes for NHDOs.

My dissertation answers the following research question: how were nonprofit housing development organizations affected by the Great Recession that began in 2007? The dissertation is divided into five chapters:

1. **Chapter 1: Literature Review** – sets the context and summarizes existing research regarding affordable housing, nonprofit housing development, the Great Recession, and organizational and management theory;
2. **Chapter 2: Research Methods** – reviews the data and methods for the quantitative and qualitative research and addresses limitations of this study;
3. **Chapter 3: Bivariate and Multivariate Analysis** – analyzes the Internal Revenue Service (IRS) 990 tax form data of NHDOs in California from 2000-2010 using bivariate analyses and logistic regression models for survival and Ordinary Least Squares (OLS) regression models for revenue;
4. **Chapter 4: Qualitative Interviews** – reports on interviews with executive directors and managers of NHDOs and housing associations to determine how nonprofit developers adapted to the crisis; and
5. **Chapter 5: Analysis of Findings** – synthesizes the quantitative and qualitative findings and offers policy recommendations.

² The California Department of Finance's Redevelopment Agency (RDA) funds were dissolved as of February 1, 2012, which is beyond the timeframe of this study. However, the effects of the demise of RDAs were captured in the qualitative research.

For the quantitative research, I built two types of regression models, which are discussed in Chapter 3: Bivariate and Multivariate Analysis. First, a logistic regression model predicted the dichotomous outcome of survival, i.e. whether the NHDO filed a tax return in 2010 or did not. Second, the OLS regression models predicted revenue for 2010. Data were obtained from the National Center for Charitable Statistics (NCCS), which has IRS 990 tax form information for nonprofits. The independent variables (IVs) reflected organizational and county (or contextual) characteristics and are further discussed in Chapter 2: Research Methods.

I synthesized the interviews of executive directors of NHDOs and nonprofit housing associations in Chapter 4: Qualitative Interviews. These interviews explored why there are variations in survival and revenue especially for aspects that I was unable to analyze through the quantitative research. The qualitative research provided insight into organizational structure, housing development, funding, management, and staffing. The combined quantitative and qualitative data revealed factors governing NHDOs' sustainability, in terms of their ability to increase funding and expand their housing developments and services.

In many ways, the factors that determined a NHDOs' sustainability and performance were similar to for-profit and other nonprofit entities. For example, older and larger organizations with more staff and revenue tended to fare better during this ten-year time period. Other factors were unique to the affordable housing sector. The region and type of housing developed by the nonprofit affected outcomes. For example, NHDOs who were predominately general housing developers (rather than specialists in senior or rental housing) were less likely to survive. NHDOs in urban areas, such as the Los Angeles and San Francisco regions, had higher survival rates. In contrast, NHDOs in exurban and rural areas, e.g. the San Joaquin Valley region, were less likely to survive. An unexpected finding was reliance on government funding was negatively associated with NHDO's survival and revenue. This may be an indicator of how government funding decreased or was unstable during this time period. With funding cutbacks on all levels of government (federal, state, and local), NHDOs had to strategically manage their

housing development pipeline, real estate portfolios, staffing levels, programs, and services.

Organizations that survived and performed well exhibited the following characteristics: (1) diversified funding sources, (2) benefited from agglomeration effects, (3) implemented adaptive management, and (4) established partnerships, joint ventures, and mergers. The lessons and management tactics learned from these NHDOs inform other organizations about how to survive and thrive during tough economic times.

Chapter 1: Literature Review

This chapter examines the magnitude of the housing crisis and the Great Recession. Although some research has been conducted on the effects of the housing and economic crises on nonprofits, there is a lack of literature specifically on nonprofit housing development organizations (NHDOs). In this chapter, I discuss definitions of affordable housing. I also briefly explained the public, private, and third sector organizations' roles in providing affordable housing from the 1930s to the present day. I summarized some of the financial and management issues facing NHDOs and described applicable theories on organizational survival or performance. The last sections are on the Great Recession and how nonprofits were affected by the economic crisis. This body of literature has provided insight into some of the variables that contribute to the success and long-term sustainability of organizations and how they cope with volatile housing and financial markets.

What is Affordable Housing?

Housing is the single largest expenditure item for most families and individuals (Feldman, 2002, p. 7; Quigley & Raphael, 2004, p. 129; Tilly, 2006, p. 20; Lang et al., 2008, p. 231).

Housing can be defined as an “economic entity, a consumer item, or a spatial location” that links “family life, community economic development, and social mobility” (Shlay, 1995, p. 658, 695). Most housing is an investment or asset created by the private sector to be sold or rented to make a profit.

Stone (1993) stated that housing affordability is “a relationship between housing and people” (p. 153). More specifically, Linneman and Megbolugbe (1992) defined housing affordability as the relationship between home prices and household incomes. Existing literature offers many different terms for affordable housing, such as low-income housing or below market housing (Davis, 1994; Stone, 2006). A subset of affordable housing is “assisted housing” or

“subsidized housing,” which predominately uses government funding (and, typically, some private funds since most projects have multiple sources). Assisted housing is either developed or managed by a government agency, Public Housing Authority (a local agency that manages government subsidized housing), or nonprofit organization.

The federal agency, the U.S. Department of Housing and Urban Development (HUD), defined an industry standard for housing affordability. Housing costs are considered affordable when an individual or family spends 30% or less of their gross income on housing (Linneman & Megbolugbe, 1992). This threshold has been criticized for not considering all of the nonhousing basic necessities, such as food and health care (Stone, 2006). Nonetheless, this ratio is widely used, notably because of its mathematical simplicity (Stone, 2006).

From 2000-2010, the number of renters paying more than 30% of their income for housing rose 12 percentage points to 50% (Joint Center for Housing Studies of Harvard University, 2013). Leavitt (2006) described how housing affordability issues have persisted over long periods of time and disproportionately affected marginalized groups:

The high cost of housing has become a permanent financial hardship for people who earn low wages...Unless they receive subsidies, poor and working poor pay 30 to 50% of their income on rent. They are primarily people of color, women, single parents, and immigrants who fill the increasing need for low-wage labor in restaurants and retail stores, as garment workers, janitors and day laborers. Many earn below the minimum wage...(Leavitt, 2006, p. 257).

As expected, the housing burden (persons paying more than 30% of their income on housing) is worse on low-income persons. As of 2011, 83% of renters with incomes of less than \$15,000 were housing cost burdened and 71% had severe burdens (Joint Center for Housing Studies of Harvard University, 2013).

There has been extensive research on the affordability gap or housing wage gap (Davis, 1994). In most American cities, the average costs of renting or buying a home have increased at a faster rate than average incomes have over the last two decades (Davis, 1994). Rents remained flat through the 1990s and then climbed 6% between 2000 and 2012; at the same

time, real median renter incomes fell about 13% during this time period (Joint Center for Housing Studies of Harvard University, 2013, p. 29).

Housing prices and development are influenced by interest rates, money and credit supply, in addition to international housing finance regulations (Agnello and Schuknecht, 2011). Price fluctuations may be caused by housing supply or demand dynamics (Marcuse, 1986). Supply is affected by the costs of constructing, developing, and financing housing (Linneman & Megbolugbe, 1992). These costs may fluctuate depending on the political environment to develop (e.g. ease to obtain permits, development regulations, zoning, etc.) and the technology available (e.g. equipment to build housing, etc.). Demand is affected by changes in population (e.g. births, deaths, migration, etc.), household formation (e.g. marriage, divorce, children, etc.), employment and income, and discrimination and inequality. When the housing supply does not adequately meet demand, the government or nonprofit organizations may intervene in the market. Government interventions include: (1) development of housing (supply side), (2) financial aid to homeowners and renters (demand side), and (3) regulations and policy (that affect both supply and demand) (Turner et al., 2003). There are regulations and policies pertaining to funding, taxes, development, construction, land use, etc.

Affordable housing is a regional issue. Housing prices at the regional level are strongly influenced by the business cycles, and therefore, driven by fundamentals like income growth, industrial production, and employment rate (Agnello & Schuknecht, 2011). Local market and demographic changes, such as sprawling jobs-housing patterns, transportation and traffic issues, and redevelopment in downtowns, are creating increased demand for affordable housing in both cities and suburbs (Turner et al., 2003).

Lang, Anacker, and Hornburg (2008) wrote that “the anti-affordable housing response is now prevalent in many localities, and the unrealized pro-affordable housing constituency might appropriately be described as a new silent majority” (p. 240). The anti-affordable housing response as described by Lang et al. is commonly known as NIMBYism or a “Not In My

Backyard” attitude when persons are opposed to the siting of affordable housing or other undesirable land uses near their homes or in their neighborhood. Housing, tax, and land use policies have typically favored single family homeownership, and often, homeowners are the most politically influential and outspoken about development in their neighborhoods. Negative perceptions about the construction of affordable housing in the neighborhood are that these projects will decrease property values, increase crime, and magnify traffic and parking problems. Some studies have dispelled these myths, but many of them focus on the federally funded subsidized housing programs, public housing or Section 8 housing vouchers, (and not nonprofit developers’ housing projects). These federal housing programs are described in the next section on the public sector. Recent research found either no evidence of property values decreasing or mixed results (Lee, Culhane, & Wachter, 1999; Galster, Tatian, & Smith, 1999; Nguyen, 2005; Ellen, & Voicu, 2006; Ellen, Schwartz, Voicu, & Schill, 2007). Other research indicated no relationship between crime and housing vouchers (Ellen, Lens, & O’Regan, 2012; Lens, 2014). There are a few studies and reports on increasing affordable housing near transit and promoting transit oriented development (TOD) (Cervero & Duncan, 2002; Cervero, 2004; Litman & Litman, 2011), but no studies show that affordable housing is linked to increased traffic or parking issues.

These different perceptions of affordable housing and the various definitions of the term, start to reveal how housing development is complex, expensive, and heavily regulated. With the housing wage gap widening and the economy still reeling from the housing and economic crises, many Americans are seeking ways to make ends meet and pay for basic necessities. The following sections summarize how entities from the public, private, and third (nonprofit) sectors have played various roles in affordable housing provision.

Public Sector

Government plays a key role in all aspects related to housing (Marcuse, 1986).

Affordable housing advocates believe the government’s first obligation is to ensure that all its

citizens are decently housed (Marcuse & Keating, 2006). From their perspective, the government should act as a “welfare state” entity to assist low-income persons with basic human necessities (Marcuse, 1986). Many of these advocates support the “Right to Housing,” which deems affordable housing as a social entitlement (Stone, 1993). On the hand, others perceive housing as a commodity that should be bought and sold in the free market with little or no government intervention.

This section briefly discusses the roles of federal, state, and local government in the production and regulation of housing from the 1930s to the present day. In the 1930s and 1940s, President Franklin D. Roosevelt’s New Deal programs were created in response to the Great Depression, and these programs included job creation and veteran housing (Linneman & Megbolugbe, 1992). President Roosevelt enacted the National Housing Act of 1934. This Act established the Federal Housing Administration (FHA) and the Federal Savings and Loan Insurance Corporation, which provided affordable home mortgages to households. The United States Housing Authority was also established to make low interest, long-term loans to local public agencies for slum clearance and the construction of low-income dwellings. Under the subsequent U.S. Housing Authority Housing Act of 1937, the federal government began constructing housing for low-income tenants (known as public housing).

The next major piece of housing legislation was the Housing Act of 1949, which established the national housing goal of the provision of “a decent home and a suitable living environment for every American family” (Marcuse & Keating, 2006, p. 139). This Housing Act was a landmark legislation that funded new public housing, provided housing for returning veterans, and created the urban renewal program (Lang et al., 2008). The federal government’s urban renewal program is a real estate redevelopment program intended to eliminate blight and create jobs in cities. Currently, there are approximately 1.2 million households living in public housing units, managed by 3,300 Housing Authorities (HUD, 2015a).

Section 8 of the U.S. Housing Act of 1937 authorized subsidies for low-income tenants to rent private housing units. Section 8 housing vouchers, now also known as the Housing Choice Voucher Program, became the primary low-income federal housing assistance program (Marcuse & Keating, 2006). Under this program, low-income households receive financial rental assistance but must find their own housing within the private market with willing landlords that have to meet the program's requirements. Tenants pay approximately 30% of their income towards rent, and the local housing authority pays the difference up to the established payment standard based on HUD fair market rents (HUD, 2015b). The Joint Center for Housing Studies of Harvard University (2013) reported, "In 2012, 2.2 million households lived in rentals found on the open market and subsidies by housing choice vouchers" (p. 35). Another 1.3 million renters' units were in privately owned developments that were subsidized through previously active programs from the late 1960s into the 1980s (Joint Center for Housing Studies of Harvard University, 2013, p. 35). These programs differed from the current Housing Choice Voucher Program because the subsidized were linked to the unit and were not mobile or transferable if the tenant chooses to move.

During the 1950s, housing policies focused on addressing the inadequate supply of and quality of housing (Linneman & Megbolugbe, 1992). Urban renewal programs set out to revitalize downtowns and to resolve "neighborhood decay and racial segregation and discrimination" (Linneman & Megbolugbe, 1992, p. 369). The urban renewal program funded large-scale development and infrastructure projects but was also criticized for demolishing homes and business of low-income persons and minorities to clear land for these projects. During the civil rights movement, many nonprofit community development organizations were created to resolve social and economic inequities. These organizations are discussed in more detail in the section on the third sector.

In 1965, the U.S. Department of Housing and Urban Development (HUD) became a Cabinet-level agency (HUD, 2015c). This agency became responsible for funding housing

programs targeted for seniors, persons with disabilities, homeless, and low-income individuals and families. Through the years, the agency developed housing in partnership with private companies, local government, and/or nonprofit organizations. In the 1970s, HUD began funding more nonprofit housing development organizations to provide affordable housing and social services, rather than developing and managing housing as a federal agency or in partnership with Public Housing Authorities (PHAs). Since the 1980s, many of HUD's grants are awarded to states, counties, or cities that fund government agencies or nonprofit organizations.

Federal funding for housing and social service programs decreased in the 1980s to 1990s, which resulted in a shift towards an increased reliance of local government and nonprofits to provide affordable housing. Municipalities were forced to seek new sources of funding and strategies for producing and preserving affordable housing (Davis, 1994). Currently, the two largest affordable housing development programs are the Low-Income Housing Tax Credits (LIHTCs), a federal and state program created in 1986, and the HUD federal HOME Investment Partnerships Program ("HOME Program") created by the Cranston-Gonzalez National Affordable Housing Act (NAHA) of 1990 (Turner et al., 2003). These two programs provide funding for local government and nonprofit organizations to develop rental and homeownership housing for low-income persons. For many federal programs, government and nonprofit entities work together to fund, develop, operate, and manage the housing projects. At these affordable housing sites, staff typically offer targeted social services, such as case management, counseling, educational programs, health care, etc. In addition, some housing is specifically for residents with special needs, such as homeless people, seniors, and persons with disabilities (Turner et al., 2003). Other federal and state housing programs, such as the Community Development Block Grants (CDBG), McKinney-Vento Homeless grants, Neighborhood Stabilization Program (NSP), California Redevelopment Agency (RDA) funds, etc. are discussed in the Chapter 4: Qualitative Interviews and in the Glossary.

Local governments regulate housing provision through development and construction, land use, and rent regulations. Often, these regulations control the density, growth, and sprawl within a locality. Advertently or inadvertently, local governments' regulations can promote the development of luxury or single family housing or deter affordable or multifamily housing. Local governments can influence development through regulations that specify construction materials, housing unit features, garage and parking requirements, etc. (Feldman, 2002). Feldman (2002) explained how some "regulations can increase the quality of housing by reducing crowding, increasing the quality of building material and building practices, and coordinating the design of a community" (Feldman, 2002, p. 11). On the other hand, these regulations can have the reverse effect by driving costs up, slowing the process down, and resulting in a "deleterious effect on the production and maintenance of low-cost housing" (Feldman, 2002, p. 11).

Turner, Brown, Cunningham, and Sawyer (2003) explained how land use and regulatory initiatives can have a significant impact on housing "because they influence the location, characteristics, and costs of housing in the private market" (p. 6). Macro land-use regulations govern the total amount of land available in a community for certain types of housing, e.g. multi-unit apartments, and housing units allowed per acre (Feldman, 2002). Regulations or initiatives, such as fair share plans, inclusionary zoning regulations, growth controls, and smart growth initiatives, may require affordable housing or other types of developments to be built or restrict housing or development to control the pace of growth (Turner et al., 2003). Many cities adopt rent control or rent stabilization regulations, which are incremental rental increases and are typically tied to an index to prevent rapid rent inflation (Linneman & Megbolugbe, 1992). However, research indicates that rent control can have adverse effects on the supply of new private rental units because developers and owners' profits are restricted (Linneman and Megbolugbe, 1992).

Marcuse (1986) wrote: "As the workings of the private housing market clearly produce a host of problems, particularly for low-income and minority people, we do not turn explicitly to the

role that government has played in interacting with private interests and shaping housing policy” (p. 248). This author pointed out that the state has been integrally involved from the beginning in every aspect of housing from street, transportation, and infrastructure planning to regulation on land uses, taxation, and funding. Although government funding has decreased while housing production costs have increased over the decades, the government’s role as a funder and regulator continues to be relevant (Marcuse, 1986).

Private Sector

Private sector developers have been the largest producers of housing but have a bias towards developing single family and market rate housing to maximize profits. If a private developer decides to build multifamily housing or group housing, e.g. for seniors, it is not necessarily affordable housing.

There have been a few public-private efforts to provide affordable housing, during times of housing scarcity. After World War II, the demand for housing surged with returning U.S. veterans and their families needing homes. Public-private partnerships were formed to increase single family housing production, which resulted in suburbanization. Historically, affordable housing became a major political concern only when it affected the middle class or when it is *perceived* as a problem by the middle class, as it was in the late 1940s (Lang et al., 2008). Currently, federal housing programs usually restrict middle and working-class constituencies, and only very low-income households are eligible for these programs (Lang et al., 2008).

As discussed previously, the 1965 Housing and Urban Development Act set a quantitative housing production goal for the nation with specific targets for lower-income households (Marcuse & Keating, 2006). Although this was a government program, the private sector predominately built public housing during this period (Friedman, 1968; Marcuse & Keating, 2006). Public housing is a key source of housing for low-income persons, but it is often considered one of the government’s greatest failures for concentrating low-income persons in high density, poorly designed housing.

Presidents Ronald Reagan and George H.W. Bush dismantled many of the New Deal social programs in the 1980s (Marcuse & Keating, 2006). Reagan's 1982 President's Commission on Housing criticized and rejected supply-side strategies and tended to be anti-HUD. This administration preferred to fund the demand-side program, Section 8 housing choice vouchers, to subsidize private sector housing for qualified low-income tenants.

Another private-public partnership program was the previously mentioned LIHTC program, which provides a credit against (or deduction of) federal income taxes in exchange for investing in the private development of housing for low- and moderate-income households (Marcuse & Keating, 2006). Some for-profit entities partner with a nonprofit developer or establish their own nonprofit development organization for the purpose of applying for LIHTC funds.

According to Feldman (2002), the private sector would "logically choose to be involved in housing production only if it [was] profitable" (p. 9). The market often produces housing of inferior quality, which reflects failures in the market (Feldman, 2002). However, there are some successful examples of public-private partnerships or workforce housing developed and managed by employers. Because of the high demand for affordable housing, there are many opportunities for public, private, and nonprofit developers to be involved in housing production. Furthermore, it is often innovators from the private and nonprofit sectors that devise new techniques to develop cost effective housing.

Third Sector

Davis (1994) defined third sector or nonprofit housing as nonmarket and nongovernment housing. The third sector is part of the private sector, but differs in that it is not for-profit. Most nonprofit housing organizations develop or operate housing for low-income persons in "a single neighborhood, area, or town with governing board recruited from that particular locale" while some operate regionally or nationally (Davis, 1994, p. 4). In 1991, National Congress for Community Economic Development (NCCED) found that 95% of all rental housing and 88

percent of all owner-occupied housing developed by community-based development organizations were targeted for people with incomes below 80% of the area median income (Davis, 1994). According to the NCCED's 1995 report, Community Development Corporations (CDCs) produced over 400,000 units of housing. In the 2000s, CDCs were still major producers of affordable housing and had developed housing for about 1.5 million low-income households (Bratt, 2009).

CDCs have dominated the nonprofit industry (O'Regan & Quigley 2000). CDCs are a subset of community-based organizations (CBOs) that undertake development activities, such as: housing development and management, real estate or commercial development, or general business development (O'Regan & Quigley, 2000). Authors O'Regan and Quigley (2000) explained that "The current model of nonprofit provision by CDCs has its roots in the late 1950s and early 1960s, in the civil rights movement, in urban unrest, and in reactions to the era of top-down urban renewal" (p. 298). CDCs have a distinct local focus with resident representation on their governing boards (O'Regan & Quigley, 2000). Nonprofit housing development organizations (NHDOs) are a subset of CDCs that predominately develop housing. NHDOs are promoted as a critical component of the affordable housing industry because of their willingness to serve lower income tenants, who live in poorer neighborhoods and in projects with less financial security in economic returns (O'Regan & Quigley, 2000). According to O'Regan and Quigley (2000), they have a "comparative advantage" in serving the most disadvantaged (p. 300). Bratt, Vidal, Schwartz, Keyes, and Stockard (1998) stated that CDCs were experienced in "working in problem-ridden neighborhoods that private developers have abandoned; and evidence [showed] that residents in CDC-produced housing enjoy more security and control over their living environments than do tenants of housing managed by public housing authorities or for-profit developers" (p. 39).

O'Regan and Quigley's research (2000) focused on two primary federal housing programs, HOME and LIHTC, which have allocated sizable shares of their funding to nonprofits

throughout the 1990s (O'Regan & Quigley, 2000). One of the HOME requirements is that 15% of funds be set aside for community housing development organizations (CHDOs). Typically, CHDOs are nonprofit organizations that meet the legal and organizational structure requirements to participate in the HUD HOME program (HUD, 2015d). CBOs, CDCs, or NHDOs can become designated by HUD as a CHDO, if they meet the program requirements, such as IRS 501(c)(3) nonprofit status, specific work experience, and board characteristics. According to O'Regan & Quigley (2000), the “increase in number of CHDOs has far outpaced the growth in HOME funding, so it is difficult to attribute to the CHDO growth to HOME funding alone” (p. 311).

The LIHTC program is administered by the federal Internal Revenue Service (IRS) as well as state allocating agencies. For-profit or nonprofit organizations can apply for tax credits. Projects that serve the lowest income tenants for long affordability periods receive priority for funding. State allocating agencies must set aside 10% of the LIHTC funds for nonprofits (O'Regan & Quigley, 2000). In 1991, only 9% of LIHTC housing projects were sponsored by nonprofits prior to the 10% mandated set-aside for nonprofits (O'Regan & Quigley, 2000). As of 1996, 30% of tax credit commitments have been made to nonprofit providers (higher than the 10% mandated by law) (O'Regan & Quigley, 2000). Since the LIHTC subsidy is not sufficient enough to subsidize very low-income households, many developers combine tax credits with HUD Section 8 housing vouchers (O'Regan and Quigley, 2000). Out of all the major sources of low-income housing production funding, nonprofits have received a larger portion of their funding from the LIHTC and HOME programs (O'Regan & Quigley, 2000).

By the 1980s, CBOs and CDCs were becoming less dependent on the federal government funding (O'Regan & Quigley, 2000). Some of these organizations diversified their resources, and other attempted to become more self-sufficient. Bratt et al. (1998) explained that during the 1980s and 1990s, “nonprofit development organizations had demonstrated their ability to produce a substantial quantity of affordable housing” (p. 39). In the past, CBOs were

small organizations usually managed by a charismatic, visionary leader who often sought to implement an altruistic mission. Since then, however, many of these organizations have evolved and grown into more structured CDCs or NHDOs with millions of dollars of real estate assets.

Nonprofit Housing Development Challenges

Literature on nonprofit theory has generally overlooked the study of housing altogether (Ellen and Voicu, 2006, p. 33)

Since the mid-1990s, researchers have identified key financial and management issues facing nonprofit housing organizations. These include: the need for improved property and asset management (Schwartz, Bratt, Vidal, and Keyes, 1996), the lack of capital and operating reserves (Bratt et al., 1998), high construction costs (Cummings & DiPasquale, 1999; Bratt, 2008, 2009), and staff capacity issues for smaller nonprofit organizations (Bratt, 2008, 2009, 2012).

Research by Schwartz, Bratt, Vidal, and Keyes' (1996) focused on why nonprofit developers have specific management challenges. NHDOs typically have a social mission and “commonly serve households whose social and economic problems threaten tenancy” (p. 394). NHDOs “are committed to long-term affordability, and they often provide a host of services to residents in an effort to advance their economic well-being” (Bratt, 2009, p. 68). In addition, the current system of affordable housing production is complex with layers of subsidies and funding. Developers, owners, and managers are faced with meeting multiple reporting requirements and tenant eligibility rules (Schwartz et al., 1996).

Property and Asset Management

A six city study by Schwartz et al. (1996) revealed the importance of property management and asset management for NHDOs.³ Property management includes “day-to-day tasks of operating a development, such as selecting tenants (and when necessary, evicting them), collecting rents, maintaining the building and grounds, making repairs, and paying bills, as well as helping to plan and implement capital improvements” (Schwartz et al., 1996, p. 395). In terms of asset management, the owner is responsible for overseeing the current and future

³ The six cities included Boston, Chicago, Miami, Minneapolis/St. Paul, New York, and Oakland (Schwartz et al., 1996).

well-being of a property, long-term capital and financial planning, monitoring the physical and financial condition of the development, and supervising the property manager (Schwartz et al., 1996). Bratt et al. (1998) argued that good housing management is essential to preserve the affordable housing inventory. NHDOs tend to focus on property management, but in tough economic times, they should also prioritize asset management in order to preserve their portfolio.

Capital and Operating Reserves

Bratt, Vidal, Schwartz, Keyes, and Stockard (1998) defended nonprofit development organizations as capable producers of affordable housing, but at the same time, they provided alarming empirical data on these organizations' lack of capital and operating reserves. The authors built on their previous six city research of 34 developments. Although the housing stock tended to be older, most of the building conditions were in good condition. However, the majority of developments' financial state was unstable. Overspending was significant by the NHDOs, and 15 out of 28 developments' expenditures were more than the revenue (Bratt, Vidal et al., 1998). Most of these projects had deficits ranging from 25 to 54% of operating expenditures, and 14 out of 23 development organizations reported no operating reserves at all (Bratt et al., 1998, p. 43). The authors raised other management challenges, such as economies of scale and the difficulty of managing units in smaller buildings (fewer than 100 units). Other factors, such as vandalism, drug dealing, prostitution, and violent crime etc., typically increased management and security costs. Bratt and her colleagues' study pre-dates the Great Recession, but for most NHDOs, their financial instability has increased over the past twenty years.

High Construction Costs

Research comparing construction costs between nonprofit and for-profit organizations has typically shown mixed results. Bratt's (2008) assessment was that previous research did not always take into consideration differences in unit characteristics. She estimated that building

costs ranged from \$1,600 *less* per unit to \$12,700 *more* per unit when comparing nonprofits verses for-profit developers (Bratt, 2008). A 1993 Abt study for HUD determined that the per square foot construction cost ranged between 20% above to 20% below the nominal industry costs for a specified location, type, and size of building (Bratt, 2008). A 1999 U.S. Government Accountability Office (GAO) study determined that nonprofits' average development costs per unit was \$18,000 higher compared to for-profit developers (Bratt, 2008). In addition, Cummings and DiPasquale, (1999) wrote that projects developed by nonprofits tended to have higher total development costs per unit--\$90,268 compared with \$63,778 by for-profit developers (Bratt, 2008). They also found that the costs of LIHTC units developed by nonprofits were about 20% higher than the costs of those developed by for-profits (Ellen and Voicu, 2006).

Bratt offered an explanation for why nonprofit development costs may be higher than for-profit developers (Bratt, 2008). According to her findings, nonprofits build in economically distressed areas, where development costs are higher relative to incomes. In addition, nonprofits are likely to build mixed-use developments and larger units, which are more costly (Bratt, 2008). Large for-profit entities have a legal obligation to maximize earnings for shareholders, whereas nonprofits are explicitly prohibited from distributing any profits that are derived from their activities to shareholders (Bratt, 2008). Furthermore, the legal structure of nonprofit developers is more mission driven (Bratt, 2008). Nonprofits are willing to accept a lower level of return than for-profit developers because they are assisting at-risk populations (such as formerly homeless or persons with physical or mental disabilities (Bratt, 2008). For-profit developers, on the other hand, may not be interested in participating in extremely complex projects (Bratt, 2008).

Nonprofits are often dependent and strongly influenced by the private housing market (Bratt, 2009). Many nonprofit developers compete with for-profit developers to acquire properties, and they are required to adhere to all the land-use regulations that govern the private market. Furthermore, they are affected by the local housing market, crime in the area,

and housing demand. NHDOs also operate outside the private housing market. NHDOs may obtain subsidized land, grants, low interest loans, and rental subsidies. Bratt acknowledged that in any given city, there could be a number of weak and strong housing market areas (pending on vacancies, crime, rent costs, etc.). NHDOs are sometimes pressured by city officials to undertake a development project or to improve a blighted property, despite uncertainty about the financial viability of the project (Bratt, 2009).

Staff Capacity

According to the NCCED 2005 report, CDCs are typically small organizations with a median staff of ten employees, seven whom are full-time (Bratt, 2008). Since these organizations tend to be small, they can often have staff capacity issues. Bratt (2009) emphasized the need for CDCs to train their staff to understand housing market dynamics and land use issues. If the staff does not have expertise in an area, some CDCs and NHDOs rely on contracting with consultants, which could be costly.

In Bratt's more recent 2012 article, she theorized that nonprofits are increasingly broadening their missions and with federal funding cutbacks, they are having difficulty meeting competing goals. This dissertation will build on Bratt's work regarding how nonprofit organizations operate both within and outside the housing market and how these organizations were affected by the 2007 economic crisis.

The Great Recession

Starting in 2007, the sharp rise of U.S. mortgage default rates led to the most severe financial crisis since the Great Depression (Mian & Sufi 2009, p. 1449).

To understand the Great Recession's impacts on nonprofit housing developers, this section briefly describes both the economic and housing crises. These crises affected the housing supply, financing availability, and labor market. According to the National Bureau of Economic Research⁴ (NBER), the Great Recession began on December 2007 and officially ended in June 2009, lasting seven months longer than the average recession, which typically lasts for 11.6 months (Johnson, 2011). The U.S. Gross Domestic Product (GDP) fell 4.1% between the fourth quarter of 2007 and the second quarter of 2009, making this the deepest recession since 1947 (Johnson, 2011).

During the Great Recession, the United States lost approximately 8.4 million jobs (Johnson, 2011). All workers faced rising employment and underemployment rates. According to Johnson (2011), young workers under the age of thirty, men, and minorities have borne a disproportionate share of the decline in employment since 2007. California lost over 1 million jobs from its July 2007 peak to the end of 2009 (Bardhan & Walker, 2011). According to the U.S. Department of Labor Bureau of Labor Statistics, national unemployment rose from 4% to 10% from 2000-2010 (Table 1-1). In California, unemployment rose from 5% to 12%.

⁴ National Bureau of Economic Research (NBER), the recognized authority for dating U.S. recessions, defines a recession by two successive quarters with a decline in Gross Domestic Product (GDP) (Johnson, 2011).

Table 1-1: Housing Data, 2000-2010

	United States			California		
	2000	2010	%Change	2000	2010	%Change
Median Household Income (in 2010\$)	\$55,000	\$51,000	-7%	\$62,000	\$61,000	-2%
Unemployment	4%	10%	150%	5%	12%	140%
Median Rent (in 2010\$)	\$789	\$850	8%	\$979	\$1,147	17%
Homeownership Rates	66%	66%	0%	53%	57%	8%
Housing Starts	1,569,000	587,000	-63%	149,000	45,000	-70%
Existing Home Sales	5,174,000	4,908,000	-5%	574,000	468,000	-18%
New Single Family Home Sales	877,000	321,000	-63%	NA	NA	
Median Sales Price of Single Family Home (in 2010\$)	\$215,000	\$222,000	3%	\$315,000	\$305,000	-3%
Home Values (in 2010\$)	\$157,000	\$188,000	20%	\$277,000	\$459,000	66%
Foreclosures	470,000	3,844,000	718%	23,000	170,000	639%

Sources: 2008-2010 American Community Survey (ACS) 3-Year Estimates and 2010 Census Summary File (SF) 1; unemployment data from U.S. Department of Labor Bureau of Labor Statistics; home sales data from U.S. Census 2012 Statistical Abstract and California Association of Realtors; housing starts data from U.S. Department of Housing and Urban Development (HUD) and California Building Industry Association (BIA); and foreclosure data from RealtyTrac and RAND California.

On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act of 2009 (“Act”), which provided over \$787 billion to assist the cities most impacted by the recession through new spending and tax cuts (Johnson, 2011). This Act was intended to create jobs and provide financial assistance to workers and unemployed Americans. In addition, infrastructure, health care, homeland security and other projects were funded. Although some economists, politicians, and citizens have criticized this heavily funded Act and questioned whether the costs outweigh the benefits, others are convinced that the Act saved or created millions of jobs.

The Housing Crisis

One of the leading causes of the economic recession is the collapse of the housing market, which began in the early 2000s with a boom (or increase in home sales, value, and production) and then bust (or drastic decrease) in 2007 (Case & Quigley, 2010). This bust was coupled with the rise in foreclosures and the collapse of the banking industry, and eventually, led to the loss of jobs and the economic crisis.

There were approximately 1.6 million housing starts nationally in 2000, which dropped to 587,000 (-63%) in 2010 (Table 1-1). According to the California Building Industry Association (BIA), there were approximately 149,000 California housing starts in 2000, which dropped to about 45,000 (-70%) in 2010.

New construction owner-occupied units are nearly twice as likely to be located in high-income neighborhoods (Joint Center for Housing Studies of Harvard University, 2013) and may not be affordable to low-income persons. Between 2010 and 2012, “housing starts rose by 194,000 units, with multifamily construction accounting for two-thirds of the increase, however these are well below the annual average before the downturn” (Joint Center for Housing Studies of Harvard University 2013, p. 24). Between 2000 and 2009, an average of “260,000 new rental housing units were completed each year, including 41,000 single-family homes” (Joint Center for Housing Studies of Harvard University 2013, p. 16).

Between 2000-2010, existing home sales decreased by 5% nationally and 18% in California (Table 1-1). Newly constructed single family home sales decreased by 63% nationally (data were not available for the state). Brenner (2009) stated that as home sales climbed during the upswing of the 2000s, construction contributed to about one-fourth of growth of GDP—more than health care or military spending (as cited by Bardhan & Walker, 2011, p. 4).

In California, the homeownership rate was 53% in 2000 and increased to about 57% in 2010 (Table 1-1). This is lower than the U.S. average of about 66% in both 2000 and 2010. However, the national homeownership rates peaked in 2006 to about 68% (2000 U.S. Census).

The rise in homeownership was due in large part to the increased availability of mortgage financing. Around 2003, prime rates fell to the lowest levels in 50 years at about 5-6% (Bardhan & Walker, 2011).

As homeownership and home prices increased, housing was still unaffordable for many people whose wages and incomes were not increasing at the same or faster rates (Tilly, 2006). During this ten-year period, the U.S. median household income decreased 7%, while California's median income decreased by 2% (Table 1-1). Meanwhile, median rent increased 8% in the U.S. and 17% in California. Home values increased 20% in the U.S. and 66% in California (refer to the Technical Appendix for a definition of U.S. Census data, such as home value). Median home prices of single family homes increased by 3% nationally and decreased by about 3% in California; however, this does not fully illustrate how volatile home prices were from year to year during this ten-year period.

Between 2000-2006, a very rapid increase of housing prices occurred simultaneously in many regions, states, and metropolitan areas (Case & Quigley, 2010). "At the national level, prices increased nearly 90 percent from 2000 to the peak in 2006" (Case & Quigley, 2010, p. 465). During this six year time period, the largest home price increases were in Miami, FL, where prices increased 181%, followed by Los Angeles, CA at 173% (Case & Quigley, 2010). Not far behind were Washington D.C. and San Diego, CA with price increases of over 150 percent (Case & Quigley, 2010). Low-income homeowners suffered the most because the "largest increases were in the lowest tiers of the home price distribution" (Case & Quigley, 2010, p. 465). The lower priced homes in Miami and Los Angeles more than tripled in average price, and San Diego, Washington, and Las Vegas experienced similar dramatic increases (Case & Quigley, 2010).

Beginning in 2007, home values and ownership rates began to decline (Mian & Sufi, 2009; Howley, 2011), as personal debt and changes in the mortgage financing industry caused serious housing affordability fluctuation (O'Neill, 2002; Lea, 2010; Heywood, 2011).

In 2000, the U.S. had about 470,000 foreclosures and this increased to nearly 4 million in 2010 (Table 1-1). From 2000 to 2010, Californians had approximately 23,000 foreclosures which grew to about 170,000. Christie (2009) reported that a “huge wave of foreclosures hit in 2007–2009—more than 3 million filings and 860,000 homes were lost in 2008 alone” (as cited in Bardhan & Walker, 2011, p. 5). California had approximately 500,000 homes repossessed from 2007–2009 and had the highest foreclosure rates along with Arizona, Florida, and Nevada (Bardhan & Walker, 2011).

The spike in foreclosure rates was caused by lenders excessively securitizing mortgages,⁵ engaging in risky lending (with less strict mortgage requirements), and making numerous subprime loans (Brown, 2010). These subprime loans were for persons with riskier credit and had adjustable rate loans or initial lower teaser rates that later rose to unaffordable levels (Mian & Sufi, 2009; Bardhan & Walker, 2011). Subprime mortgage originations rose from 6% in 2002 to 20% in 2006 (Bardhan et al., 2009); the subprime share of mortgages outstanding quintupled over half a decade (Bardhan & Walker, 2011). At the same time, more mortgages were securitized and sold to intermediaries on the secondary mortgage market (Mian and Sufi, 2009). Negative outcomes from these two shifts in mortgage lending led to predatory lending and foreclosures, which disproportionately affected minorities (Rugh & Massey, 2010).

As the number of foreclosures rose, the detrimental spillover effects on neighborhoods and the overall economy led to the foreclosure crisis. California has 12% of the total U.S. population and 13% of its GDP (Abate, 2009). In California, lenders were responsible for 56% of the \$1.38 trillion in subprime loans issued at the peak of the bubble, 2005–2007 (Abate, 2009).

⁵ “Mortgage-backed securities (MBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization. Most MBSs are issued by the Government National Mortgage Association (Ginnie Mae), a U.S. government agency, or the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), U.S. government-sponsored enterprises” (U.S. Securities and Exchange Commission, 2015).

According to Bardhan & Walker (2011), more than 15% of its outstanding mortgages in 2007 were subprime, among the worst records among the states (p. 8).

Starting in the mid-2000s, prices began falling very sharply across the country. The most severe declines were in Las Vegas, Miami, and Phoenix (Case & Quigley, 2010). Cities in California were among those with the largest declines in housing prices, foreclosed mortgages and abandoned homes, according to Kroll (2009) (as cited by Bardhan & Walker, 2011, p. 2). In the following California cities, San Diego, the Los Angeles, and San Francisco, all home prices went down 25-30% from their peak prices (Case & Quigley, 2010).

As home prices fluctuated, California became the most unaffordable housing market in the country (Bardhan & Walker, 2011). According to Bardhan and Walker (2011), California's median home price hit a peak of \$594,000 in 2006—two and one-half times the national peak of \$221,000. Overall, property values in California more than doubled, from \$2 to \$4.4 trillion, 1998–2008 (Bardhan & Walker, 2011). “The San Francisco Bay Area [had] the highest prices of any metropolitan area in the USA—nearly quadruple the national average” (Bardhan & Walker, 2011, p. 10). However, by the end of 2009, California's median home price had fallen 35–40% from the height of the bubble, second to only Nevada for the worst drop in prices (Bardhan & Walker, 2011). Case and Quigley (2010) stated that “the period 2000-2008 [was] one of the truly important economic episodes of the past century” (p. 476) and that “all eyes are on California” since this state represents about 25% of the housing value in the country (p. 479).

Nonprofits and Economic Crises

Because of the Great Recession, nonprofits are under unprecedented financial strain (Johnson 2011, p. 201). Nonprofits make significant contributions to American society and have a large impact on taxpayers, the government, and the national economy (Ellen & Voicu, 2006, p. 227). Nonprofits benefit taxpayers who would otherwise be taxed by the government to provide social services for free to persons in need (Ellen & Voicu, 2006). Despite their name, nonprofit organizations can earn profits (Ellen & Voicu, 2006). However, these profits must go back into the organization's funds and cannot be distributed to the people controlling the organization (Ellen & Voicu, 2006). Salamon (2005) stated that "[i]f the nonprofit sector were a country, it would have the seventh largest economy in the world" (as cited in Johnson 2011, p. 227-228).

The nonprofit sector is a major employer, and the "workforce segment is comprised of 9.4 million paid and 4.7 million unpaid volunteers, equaling 10.5% of the total U.S. workforce" (Salamon & Sokolowski, 2006, p. 3). According to Wing, Roeger and Pollak's research (2010), public charities in the United States reported nearly \$1.4 trillion in total revenues, \$2.6 trillion in total assets, and \$1.1 trillion in total expenses in 2007 (p. 2). Of the nearly \$1.4 trillion in revenues, 22% came from contributions, gifts, and grants, 67% came from program service revenue (including government fees and contracts) and the remaining 11% came from other sources (including dues, fees, rental income, and special event income) (Wing et al., 2010, p. 3). The global nonprofit workforce contributed annually nearly \$322 billion in wages to the economy (Salamon & Sokolowski, 2006, p. 9).

Anheier (2009) explained how nonprofits and philanthropic institutions have unique characteristics. These organizations have deeply embedded values (e.g. religious, political, humanitarian, moral, artistic, etc.), multiple stakeholders (e.g. trustees, staff, volunteers, users/clients, state agencies, grantees, etc.), and multiple revenue sources (e.g. market, quasi-market, membership, various forms of transfers from government, various forms of donations and sponsorship, contracts, etc.) (Anheier, 2009). Anheier outlined developments in the

nonprofit sector from 1997-2007. For example, there has been a greater demand for nonprofit goods and services combined with less, and more competitive, public funding (Anheier, 2009). Competition and business models emphasize cost control to compensate for decreased government support (Anheier, 2009). Another trend discussed by the author is the “professionalization of finance, management and service delivery, often combined with a certain tameness even timidity in terms of advocacy” (Anheier, 2009, p. 3). Anheier noted that private philanthropic support fluctuates, which creates pressure from foundation endowments to maximize returns on investment (Anheier, 2009). Some of these changes have made nonprofits more efficient, but Anheier argued that many nonprofits have become more bureaucratic at the cost of their charitable work.

Since the economic crisis, nonprofits have faced a new mix of challenges in addition to their existing complex issues. During times of financial insecurity, most nonprofits are forced to be “smaller and leaner” (Anheier, 2009, p. 6). Johnson (2011), summarized the findings from recent research on the impacts of the Great Recession on nonprofit organizations. All five of these reports confirmed that funding is declining. Three out of the five reports indicated that demand is increasing while funding is decreasing. Two out of the five reports indicated that smaller nonprofits’ financial situations were more severe. Gassman et al. (2012a) discussed an additional report that highlighted how the decrease in government grants had the most significant impact on nonprofits.

GuideStar’s 2009 report surveyed 2,979 nonprofit respondents, and the majority of them indicated an increase in demand for services and a decrease in funding contributions and 8% reported that they were in danger of closing their doors. John Hopkins University Listening Post Project (2009) surveyed 1,100 nonprofits in the U.S. and reported that 80% of responding nonprofits described some level of “fiscal stress,” and close to 40% of the respondents considered the stress to be “severe” or “very severe” (as cited in Johnson, 2011, p. 230). Giving

USA Foundation and Center on Philanthropy at Indiana University conducted a nationwide survey (2010) of 228 nonprofits, of which 53% of nonprofits providing basic needs of food, shelter, and clothing stated that they were underfunded or severely underfunded in 2009. Bridgespan Report (2009) surveyed 100 nonprofit chief executives, presidents, and executive directors between 2008-2009, which showed that the majority of interviewees indicated an increase in demand for services and funding cuts.

Two reports determined that smaller nonprofits were severely struggling financially. According to the Bridgespan Report (2009), smaller nonprofits (with revenues less than \$1 million) felt the financial impact more severely: 70% of small nonprofits reported their finances worsened. The Nonprofit Finance Fund (NFF) report (2009) discussed their results from a nationwide survey with 986 nonprofit professionals, of which the majority of respondents were smaller nonprofits with less than \$2 million in total operating expenses. Eighty-seven percent of lifeline organizations (that provide food, shelter, and other basic services) interviewed had an increase in demand in 2008, and only 12% of the respondents expected their budgets to finish above breaking even in fiscal year 2009.

An additional report by the University of North Texas (UNT) (2009) reinforced that the demand for services had increased every year between 2009 and 2011 (Gassman et al., 2012a). At the same time, the nonprofits' ability to meet the increase in demand consistently decreased every year (Gassman et al., 2012a). This survey reported that corporate donations, government grants, and investment income decreased, at the same time, individual contributions increased; however, the most significant impact on the nonprofit organizations was the decrease in government grants (Gassman et al., 2012a).

These results portray a dire situation for nonprofits who experienced funding decreasing while demand was increasing. Nonetheless, some nonprofits are stable and were able to rise above the situation. The next section discusses theories explaining organizational survival and performance.

Organizational and Management Theory

The economy is cyclical and the [nonprofit] sector needs to learn the lessons from lean times (Gassman, et al., 2012a, p. 4).

This dissertation explores in part whether management and organizational theories apply to nonprofit housing development organizations. Most of these theories have been tested on for-profit entities. Although there has been some research on nonprofit organizations, it has not focused specifically on NHDOS. My research assessed if the following theories regarding for-profit and other nonprofits hold true for NHDOS: (1) larger and older organizations are more likely to perform well, (Hager, Galaskiewicz, Bielefeld, & Pins, 1996; Hung & Ong, 2012); (2) organizations may benefit from agglomeration effects (Hannan, 1986); and (3) successful organizations are open to change (Hannah & Freeman, 1977), adaptation (Haveman, 1992), and entrepreneurship (Brinckerhoff, 2000).

Size and Age

Hannah & Freeman (1977) proposed that organizations of different sizes use different strategies, structures, and resources (Baum & Singh, 1994). The organization's age and size, function, and management capacity are central determinants of nonprofit sustainability (Hung & Ong, 2012). Thus, small nonprofits often struggle and are the most vulnerable in tough economic times. Hager, Galaskiewicz, and Larson (2004) found that older nonprofit organizations were less susceptible to closure, but "the effects was mitigated negatively by the organizational size, use of volunteers, and donated income" (as cited in Hung & Ong, 2012, p. 4). Government funding had a positive effect on age in determining closure. In addition, this study determined that the governing board of an organization also played a key role in determining survival.

Agglomeration Effects

There may be agglomeration effects for nonprofits in the same way that for-profit businesses may have economic and social network benefits when located near each other.

Businesses in close proximity often compete with each other, but there are also advantages because suppliers and customers are clustered. Social networks are the interactions and contacts between individuals, groups, organizations, or other social units (Wasserman & Faust, 1994). The benefits of networking include: exchanging of ideas, providing information, sharing resources, increasing productivity, etc.

Hannan et al. (1986) proposed the density dependency model, which focused on the dynamics of competition, i.e. “organizational diminishing each other’s fate,” and mutualism, i.e. “organizations enhancing each other’s fates,” to explain the evolution of organizational populations (Baum & Singh 1994, p. 347). The strategic group construct captured the idea that the impact of competition on an organization’s performance depends on the location of its various rivals in the relevant competitive space (Baum & Singh, 1994). These theories may pertain to NHDOs as they compete for or share resources.

Change and Adaptation

Haveman (1992) proposed that organizational change may benefit performance, and survival if it occurs in response to a drastic restructuring of environmental conditions and if it builds on established routines and competences (p. 48). Hannan and Freeman (1977, 1984, 1989) used ecological theory to explain how organizational change is limited by strong inertial pressures, and there are internal and external constraints to organizational adaptation (Haveman, 1992). Understanding that “change is difficult” for organizations, Haveman (1992) wrote that “change diverts resources from operating to reorganizing, reducing the efficiency of organizational operations” (p. 48).

An organization’s survival may also be influenced by the type of activities that they undertake and if they are generalists or specialist. Carroll, Dobrev, and Swaminathan’s (2002) resource partitioning model showed that small specialized members of the business population could provide complementary products or services without engaging in direct competition with larger generalist organizations (Baum & Singh, 1994). Due to the Great Recession, NHDOs

were forced to adapt and many changed their programs, populations served, service area, and type of housing developed.

Entrepreneurship

When responding to a crisis, nonprofits reduce uncertainties, capitalize on opportunities, and engage in entrepreneurship (Gassman et al., 2012b). Gassman et al. (2012b) conducted six case studies, and all of these organizations engaged in some form of entrepreneurship.⁶ Gassman et al. used Brinckerhoff's (2000) definition of entrepreneurship to determine if the nonprofits are: (1) starting a new product/service; (2) expanding an existing product/service; (3) offering a product/service to a new group of people; (4) expanding a product/service to a new geographic location; (5) taking on an existing business; or (6) creating a partnership/merger between two already existing businesses (Gassman et al., 2012b). Gassman et al. also incorporated Helm and Andersson's (2010) concepts of innovation, risk taking, and proactiveness amongst nonprofits. While Gassman et al. recognized that their sample was small, their findings confirmed the theory that entrepreneurship is important for the success of nonprofit organizations.

Similar to for-profit and other nonprofits, managers and staff of NHDOs who were opportunistic and entrepreneurial fared better during the crisis. Those that sought new sources of funding, partnerships, and managed their risk were able to maintain or increase housing production. My research presented in this dissertation will show how organizational and management theories were applicable to NHDOs in California. The next chapter discusses the research methods used for this study.

⁶ Gassman et al. (2012b) conducted six case studies of nonprofits in Orlando, FL, Waterloo, IA, Hattiesburg, MS, Los Angeles, CA, Dallas, TX, and Kansas City, MO.

Chapter 2: Research Methods

In this chapter, I used a mixed methods approach to identify factors that influence California nonprofit housing development organizations' (NHDOs) survival and financial stability. Data was analyzed from: (1) the Internal Revenue Service (IRS) 990 tax form database for about 800 NHDOs from 2000-2010⁷ and (2) 18 interviews with executive directors and managers of NHDOs and housing associations. I conducted the bivariate analyses for the independent variables (IVs) and NHDOs' survival, and this included chi-square tests for categorical variables and t-tests to examine differences between group means for the continuous variables. In addition, I ran multivariate logistic and Ordinary Least Squares (OLS) regression models to determine how the IVs influence variances in survival and revenue. To determine why some organizations fared better than others during this ten-year period, I compared quantitative data with interview data. I was unable to assess a number of factors from the quantitative data, e.g. agglomeration effects, staff capacity, management tactics, etc., but I discussed these topics in the interviews. In this chapter, I also describe limitations of this study.

Data and Methodology

Data on nonprofit developers was obtained from the National Center for Charitable Statistics (NCCS) IRS Core Data ("Core Data") and the Core 1989-2011 Public Charities Fiscal Year Trend Data ("Trend Data").⁸ NCCS is the national clearinghouse of data on the nonprofit sector in the U.S. (NCCS, 2012). Dating back to 1989, IRS Core Files include approximately 60

⁷ One NHDO that survived was excluded from Region 5 Sacramento Metropolitan because the total revenue in 2000 exceeded \$180 million (converted into 2010 U.S. dollars). This outlier had an extremely high total revenue, which skewed the results.

⁸ The NCCS IRS Core Data has more information but the Trend Data has been updated and duplicate organizations have been eliminated. For California, the NTEE-CCs most related to housing development were examined: L20, L21, L22, and L24. For these four codes, the Core Data had 984 NHDOs in 2000 and the Trend Data had 821 NHDOs in 2000. The number of NHDOs in both the Core Data and Trend Data was 802 NHDOs (including the one NHDOs outlier from Region 5 Sacramento Metropolitan).

financial variables from the Form 990-series (Form 990,⁹ Form 990-EZ,¹⁰ and Form 990-PF¹¹) (NCCS, 2015).

The IRS uses the National Taxonomy of Exempt Entities-Core Codes (NTEE-CCs) to classify charitable organizations with the tax code status of 501(c)(3) into 26 major groups (NCCS, 2012). For this research, the following four NTEE-CCs were selected to define NHDOS:

1. L20 Housing Development, Construction & Management (“general housing development”),
2. L21 Low-Income & Subsidized Rental Housing (“rental housing”),
3. L22 Senior Citizens’ Housing & Retirement Communities (“senior housing”), and
4. L24 Independent Housing for People with Disabilities (“housing for disabled”).

A full description of these NTEE-CCs can be found in the Technical Appendix.

For this study, survival is defined as an organization that filed a 990 tax form in 2000 and in 2010. A terminated organization (or organization going out of business) is defined as an organization that filed in 2000 but did not file in 2010. To determine which organizations survived, I merged the 2000 and 2010 data by the Employer Identification Number (EIN). There may be several reasons why an organization did not file a 990 tax form in 2010 but would not be considered terminated. For example, the nonprofit could have been late in filing their 2010 taxes, changed locations, or merged with another organization. However, this information cannot be determined by the data without examining multiple years of consecutive tax forms. Regardless of the reasons for not filing a tax form, these organizations were categorized as terminated for this study.

⁹ Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033. These forms are required for organization with annual gross receipts that are normally more than \$25,000 (since 2000, the gross receipts amount increased to \$50,000) (IRS, 2015b).

¹⁰ Form 990-EZ can be filed by organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of their tax year. Since 2000, the gross receipts changed to less than \$200,000 and total assets to less than \$500,000 at the end of their tax year (IRS, 2015b).

¹¹ The Form 990-PF, entitled "Return of Private Foundation" is a report that must be filed each year with the IRS by organizations exempt from federal income taxes under section 501 of the Internal Revenue Code. It is an information return and not an income tax return, since the organizations that file it do not pay taxes. Form 990-PF provides financial information, such as sources of income (Foundation Search, 2015).

The dependent variable, revenue, was reported in the NCCS IRS Core Data. This included: total contributions, gifts, grants, program service revenue, membership dues, investment income, rental income, etc. A full explanation of revenue, as defined by the IRS 2010 Core Data dictionary, is provided in the Technical Appendix.

Two regression models were created with the dependent variables as the NHDOS' survival and revenue. The logistic regression models predict the dichotomous outcome of survival (i.e. survived or did not survive). The Ordinary Least Squares (OLS) regression models identify factors that affect revenue for the year 2010.

Logistic Regression Model for Survival (dichotomous outcome):

$$\text{Log} (P_i (1-P_i)) = \alpha + \beta X + \gamma Z + \epsilon_i$$

OLS Regression Model for Revenue:

$$R_i = \alpha + \beta X + \gamma Z + \epsilon_i$$

$P_i = [P|0, 1]$; 0=did not survive, 1=survived

R_i = revenue for the year

α = the intercept

β = vector of coefficients each denoting the slope or the rate of change in the dependent variable for a one-unit change in X

X = vector of covariates regarding organizational characteristics that predict survival or revenue; see Tables 2-2 for lists of variables

γ = vector of coefficients each denoting the slope or the rate of change in the dependent variable for a one-unit change in Z

Z = vector of covariates regarding county characteristics that predict survival or revenue; see Tables 2-3 for lists of variables

ϵ_i = error term (or residual)

The independent variables are further described in: (1) Table 2-2 with organizational characteristics regarding the NHDOS' structure and funding, and (2) Table 2-3 with county (contextual or control) characteristics regarding housing and demographic data. In the Technical Appendix, detailed definitions are provided for the IVs.

The hypotheses addressed in this dissertation include:

1. Does the type of housing predominately developed by a NHDO influence survival and revenue?
2. Are there regional variances amongst NHDOs that affect survival and revenue?
3. Are there agglomeration effects (when NHDOs are located near each other) that determine NHDOs' survival and revenue?
4. Does the organizations' age (or number of years established) and size affect survival and revenue?
5. Does the amount and type of funding used by NHDOs, such as government funding, affect survival and revenue?
6. Does stable leadership and staff capacity affect survival and revenue?
7. Are organizations that change, adapt, and engage in entrepreneurship more likely to survive and have stable or increasing revenue?

These hypotheses presented above were derived from the literature review in Chapter 1.

Hypotheses 1-5 are tested through both the quantitative and qualitative research inquires, while hypotheses 6-7 were tested using qualitative research methods. For hypothesis 1, the type of housing developed may or may not affect survival and revenue. However, there are organizational theories that assess the benefits of being a generalist or specialist (Carroll et al., 2002). It may be advantageous to be a generalist and provide different types of affordable housing to meet the needs of various populations. This enables a NHDO to apply for a variety of funding sources. On the other hand, by specializing in senior, supportive, veterans, or homeless housing, a NHDO can create a niche and apply for specific funding streams.

Regarding hypotheses 2 and 3, it was assumed that organizations in large, dense urban areas would be more likely to survive and thrive financially. In these areas, there may be more financial and social capital¹² (Putnam, 2001), and there could be greater needs for affordable housing. Organizations may benefit from agglomeration effects (Hannan, 1986) by being located in close proximity to share resources and information.

Existing literature on for-profit (Hager, Galaskiewicz, Bielefeld, & Pins, 1996) and nonprofit (Hung & Ong, 2012) entities found that larger and older organizations are more likely

¹² Putnam (2001) defines social capital as the value of networks (or relationships) and the associated norms of reciprocity.

to survive. Thus, I inferred that this would hold true for NHDOs (hypothesis 4). For this research, the organizations' size was determined by either the number of staff (as determined by employee salaries) or amount of revenue (i.e. organizations with more revenue would be consider to be larger).

For hypothesis 5, I expected that the amount and type of funding would affect survival and revenue. If a NHDO has more funding in the baseline year, logically, they would have more funding ten years later. I also presumed that NHDOs that obtained major funding resources, such as government funds, would be more likely to survive and have higher revenue.

Organizational theory research (Hannah and Freeman, 1977; Haveman, 1992; Brinckerhoff, 2000) and industry reports (Nichols, 2011; Nichols & Trinh, 2014) found that stable management and staff (e.g. with long tenures) are keys to success. It is also important for organizations to have the right staffing levels and skill mix. Furthermore, successful organizations had managers that were open to change (Hannah & Freeman, 1977), adopted adaptive management methods (Haveman, 1992) and engaged in entrepreneurship (Brinckerhoff, 2000). I thought that these theories would hold true for NHDOs (hypotheses 6 and 7).

The expected relationship for each IV is listed in Tables 2-2 and 2-3. Most of the organizational IVs were expected to have a positive effect on survival and funding. The two exceptions were the variables, type of housing and region, which were expected to have offsetting (“+/-”) effects that may or may not increase survival or funding.

Table 2-2: Organizational Characteristics Independent Variables

Organizational Characteristics	Expected Relationship	Hypothesis
Type of Housing - according to the National Taxonomy of Exempt Entities-Core Codes (NTEE-CC)	+/-	The type of housing predominately developed by the NHDO may increase or decrease survival or funding.
Region	+/-	The region or location of the NHDO may increase or decrease survival or funding.
Age of Organization	+	If the organization is older, this may increase survival or funding.
Total Revenue in 2000	+	If the organization has high revenue, this may increase survival or funding.
Staffing - according to Employee Salaries	+	If the organization has a large number of staff, this may increase survival or funding.
Government Funding – according to Direct Public Support Estimate	+	If the organization a large amount of government funding, this may increase survival or funding.
Percentage of Government Funding	+	If the organization has a high percentage of government funding, this may increase survival or funding.

California’s 58 counties were divided into seven housing regions with distinct real estate markets (see map in Figure 2-1). These regions were based on John Landis’ (2000) State of California report, “Raising the Roof: California Housing Development Projections and Constraints, 1997-2020.”

1. Region 1 is Greater Los Angeles with 6 counties. This region had the highest number of NHDOs (n=343) at the base year of 2000 (“Los Angeles”);
2. Region 2 is the San Francisco Bay Area with 9 counties. This region had the second highest number of NHDOs (n=273) (“San Francisco”);
3. Region 3 is the San Joaquin Valley 8 counties (n=42) (“San Joaquin Valley”);
4. Region 4 is San Diego County with 1 county (n=44) (“San Diego”);
5. Region 5 is the Sacramento Metropolitan Region with 6 counties (n=41) (“Sacramento”);
6. Region 6 is the Central Coast Metropolitan Region with 5 counties (n=34) (“Central Coast”);
7. Region 7 is the Northern California Non-Metropolitan Region with 23 counties (n=24). This is one of the more rural regions of the state (“Northern CA Non-Metro”).

Figure 2-1: Map of California Housing Regions



The location of a NHDO was determined by the city and county stated as the address of the organization in the 990 tax form. It is important to note that a NHDO may serve a much larger area than one city and county. They could be a regional or national organization with multiple offices and various housing development locations.

The age of a NHDO was determined by using the rule date when the IRS provides a determination letter recognizing the organization's exempt status¹³ (NCCS Data Dictionary Core Public Charities, 2000). In the 2010 NCCS IRS database, the number of employees is reported, but not the 2000 database. As a proxy for the number of employees, I examined the NHDOs' employee salaries¹⁴ reported to the IRS in 2000. This is an approximation of the number of employees within organization and reflects the size of the organization. Note that this variable would be for paid staff and would exclude volunteer staff. Direct public support is used as an estimate of government funding (NCCS Data Dictionary Core Public Charities, 2000).¹⁵ The percentage of public support is the amount of public support divided by the total amount of revenue from year 2000.

Most of the contextual IVs data were obtained from the U.S. Census American Community Survey (ACS) and was downloaded by county. Unlike the 10 year census, the U.S. Census Bureau conducts the ACS throughout the year, every year (U.S. Census Bureau ACS, 2015). For the ACS, the Census Bureau randomly sample addresses in every state, the District of Columbia, and Puerto Rico. The ACS "is a nationwide, continuous survey designed to provide communities with reliable and timely demographic, housing, social, and economic data every year" (American Community Survey Information Guide, 2013, p. 2).

Four variables were expected to have a positive effect on survival and funding: households, renters, home value, and rent. One variable, vacancies, was expected to have a negative effect. The remaining six variables were expected to have offsetting (" +/- ") effects that may or may not increase survival or funding of NHDOs.

¹³ Age data were changed for some NHDOs. There were some negative numbers and some NHDOs reported age as "2000." These numbers were changed to age zero. Total NHDOs with age zero were 23.

¹⁴ Employee salaries includes salaries and wages, but does not include compensation of officers, directors, etc. This excludes payroll taxes, pensions, and other employee benefits (NCCS Data Dictionary Core Data, 2000).

¹⁵ This direct public (or government) support excludes indirect public support (NCCS Data Dictionary Core Data, 2000).

Table 2-3: County Characteristics Independent Variables

County Characteristics	Expected Relationship	Hypothesis
Households	+	If the density or population is high, NHDOs may have increased demand for affordable housing.
Housing Units	+/-	If there is a large number of housing units, this may indicate a dense area with increased housing needs or that there are many housing options in the area depending on the type of housing (e.g. single family or multifamily dwellings).
Percent of Renters per Households	+	If there is a high percentage of renters, NHDOs may have increased demand for affordable housing.
Home Value	+	If home values are high, NHDOs may have increased demand for affordable housing.
Rent	+	If rents are high, NHDOs may have increased demand for affordable housing.
Percent of Vacancies	-	If there is a high percentage of vacancies, this may be a sign of a weak housing market with low rents and a surplus of housing.
Units constructed in past 5 years, 1995-2000	+/-	If new housing construction increases, NHDOs may have a decrease in demand depending on the type of housing (e.g. single family or multifamily dwellings).
Household Income	+/-	If the median income is low, NHDOs may have increased demand but may not have resources to meet those demands.
Percent of Families Below Poverty Level	+/-	If the poverty rate is high, NHDOs may have increased demand but may not have resources to meet those demands.
Percent Unemployed	+/-	If unemployed is high, NHDOs may have increased demand but may not have resources to meet those demands.
Foreclosures per Household	+/-	If foreclosures are high, NHDOs may have increased demand but may not have resources to meet those demands.

Foreclosure data was obtained from RAND California, but data were missing for some counties in 2000.¹⁶ Additional information about the missing foreclosure data and the other contextual variables is in the Technical Appendix.

This section describes some of the limitations to the data. Community development organizations that are developing housing may have not selected the four NTEE-CC codes that were used to define NHDOs. There are also for-profit organizations developing affordable housing not captured by NCCS IRS database. For example, many nonprofits are established in partnership with for-profit entities to capitalize on the Low Income Housing Tax Credits (LIHTCs) (the LIHTC program is further discussed in Chapters 1 and 4). There is a selection bias because only larger nonprofits with gross receipts of \$25,000 or more were required to file a 990 tax form (since 2010, this amount has increased to \$50,000). Smaller nonprofits with gross receipts less than \$25,000 complete a Form 990-N or e-postcard to provide general information (e.g. if they are active or not). Smaller organizations may be more likely to be terminated or struggle financially, and they are not captured in the database. Many NHDOs file their taxes differently. For example, some organizations file as one entity and list all of their properties in a table of assets. Others create a separate entity for each property and individually file the 990 tax form. Furthermore, there may be errors or missing information in the tax forms. Additional research is needed to compare the NCCS IRS database Business Master Files (BMF), Core Data, and Trend Data for completeness and validity. Despite these drawbacks, the IRS data provide detailed financial information about NHDOs.

There is always a concern that not all key factors and variables have been considered. Besides revenue, there are other financial indicators that are in the NCCS IRS data, e.g.

¹⁶ A total of 26 counties had missing foreclosure date for 2000 from the RAND California data. Nineteen NHDOs that survived were in counties with missing foreclosure data and 7 NHDOs that were terminated were from counties with missing foreclosure data. The majority of the counties were from Region 7 Northern California Non-Metropolitan, and the remaining were from Region 1 Greater Los Angeles, Region 3 San Joaquin Valley, and Region 5 Sacramento Metropolitan Region. For a complete list, please refer to the Technical Appendix.

expenditures, net income, assets, liabilities, etc., that could be examined as dependent variables in future research. Housing production was not included as an independent variable but is linked to a developer's performance. For the regression models, I excluded production as a variable because it was difficult to determine if NHDOs' production levels increased or decreased. Production levels may be defined in terms of: (1) housing units produced either through new construction or rehabilitation and/or (2) persons or households served. Start and end dates of housing construction or rehabilitation are nebulous. Specifically, one consider the start date when the developer receives permits or when the developer begins construction or rehabilitation. NHDOs' housing projects are typically funded in one year, developed or rehabilitated over several years, and completed in another year. Housing takes a long time to develop, and the time period maybe longer than ten-years. In addition, projects have delays or could be cancelled. It may not be clearly identified in the IRS tax form which assets are owned or managed by the NHDO. Since production was excluded from the regression models, it was an interview topic in Chapter 4: Qualitative Interviews.

The demand or need for affordable housing is a key determinant of whether NHDO will survive or increase revenue; however, capturing the demand for affordable housing may be difficult. Some NHDOs do not have adequate record keeping methods to determine persons or households who inquired about services and/or were assisted. Even when NHDOs are required to report to their funding agencies, the data quality may be questionable. Should the number of persons or households assisted be accounted for when someone merely inquires about housing? What about when they are provided both housing and services? What if someone rents a subsidized multifamily unit owned by a NHDO, receives a grant for rehabilitation by the NHDO, and then later moves to a single family unit owned by the NHDO, is this considered assisting one person or should s/he be counted as assisted three times? There are issues of double counting, under-counting (e.g. due to poor record keeping or not enough staff time to

report data), or over-counting (e.g. to inflate numbers for higher outcomes). Demand for housing is addressed to an extent in Chapter 4: Qualitative Interviews.

Housing markets are complex and localized. The political landscape is dynamic with frequent changes in funding, policies, and regulations. It is very expensive to produce housing, and most nonprofit housing developers use multiple “layers” of funding from the public and private sectors. Many sources fund more activities than housing alone, and not all funding is earmarked for nonprofit housing developers. Furthermore, there is a lag time to construct housing, which affects the funding cycles. Although I selected the 2000-2010 timeframe for this study, this ten-year period is not adequate to capture the effects of both the downturn and the 2012 dissolution of California Redevelopment Agency funds. Some of the effects post-2010 were discussed in Chapter 4: Qualitative Interviews.

Since many internal and external factors cause fluctuations in NHDO funding, it will be difficult to determine the causal effects. Internal factors are related to the NHDO (e.g. their budget, staff, management, etc.) and external factors are outside of the NHDO’s control (e.g. the economy, real estate market, politics, etc.). Some of these changes are occurring at the same time, so cause and effect is difficult to determine. For example, a NHDO could have experienced management turnover at the same time that their funding was decreasing. If the NHDO goes out of business, it is unclear if it is due to management or funding issues. Historical events may have occurred concurrently, thus, making causal linkages additionally murky. For example, the housing and economic crises occurred around 2007, but affected different areas at various points in time. Housing prices dropped and foreclosures increased, while many banks and mortgage lenders went bankrupt. Although the contextual independent variables try to control for some of these effects, it is not possible to separate these events to understand their effect on NHDOs.

Qualitative Methodology

For Chapter 4, a total of 18 interviews were conducted from January 2014 to October 2014. Thirteen interviews were with Executive Directors (EDs) and/or managers from NHDOS and five interviews were with EDs from regional housing associations.¹⁷ The Technical Appendix includes copies of the recruitment email and letter, study information sheet, and interview questions.

The purpose of the interviews was to assess how nonprofit housing development organizations adapted during the most recent housing and economic crises. Interviewees were selected by snowball sampling from referrals by housing experts and the interviewees themselves. I selected interviewees from the largest housing associations in California. Representatives from the following affordable housing associations were interviewed: Housing California in Sacramento, California Coalition of Rural Housing (CCRH) in Sacramento, Nonprofit Housing Association of Northern California (NPH) in San Francisco, San Diego Housing Federation in San Diego, and Southern California Association of Nonprofit Housing (SCANPH) in Los Angeles. For the NHDOS sampling plan, I stratified by geographic area and developers that have either (1) survived (were still in existence in 2010 and filed a 990 tax form), or (2) were terminated (merged with another organization) and/or struggling with financial and management issues. From a list of NHDOS in 2000 that were terminated (did not file a 990 tax form in 2010), I contacted, with limited success, additional interviewees from organizations that were no longer in business.

Each interview took approximately one hour. Most of the interviews were conducted in-person, but one of them was conducted by telephone (at the request of the interviewee). The structured open-ended interview questions were on the following topics: the NHDOS' organizational structure, housing development, funding, and internal factors (e.g. board,

¹⁷ One interview included the executive director and a board member of a housing association.

management, staff, mission, etc.) and external factors (laws and regulations, zoning, city-wide political environment, regional unemployment, restructuring of banking industry, etc.). Many of the questions asked the interviewees to compare their situation at these two points in time, 2000 and 2010. However, some interviewees also discussed the period between 2010 to the present time of 2014.

There was a selection bias for the interviews because it was more difficult to find managers or staff from NHDOs that are no longer in business. For example, one person from a NHDO that went out of business declined an interview because they felt uncomfortable discussing their previous place of employment. Intermediaries, banking/lending institutions, government housing agencies, or clients and community residents were not interviewed, as they are not the focus of this study. These stakeholders could be interviewed as part of future research.

Data compiled from the interviews is credible, dependable, and confirmable (Guba and Lincoln 1985) through rigorous data collection and record keeping. There are, however, issues of reliability and validity. Interviewees may have either overestimated or underestimated their conditions to portray their organization in dire or favorable conditions. Management and staff may not want to disclose any embarrassing management issues, financial problems, or regulatory infractions. Furthermore, the data's applicability, consistency, and transferability (Guba and Lincoln 1985) are questionable since the sample size is small, and the California context may be unique. The experiences of California NHDOs between 2000 and 2010 may only be applicable to that industry, location, and timeframe.

Chapter 3: Bivariate and Multivariate Analysis

Chapter 3 contains sections on the descriptive data and bivariate results, multivariate regression results, and summary of findings. The bivariate analysis and logistic regression models predicted the dichotomous outcome of survival (i.e. survived or did not survive) for nonprofit housing development organizations (NHDOs) from 2000-2010. The OLS regression models determined factors that influence revenue for the year 2010. This summary is divided into two sections by type of independent variable: organizational and county characteristics.

Descriptive Data and Bivariate Results

This section discusses bivariate outcomes all of the independent variables by the NHDOs' survival. For the 2000 cohort, a total of 801 NHDOs had both IRS Core Data and Trend Data in the NCCS database.¹⁸ A total number of 618 NHDOs survived (77%) and 183 NHDOs were terminated (23%). Forty-five percent of NHDOs were primarily developing NTEE-CC L22 senior housing, followed by 32% that were NTEE-CC L20 general housing developers. Twenty percent were developing NTEE-CC L21 rental housing (which were predominately subsidized by HUD and other federal government programs), and only 3% were developing NTEE-CC L24 housing for the disabled.

¹⁸ One NHDO that survived was excluded from Region 5 Sacramento Metropolitan because the total revenue in 2000 exceeded \$180 million (converted into 2010 U.S. dollars). This outlier had an extremely high total revenue, which skewed the results.

Table 3-4: Type of Housing by Survival

National Taxonomy of Exempt			
Entitites-Core Codes (NTEE-CC)	Survived	Terminated	Total
L20 Housing Development	67%	33%	256
L21 Rental Housing	82%	18%	158
L22 Senior Housing	82%	18%	363
L24 Housing for Disabled	79%	21%	24
N=	618	183	801

Chi-square p-value <0.001

Source: Internal Revenue Service (IRS) Core 1989-2011 Public Charities Fiscal Year Trend Data from the National Center for Charitable Statistics (NCCS)

Table 3-4 shows that NHDOS' survival rates were affected by the type of housing that the organization predominately develops. The chi-square test indicated that the variables were related (p-value <0.001). NHDOS that were general housing developers, NTEE-CC L20, had the lowest survival rate (67%).

Table 3-5: Regions by Survival

Region	Survived	Terminated	Total
Region 1 Greater Los Angeles	82%	18%	343
Region 2 San Francisco Bay Area	78%	22%	273
Region 3 San Joaquin Valley	57%	43%	42
Region 4 San Diego County	68%	32%	44
Region 5 Sacramento Metropolitan	68%	32%	41
Region 6 Central Coast Metropolitan	68%	32%	34
Region 7 Northern California Non-Metropolitan	71%	29%	24
N=	618	183	801

Chi-square p-value <0.01

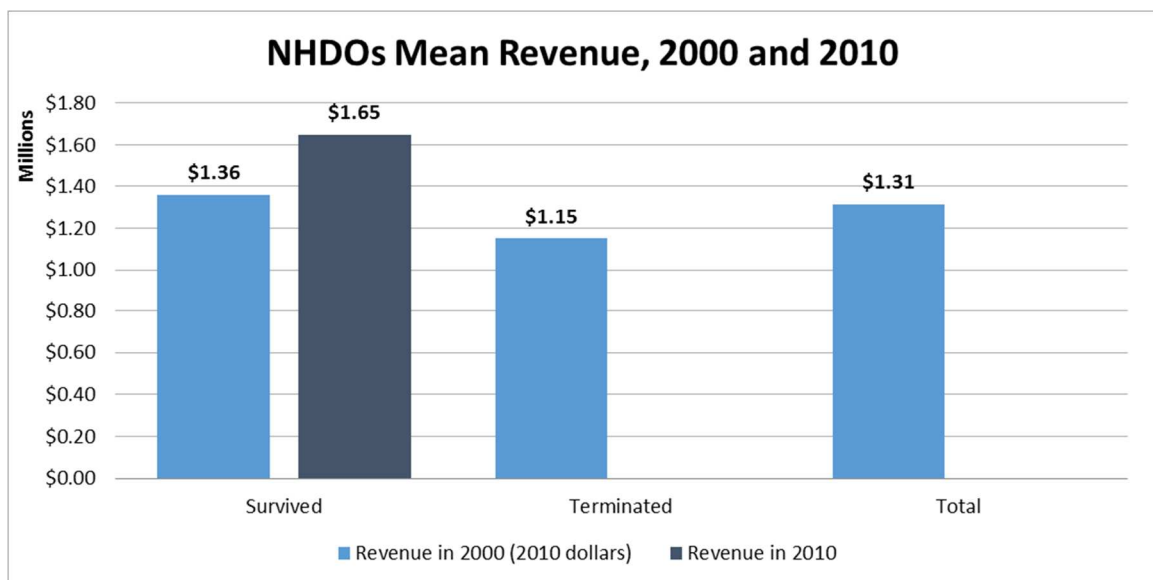
Source: Internal Revenue Service (IRS) Core 1989-2011 Public Charities Fiscal Year Trend Data from the National Center for Charitable Statistics (NCCS)

A large majority of the NHDOs were in the Los Angeles (43%) and San Francisco (34%) regions. The remaining 23% of NHDOs were in regions 3-7 or “other regions.” These included San Joaquin Valley (5%), San Diego (5%), Sacramento (5%), or Central Coast (4%), or Northern CA Non-Metro (3%). Refer to Table 3-5.

There are regional differences that affect survival, as verified by the statistically significant chi-square test (p-value<0.01). The highest survival rates of NHDOs were in the Los Angeles region, 82%, and San Francisco region, 78%. The San Joaquin Valley region had the lowest survival rate at 57%.

In the baseline year of 2000, average revenue was \$1.4 million for NHDOs, and ranged between (-\$164,000)¹⁹ and \$42 million (Figure 3-2). In 2010, among the NHDOs that survived, the average revenue was \$1.7 million and ranged between (-\$344,000)²⁰ and \$37 million.

Figure 3-2: Mean Revenue, 2000 and 2010

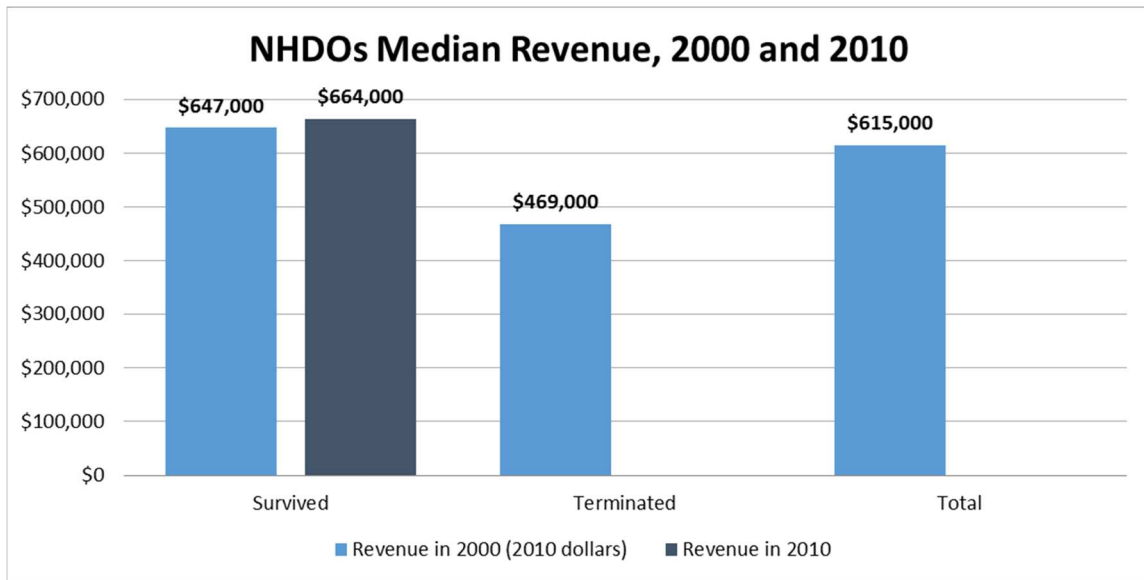


¹⁹ Ten NHDOs reported negative revenue in their 2000 IRS 990 tax form.

²⁰ Only one NHDO reported negative revenue in their 2010 IRS 990 tax form.

In 2010, NHDOs that survived had overall increased their revenue by about \$288,000 or 21%.²¹ This is a modest increase over a ten-year period, but the median revenue data painted a bleaker picture.

Figure 3-3: Median Revenue, 2000 and 2010



The median revenue in 2000 for NHDOs that survived was approximately \$646,000 (Figure 3-3). In 2010, NHDOs that survived had overall increased their median revenue by about \$17,000 or 3% more. Table 3-6 compares revenue for NHDOs that survived and were terminated.

²¹ This percent change was calculated for all NHDOs that survived by taking the difference between the average total revenue in 2010 and the average total revenue in 2000 (in 2010\$) and dividing this amount by the average total revenue in 2000. For the 618 NHDOs that survived, I also created a variable for the average revenue change for each NHDOs. Using this variable, the average revenue change for all of the NHDOs from 2000 to 2010 was \$329,000 and the median was \$29,000. The minimum revenue change was approximately (-\$19 million) and the maximum was about \$12 million. A total of 224 NHDOs had a negative amount of revenue change (or 36% of the 618 NHDOs that survived).

Table 3-6: Other Organizational Characteristics by Survival

Other Organizational Characteristics	Survived		Terminated		Total		P-value
	Mean	Median	Mean	Median	Mean	Median	
Revenue in 2000 (2010\$)	\$1,362,000	\$647,000	\$1,151,000	\$469,000	\$1,313,000	\$615,000	0.305
Age (years established as nonprofit)	14	13	12	8	14	13	0.123
Employee Salaries (2010\$)	\$240,000	\$72,000	\$145,000	\$44,000	\$218,000	\$66,000	0.007
Direct Support Estimate (2010\$)	\$77,000	\$0	\$81,000	\$0	\$78,000	\$0	0.902
Percent Direct Public Support (2010\$)	7%	0%	15%	0%	9%	0%	0.014
N=	618		183		801		

Source: Internal Revenue Service (IRS) Core 1989-2011 Public Charities Fiscal Year Trend Data from the National Center for Charitable Statistics (NCCS)

Notes: Age or years established was determined by the IRS rule date to become a nonprofit. There were four negative numbers changed to zero, seven zeros, and 16 "2000" that were changed to zeros. Total zeros are 27. P-values indicate statistical significance for the t-test on means.

The a priori assumption appears to hold true that NHDOs that survived had higher average revenue in 2000 than those terminated. The difference was about \$211,000 or 18%.²² When comparing the medians, NHDOs that survived had \$177,000 or about 38% more in revenue in the baseline year than those that were terminated. However, the t-test on the means was not statistically significant.

NHDOs' age ranged from zero to 67 years. A total of 27 NHDOs was classified as age zero. Organizations that survived tended to be slightly older on average, about 14 years compared to approximately 12 years for those who were terminated. The medians indicated a wider gap in age of 5 years, 13 years for NHDOs that survived and 8 years for those that were terminated. This was consistent with the theories that older organizations are more likely to survive; however, the t-test on the means was statistically insignificant.

²² This percent change was calculated by taking the difference between the average revenue in 2000 (in 2010\$) for NHDOs that survived and the average revenue in 2000 for terminated NHDOs and dividing this amount by the average revenue in 2000 for terminated NHDOs.

As expected, organizations with more staff (as indicated by employee salaries) were more likely to survive. Employee salaries ranged from zero to \$8.8 million. There were 195 NHDOs that reported zero employee salaries. Perhaps, these NHDOs had no paid staff, and they relied on volunteers. The salaries were higher for NHDOs that survived by an average of about \$95,000 more (66%) than NHDOs that were terminated. The median salaries for organizations that survived was nearly \$28,000 higher (64%). For this variable, the t-test on the means was statistically significant.

NHDOs that survived had a smaller amount and lower percent of direct public (government) support per total revenue. Estimated direct public support ranged from zero to \$13.1 million. A total of 592 NHDOs have zero direct public support. The minimum percentage of direct public support was (-138%) and the maximum percentage was 431%.²³ On average, NHDOs that survived received about \$4,000 (or 5%) less of direct public support or had about 8 percentage points less in direct public support. The median estimated direct support was zero for both survived and terminated NHDOs. Only the t-test on the means for the percent of direct support was statistically significant.

²³ Only one NHDO had a negative percentage of direct public support per revenue. Sixteen NHDOs had percentages of direct public support that exceeded 100%.

Table 3-7: County Characteristics by Survival

County Characteristics	Survived		Terminated		Total		P-value
	Mean	Median	Mean	Median	Mean	Median	
Households	1,393,000	566,000	1,037,000	523,000	1,287,000	523,000	0.001
Housing Units	1,455,000	579,000	1,085,000	540,000	1,344,000	579,000	0.001
Percent of Renters per Household	46%	45%	45%	44%	46%	45%	0.080
Home Value (2010\$)	\$323,000	\$0	\$317,000	\$269,000	\$319,000	\$256,000	0.594
Rent (2010\$)	\$1,022	\$894	\$1,009	\$966	\$1,013	\$894	0.472
Percent of Vacancies	4.74%	4.19%	5.45%	4.19%	5.24%	4.19%	0.008
Units constructed in past 5 yrs.	49,000	40,000	41,000	29,000	46,000	39,000	0.004
Household Income (2010\$)	\$63,000	\$56,000	\$63,000	\$60,000	\$63,000	\$56,000	0.775
Percent of Families below the Poverty Level	10%	10%	10%	9%	10%	10%	0.402
Percent Unemployment	4%	4%	4%	4%	4%	4%	0.705
Foreclosures per Household	17%	14%	18%	9%	17%	12%	0.904
	N=	618	183		817		

Sources: U.S. Census SF3 2000 or ACS 5 Year Estimate, 1995-2010. Foreclosure data from RAND California.

Notes: Some missing data for foreclosures.

P-values indicate statistical significance for the t-test on means.

For most of the county characteristics (contextual or control) variables, the averages and percentages were similar for counties with NHDOs that survived and were terminated (Table 3-7). With only 58 counties in the state, there was not much variation among contextual variables. This was probably because several NHDOs were located in the same county, and the majority were located in the Los Angeles and San Francisco regions. The variables that were statistically significant on the t-test on means were: households, housing units, percent of renters per household, percent of vacancies, and units constructed in the past 5 years.

NHDOs that survived were more likely to be located in counties with an average of about 356,000 more households (34%). When comparing medians, NHDOs that survived were more likely to be located in counties with about 43,000 (8%) more households. This demonstrated that NHDOs typically survive in dense, highly populated areas, which is consistent with the hypotheses. Since households and units are similar and produced similar results (due to collinearity), I used the households variable for the regression models.

On average, NHDOs were more likely to be located in counties with about 1 percentage point more renters compared to counties with terminated NHDOs. For the medians, there was also about a 1 percentage point difference. These results confirmed that NHDOs tend to develop more rental housing than homeownership, especially in urban areas.

For NHDOs that survived, they were more likely to be located in counties with an average vacancy rate of 0.71 percentage point lower. The medians were the same for the two groups. The a priori assumption was that a high vacancy rate would be an indication of a weak housing market with low rents and a surplus of housing.

Nonprofit developers that survived were more likely to be located in counties with higher number of newly constructed units (by an average of about 8,000 units or 20%). When comparing medians, NHDOs that survived were more likely to be located in counties with about 11,000 (38%) more recently built units. The hypothesized assumption was that the effects would be offsetting. Although most new construction units are market rate, these data implied that NHDOs were more likely to survive in areas with a large amount of development activity.

Multivariate Regression Results

This section discusses the results for the: (1) logistic regression for survival and (2) OLS regression for revenue. There are also parsimonious models for all regions, the Los Angeles region, the San Francisco region, and other regions (3-7).

Logistic Regression for Survival

To determine the independent effects of the organizational and contextual variables on the survival of NHDOS, I ran binary logistic regression models. The correlations amongst contextual variables were also examined. There was significant collinearity between the variables of units, households, renters, vacancies, and foreclosures. Since households and units produced similar results in the models, units were excluded (because households was slightly more statistically significant). Household income was positively correlated to home values and rents, but negatively correlated to the percent of families below the poverty level and unemployment. Despite the correlation between household income and the percent of families below the poverty level, both were included in the regression models because they reveal different neighborhood and socioeconomic characteristics. In the regression models, the variables, household income squared and the log of income, were tested but did not produce more robust results than median household income.

Table 3-8 is the full logistic regression model with all of the independent variables. The adjusted difference in the probability of survival is estimated using the following equation:

$$\Delta P = \beta (p(1-p)) * \Delta X$$

ΔP is the adjusted difference in the probability of survival; β is the estimated coefficient; p is the percentage of NHDOS that survived; and ΔX is the unit change of variable X .

Some variables were scaled to flatten the distribution and reduce the effects of outliers. Scaling is indicated in the regression model tables. For the 2000 cohort, there were 775 NHDOS

(less than 801 due to some missing foreclosure data). NHDOs that were predominately developing rental housing or senior housing were more likely to survive by about 17% and 13%, compared to general housing developers. There was no statistically significant difference between regions and survival. The high coefficient and standard error for the Northern CA Non-Metro region is probably due to the small sample size of only 24 NHDOs located in this region.

Consistent with other studies and the hypothesized assumption, older organizations were more likely to survive. However, age had a marginal effect on survival and declines as the organizations get older, which is indicated by the age squared variable (and captures nonlinear effects). Age squared was determined by squaring the age in 2000 and dividing by 100. The age squared variable was negatively associated with survival. As the organization ages, it may begin to have difficulty surviving. Each year that the NHDOs aged, they had a small increased chance of survival by about 1%. When the NHDO reached about 25 years old,²⁴ their chance of survival began to decrease by about 2%.

As predicted, employee salaries were positively associated with survival. For every \$100,000 more in salaries, the likelihood of survival increased by 1%. Contrary to the hypothesis, NHDOs were less likely to survive if they had a higher percentage of direct public support (at the .10 level). For every percentage increase in government support, NHDOs were less likely to survive by about 0.1%.

Two out of the ten contextual variables were statistically significant, and outcomes for these two variables were contrary to the hypotheses. The hypothesized assumption was that NHDOs would perform well in dense areas with greater affordable housing needs; however, these developers may not have the resources to meet those needs. NHDOs were less likely to survive in counties with a high number of households (at the .10 level). For every 10,000

²⁴ This was computed through an age simulation model with the coefficients of age and age squared.

increase in households, NHDOs were 0.1% less likely to survive. NHDOs had a lower chance of survival in counties with a high percentage of vacancies, which may indicate a surplus of housing supply and lower rents. For every percentage increase of vacancies, the NHDOs' likelihood of survival decreased by about 4%.

Table 3-8: Logistic Regression Results. Dependent Variable: NHDOs Survival.

	Coefficient	S.E.	Odds Ratio
Intercept	3.528	4.349	
Organizational Variables:			
NTEE-CC L20 Housing Development (a)			
NTEE-CC L21 Rental Housing	0.941 ***	0.272	2.562
NTEE-CC L22 Senior Housing	0.735 ***	0.223	2.085
NTEE-CC L24 Housing for Disabled	0.492	0.553	
Region 1 Greater Los Angeles (a)			
Region 2 San Francisco Bay Area	0.566	0.690	
Region 3 San Joaquin Valley	-2.179	1.412	
Region 4 San Diego	-0.912	0.602	
Region 5 Sacramento Metropolitan	-0.404	0.700	
Region 6 Central Coast Metropolitan	-0.142	1.007	
Region 7 Northern CA Non-Metropolitan	14.704	556.100	
Total Revenue in 2000 (2010\$) (x100k)	-0.006	0.005	
Age of Organization	0.054 **	0.021	1.056
Age Squared (divided by 100)	-0.119 ***	0.043	0.888
Employee Salaries (2010\$) (x100k)	0.074 **	0.036	1.077
Percent Direct Public Support (2010\$)	-0.005 *	0.003	0.995
Contextual Variables:			
Households (x10k)	-0.008 *	0.004	0.992
Renters per Households	-0.044	0.034	
Home Value (2010\$) (x10k)	0.048	0.068	
Rent (2010\$)	0.002	0.005	
Percent of Vacancies	-0.235 **	0.093	0.790
Units constructed in past 5 yrs. (x10k)	0.233	0.182	
Household Income (2010\$) (x10k)	-0.780	0.565	
Percent of Families below the Poverty Level	0.117	0.213	
Percent Unemployment	0.105	0.560	
Foreclosures per Household (b)	0.746	1.505	
Likelihood Ratio	75.729 ***		
Number of Observations	775		

* $p < .10$, ** $p < .05$, *** $p < .01$

(a) Reference group

(b) Some missing data for foreclosures in 2000

Table 3-9 shows the parsimonious logistic regression results. Since the foreclosure variable with missing data was excluded, a total of 801 NHDOs was included in the model.

NHDO that were predominately developing rental housing and senior housing were 15% and 11% more likely to survive. Since the bivariate analysis determined that the San Joaquin Valley region had lower survival rates, this variable was included in the logistic parsimonious models.²⁵ Regarding regional differences, NHDOs in the San Joaquin Valley region were less likely to survive, by about 21%. San Joaquin Valley was an area hard hit by the housing and economic crises and has high foreclosure and unemployment rates. This is further discussed in the qualitative chapter.

Age and salaries positively affected survival. As NHDOs aged each year, they had a small percentage increase chance of surviving by about 1%; however, age had a marginal effect. When the NHDO reached around age 25, their likelihood of survival began to decrease by about 2%. Employee salaries were positively related to survival (at the .10 level). For every \$100,000 increase in salaries, NHDOs' chance of survival increased by about 1%. On the other hand, government support had a negative effect on survival (at the .10 level). For every percentage increase of direct public support, NHDOs' likelihood of survival decreased by about 0.1%.

Only two out of ten contextual variables were statistically significant.²⁶ The coefficient, percent of vacancy, was negative. For every vacancy rate percentage increase, the survival rate decreased by 1%. The coefficient for families below the poverty level was positive (at the .10 level). NHDOs' survival rate increased by 1% for each percentage increase of the poverty rate. Counties with high poverty rates may have residents with greater needs for affordable housing.

²⁵ When I ran the full logistic model with the outlier from the Sacramento region, the San Joaquin Valley region coefficient was negative and was statistically significant at the .05 level.

²⁶ By adding the San Joaquin Valley region variable into the parsimonious logistic model, then the households variable was insignificant (and excluded) and the poverty rate variable was statistically significant (and included).

Table 3-9: Parsimonious Logistic Regression Results by Region. Dependent Variable: NHDOs Survival.

	All Regions			Los Angeles Region			San Francisco Region			Other Regions		
	Coeff.	S.E.	Odds Ratio	Coeff.	S.E.	Odds Ratio	Coeff.	S.E.	Odds Ratio	Coeff.	S.E.	Odds Ratio
Intercept	0.413	0.325		0.098	0.854		1.373 *	0.792		-1.045	0.887	
Organizational Variables:												
NTEE-CC L21 Rental Housing	0.867 ***	0.254	2.381	0.543	0.435		1.163 **	0.481	3.200	0.508	0.455	
NTEE-CC L22 Senior Housing	0.601 ***	0.202	1.824	0.483	0.351		0.855 **	0.355	2.351	0.236	0.390	
Region 3 San Joaquin Valley	-1.189 ***	0.373	0.305							-1.723 **	0.696	1.073
Age of Organization	0.056 ***	0.020	1.058	0.057	0.038		0.036	0.034		0.071 *	0.041	0.913
Age Squared (divided by 100)	-0.120 ***	0.041	0.887	-0.116	0.093		-0.107 *	0.062	1.061	-0.091	0.092	
Employee Salaries (2010\$) (x100k)	0.041 *	0.024	1.042	0.095	0.071		0.060	0.053		0.020	0.029	
Percent Direct Public Support (2010\$)	-0.004 *	0.003	0.996	-0.014 ***	0.005	0.986	-0.002	0.003		0.005	0.006	
Contextual Variables:												
Percent of Vacancies	-0.078 ***	0.030	0.925	-0.002	0.057		-0.147	0.134		-0.078 *	0.045	0.925
Percent of Families below the Poverty Level	0.044 *	0.024	1.045	0.054	0.055		-0.039	0.095		0.159 **	0.081	1.172
Likelihood Ratio	56.027 ***			24.458 ***			17.622 **			19.006 **		
Number of Observations	801			343			273			185		

*p < .10, **p < .05, ***p < .01

Table 3-9 includes parsimonious logistic regressions for the Los Angeles region, San Francisco region, and all other regions (regions 3-7). In the Los Angeles region, the percent of direct public support was the only statistically significant variable. This variable had a negative association with survival. NHDOs with more government support were more likely to be terminated by about 0.3%.

In the San Francisco region, rental housing and senior housing were positively associated with survival. NHDOs developing rental housing had a 21% higher chance of survival, and those developing senior housing were more likely to survive by 15%. Age squared was negatively associated (at the .10 level).

Among the other regions, NHDOs in San Joaquin were less likely to survive by 31%. The age of the organization was positively associated with NHDOs survival in the other regions (at the .10 level). The percent of vacancies was negatively associated with survival (at the .10 level); whereas, the percent of families below the poverty level was positively associated in these regions. NHDOs in counties with a high percentage of families below the poverty level were more likely to survive by 3%.

OLS Regression for Revenue

The OLS regression models determined factors that influenced NHDOs' revenue for the year 2010 for NHDOs that survived the ten-year period.²⁷ The dependent variable of revenue in 2010 was scaled by \$1 million. There was significant collinearity between the following independent variables: units, households, renters, vacancies, and foreclosures. Since both households and units had similar results in the regression model, only households were included in the model.

Table 3-10 is the full OLS regression model. From 2000-2010, there were 599 NHDOs that survived and had foreclosure data. There was a statistically significant correlation between the type of housing developed by the NHDO and their revenue in 2010 (at the .10 level). NHDOs that predominately developed senior housing had lower revenue, by about \$379,000, in comparison to general housing developers. Two of the regions, San Francisco and Sacramento, had NHDOs with lower revenue compared to the Los Angeles region. San Francisco NHDOs had about \$1.7 million less revenue and Sacramento NHDOs had about \$2.3 million less.²⁸

²⁷ I ran the full OLS regression models for the log of revenue and the revenue squared (as the dependent variable), but these produced similar results. In addition, I ran the OLS regression models for change in revenue (as the dependent variable), and the results were similar. There were two differences: (1) the sign for total revenue in 2000 (in 2010\$) changed to a negative; and (2) in San Francisco region and other regions 3-7, total revenue did not affect revenue change (and was statistically insignificant). It is expected that the total revenue in 2000 coefficient would be negative because of the following regression formulas for revenue, $R_t = \alpha + \beta R_{t-1} + \gamma X + \epsilon_t$, and change in revenue, $(R_t - R_{t-1}) = \alpha + (\beta - 1)R_{t-1} + \gamma X + \epsilon_t$. In these formulas, R_t =revenue in 2010; α =the intercept; β =vector of coefficients each denoting the slope or the rate of change in the dependent variable for a one-unit change in R_{t-1} ; R_{t-1} =revenue in 2000; γ =vector of coefficients each denoting the slope or the rate of change in the dependent variable for a one-unit change in X ; X =vector of covariates; and ϵ_t =error term. The model for revenue, the coefficient for total revenue in 2000 is .622 (after adjusting for scaling). If you subtract past revenue from both sides of the equation, then the equation would be $(.622) * (R_{t-1} - 1) * (R_{t-1}) = (-.378) * (R_{t-1})$. For the revenue change model, the coefficient on total revenue in 2000 is (-.378), which confirms the model is the same except that the coefficient for revenue in 2000 should be less than zero (negative). The full model using the dependent variable, change in revenue, had a lower adjusted r-square at 0.19, compared to the model using revenue as the dependent variable.

²⁸ These results do not account for the one NHDO that was excluded from the Sacramento region because the total revenue in 2000 exceeded \$180 million (in 2010\$). I ran the OLS full regression model with the outlier, and the Sacramento region coefficient was negative and statistically significant at the .10 level.

As predicted, revenue and salaries in the base year had a positive relationship to revenue in 2010. The higher the NHDOs' revenue in 2000, then the more likely revenue in 2010 would be higher.²⁹ For every \$100,000 more revenue in 2000, NHDOs had about \$62,000 more revenue in 2010. NHDOs had higher revenue in 2010 by about \$193,000, for every \$100,000 more in salaries in 2000.

Contrary to the hypothesized assumption, direct public support is negatively associated with revenue in 2010. For every \$100,000 increase in government support, NHDOs had about \$123,000 less revenue in 2010. Since this variable is also negatively associated with survival, the dependency on government funding sources may put NHDOs at risk of survival and funding stability. This is further discussed in Chapter 4: Qualitative Interviews.

Five out of ten contextual variables were statistically significant. NHDOs tended to have more revenue in counties with higher renters per household and household income. NHDOs typically had less revenue in counties with higher home values, more newly constructed units, and higher unemployment.

Each percent change in renters per household, resulted in nearly \$69,000 more revenue in 2010 (at the .10 level). This was consistent with the a priori assumption that NHDOs would perform well in dense areas. Home value was hypothesized to have a positive relationship to revenue, but this was not validated by the regression results. For every \$10,000 increase in home value, revenue decreased by approximately \$140,000. Although high home values, may

²⁹ I created categorical variables for the independent variable of revenue in 2000, which enable me to test for nonlinear effects of size. NHDOs were divided into three revenue categories--high, medium, and low--representing large, medium, and small organizations. These categorical variables produced similar results to the total revenue in 2000 variable. Based on preliminary testing, I opted to use the continuous variable of total revenue in the regression models. In another model, I excluded the independent variable revenue in 2000 and ran the OLS regression model. Results were similar, but the coefficient for the direct public support changed to a positive sign ($p\text{-value} < .05$).

indicate an increased need for affordable housing, NHDOs may not be able to meet those demands.

Units constructed (in the past 5 years), household income, and unemployment were assumed to have offsetting effects. For every newly constructed unit, revenue decreased by about \$485,000. This variable was positively associated with survival, but not with revenue (as was assumed to be offsetting). For every \$10,000 increase in household income, revenue increased by about \$1.9 million. Counties with more affluent residents may also be where NHDOs can access resources and solidify funding. For every percent increase of unemployment rate, revenue decreased by about \$1.1 million (at the .10 level). Counties with high unemployment may have residents with greater needs for affordable housing, but NHDOs in the area may not have the resources to fulfill those needs.

Table 3-10: OLS Regression Results. Dependent Variable: Survived NHDOs Revenue in 2010.

	Coefficient	S.E.
Intercept (x1,000k)	-3.321	4.091
Organizational Variables:		
NTEE-CC L20 Housing Development (a)		
NTEE-CC L21 Rental Housing	0.133	0.238
NTEE-CC L22 Senior Housing	-0.379 *	0.208
NTEE-CC L24 Housing for Disabled	-0.680	0.492
Region 1 Greater Los Angeles (a)		
Region 2 San Francisco Bay Area	-1.746 ***	0.605
Region 3 San Joaquin Valley	0.010	1.604
Region 4 San Diego	0.480	0.603
Region 5 Sacramento Metropolitan	-2.312 ***	0.721
Region 6 Central Coast Metropolitan	-0.634	0.984
Region 7 Northern CA Non-Metropolitan	-3.325	2.322
Total Revenue in 2000 (2010\$) (x100k)	0.062 ***	0.005
Age of Organization	-0.016	0.019
Age Squared (divided by 100)	0.017	0.040
Employee Salaries (2010\$) (x100k)	0.193 ***	0.022
Direct Public Support (2010\$) (x100k)	-0.123 ***	0.018
Contextual Variables:		
Households (x10k)	0.006	0.005
Renters per Households	0.069 *	0.036
Home Value (2010\$) (x10k)	-0.140 **	0.063
Rent (2010\$)	-0.004	0.005
Percent of Vacancies	0.146	0.124
Units constructed in past 5 yrs. (x10k)	-0.485 ***	0.172
Household Income (2010\$) (x10k)	1.937 ***	0.665
Percent of Families below the Poverty Level	0.271	0.258
Percent Unemployment	-1.097 *	0.602
Foreclosures per Household (b)	-0.522	1.595
Adjusted R-squared	0.641	
Number of Observations	599	

* $p < .10$, ** $p < .05$, *** $p < .01$

(a) Reference group

(b) Some missing data for foreclosures in 2000

Table 3-11 is the parsimonious OLS regression model, which also examines separate within region results. This model included 618 NHDOs that survived (and excluded the

foreclosure variable with missing data). The variable senior housing was statistically significant and the coefficient was negative. Thus, NHDOs that were predominately developing senior housing had about \$561,000 less revenue in 2010. NHDOs located in Sacramento tended to have approximately \$1 million less revenue.³⁰ In the OLS parsimonious model, the San Francisco region variable was not statistically significant at the .05 level and was excluded from these models.

Both revenue and salaries positively affected NHDOs' revenue in 2010. For every \$100,000 revenue increase, NHDOs had a \$66,000 increase in revenue. For every \$100,000 more in salaries, there was about \$183,000 increase in revenue. On the other hand, government support negatively affected revenue. For every \$100,000 increase in direct public support, there was a \$126,000 decrease in revenue.

Home value and household income were the two statistically significant contextual variables.³¹ NHDOs revenue decreased by about \$34,000. For every \$10,000 increase in household income, NHDOs revenue increased by about \$295,000.

³⁰ These results do not account for the one NHDO that was excluded from the Sacramento region because the total revenue in 2000 exceeded \$180 million (in 2010\$). I ran the OLS parsimonious regression model for all regions with the outlier, the Sacramento region coefficient was negative and statistically significant at the .10 level.

³¹ By excluding the independent variable of San Francisco region (which was statistically insignificant at the .05 level), the county characteristics (or contextual) variables of renters, units newly constructed, and unemployment became statistically insignificant and were also excluded from the OLS parsimonious models.

Table 3-11: Parsimonious OLS Regression Results by Region. Dependent Variable: NHDOs Revenue in 2010.

	All Regions		Los Angeles Region		San Francisco Region		Other Regions	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Intercept (x1,000k)	-0.093	0.456	-0.679	1.044	0.617	0.863	-1.045	1.778
Organizational Variables:								
NTEE-CC L22 Senior Housing	-0.561 ***	0.156	-0.386	0.249	-0.508 **	0.228	-0.383	0.347
Region 5 Sacramento Metropolitan	-1.006 ***	0.385					-0.993 **	0.489
Total Revenue in 2000 (2010\$) (x100k)	0.066 ***	0.005	0.059 ***	0.006	0.104 ***	0.011	0.066 ***	0.025
Employee Salaries (2010\$) (x100k)	0.183 ***	0.021	0.236 ***	0.030	0.111 ***	0.038	0.083	0.071
Direct Public Support (2010\$) (x100k)	-0.126 ***	0.017	0.102	0.070	0.022	0.045	-0.091 **	0.041
Contextual Variables:								
Home Value (2010\$) (x10k)	-0.034 ***	0.012	-0.145 ***	0.045	-0.005	0.013	-0.056	0.050
Household Income (2010\$) (x10k)	0.295 ***	0.113	0.859 ***	0.234	-0.016	0.132	0.581	0.503
Adjusted R-squared	0.637		0.708		0.610		0.628	
Number of Observations	618		282		214		122	

* $p < .10$, ** $p < .05$, *** $p < .01$

In Table 3-11, parsimonious OLS regressions results are displayed for the Los Angeles region, San Francisco region, and all other regions 3-7. NHDOs in the Los Angeles region typically had more revenue in 2010, if their revenue in 2000 and employee salaries were higher. For every \$100,000 more in 2000 revenue, 2010 revenue increased by about \$59,000. For every \$10,000 increase in salaries, NHDOs' revenue was about \$236,000 more. For the contextual variables, NHDOs tended to have less revenue in counties with higher home values, but more revenue in counties with higher household income. For every \$10,000 increase in home value in the county, NHDOs' revenue decreased by about \$145,000. NHDO's revenue increased by about \$859,000 more, for every \$10,000 increase of household income in the county.

In the San Francisco region, NHDOs that were predominately developing senior housing had about \$508,000 less revenue in 2010. For every \$100,000 increase in revenue, NHDOs had about \$104,000 more revenue in 2010. For every \$100,000 of increased salaries, NHDOs had more revenue by about \$110,000.

For the other regions, NHDOs' revenues were nearly \$1 million less if located in the Sacramento region. NHDOs with higher revenue in 2000 had higher revenue in 2010. For every \$100,000 increase in 2000 revenue, NHDOs in regions 3-7 had about a \$66,000 increase in 2010 revenue. NHDOs were less likely to have higher revenue if they received government support; for every \$100,000 increase of government support, revenue decreased by about \$91,000.

Quantitative Summary of Findings

This section provides a summary of findings for the bivariate and multivariate analysis. The bivariate results indicated that survival rates are affected by the type of housing developed by the NHDO. The region, employee salaries, and the percentage of direct public (government) support also influence a NHDO's survival. In regards to contextual variables, survival rates differed depending on households, units, renters, vacancy rate, and units built in the past five years (1995-2000) in the county.

The logistic regression model determined that the type of housing developed by the NHDOs affected survival. In the parsimonious logistic models, the San Joaquin Valley region was negatively associated with survival. Age of the organization and employee salaries were positively associated with survival; however, the percentage of government support was negatively associated with survival. Only a few contextual variables influenced survival. The variables, households and vacancy rates, had negative coefficients, but poverty rate had a positive coefficient.

From the OLS regression models, I found that the type of housing and the region affected revenue in 2010. Revenue and salaries in the baseline year of 2000 had positive coefficients, but government support had a negative coefficient. The contextual variables that positively affected revenue were renters and household income; whereas, home value, newly built units, and unemployment negatively affected revenue.

Organizational Characteristics

Type of Development – The bivariate results revealed that type of housing does affect NHDOs' survival. NHDOs that were general housing developers had a lower survival rate at 67%. According to the bivariate and logistic regression results, NHDOs predominately developing rental housing and senior housing are more likely to survive in all the regions and

the San Francisco region. If a NHDO predominately was developing senior housing, they tended to have less revenue in all regions and in the San Francisco region.

Regions – There were regional differences in survival rates, which may also prove agglomeration effects. The majority of NHDOs were located in the Los Angeles (43%) and San Francisco (34%) regions. These regions had higher percentages of NHDOs that survived at 82% and 78%, respectively. In contrast, the San Joaquin Valley region had the lowest survival rate at 57%. In the logistic full model, there were no statistically significant regional differences. The parsimonious logistic model showed that NHDOs in the San Joaquin Valley region were less likely to survive. NHDOs in the San Francisco and Sacramento regions each had less revenue compared to NHDOs in the Los Angeles regions. In the parsimonious OLS model, only the Sacramento region was statistically significant and had a negative coefficient.

Revenue – Contradictory to a priori assumption, revenue in 2000 did not affect survival. As expected, revenue in 2000 did affect revenue in 2010. NHDOs with higher revenue in 2000 had higher revenue in 2010. This was true for the full model and all of the parsimonious models.

Age – The organizations' age had a positive (but marginal) effect on survival in the logistic regression models. Therefore, older organizations were more likely to survive, which is consistent with existing literature. If an organization survives, it may struggle to sustain over time. Age did not have a statistically significant effect on revenue.

Staff – According to the bivariate results, NHDOs that survived had an average of about 66% higher employee salaries compared to NHDOs that were terminated. In the regression results, staff (as indicated by salaries) had a statistically significant positive effect on survival for all regions and the Los Angeles region. Organizations with more paid staff tended to have higher revenue (for all regions and other regions 3-7). This validates the hypothesis that organizations with more staff would have a higher chance of survival and more revenue.

Government funding – An unexpected finding was that NHDOs with more direct public (government) support had a lower chance of survival and had less revenue. The bivariate analysis found: NHDOs that survived had 8 percentage points less of government support per total revenue, compared to terminated developers. The regression models also indicated that in all regions and the Los Angeles region, NHDOs with a higher percentage of government support were less likely to survive. In all regions and other regions, a higher estimated amount of direct public support had a negative effect on revenue.

County Characteristics

Trends among the county characteristics (or contextual variables) were difficult to identify, perhaps, because there was not enough variation within a region. In addition, the data were aggregated by county, and there were only 58 counties statewide. In the future, the data may need to be analyzed on a different geographic level. There are also collinearity effects amongst many of the variables related to households, units, income, poverty rate, etc.

The bivariate analysis proved that NHDOs had higher survival rates in counties with higher numbers or percentages of the following variables: households, housing units, percent of renters per household, and newly constructed units (built in the past five years). In contrast, counties with a lower percentage of vacancies had higher survival rates. The t-test on the means was statistically significant for these variables.

From the logistic regression models, I determined that two contextual variables, households and percent of vacancies, had a negative effect on survival, and one contextual variable, poverty rate, had a positive effect. From the OLS regression models, two contextual variables had a positive effect on revenue and three had a negative effect. Renters per household and household income positively affected revenue. Home value, newly constructed units, and unemployment had a negative effect. For the parsimonious models, only the

variables, home values and household income, were statistically significant in all regions and the Los Angeles region.

NHDOs are similar to for-profit entities and other nonprofits in that larger, older organizations with more staff tend to have higher survival rates. If the organization survives, it may experience difficulty surviving after 25 years or more. As expected, organizations with more revenue in the baseline year of 2000 were more likely to have revenue ten years later. Yet, revenue did not affect survival. The type of housing and location of the NHDOs did affect survival and revenue. NHDOs that were predominately general housing developers had lower survival rates. For those NHDOs that predominately developed rental and senior housing, they were more likely to survive. Yet, organizations that were developing senior housing tended to have less revenue. Nonprofit developers in the San Joaquin Valley region had lower survival rates. NHDOs had a better chance of survival in large, urban areas with many other nonprofit developers, such as the Los Angeles and San Francisco regions. This finding may be an indicator of agglomeration effects, which also influence survival and performance. In the Sacramento and San Francisco region, these NHDOs typically had less revenue than nonprofit developers in the Los Angeles region. NHDOs with higher amounts and percentages of government funding had a lower chance of survival and had less revenue. This finding may substantiate that government funds decreased or were unstable during this time period, which is further discussed in Chapter 4: Qualitative Interviews.

This chapter offered insights on hypotheses related to type of development, regional variances, organizational structure, and funding. The following Chapter 4: Qualitative Interviews will provide additional information on these variables. The quantitative chapter did not have detailed information about management, staff capacity, organizational change, adaptation, and entrepreneurship, and are further addressed in Chapter 4.

Chapter 4: Qualitative Interviews

Eighteen interviews were conducted to determine how and why nonprofit housing development organizations (NHDOs) experienced variations in survival and funding during the ten-year period of 2000-2010. Thirteen interviews were with Executive Directors (EDs) and/or managers from NHDOs, and five interviews were with EDs from regional housing associations.³² There are many factors that cannot be determined by the quantitative research with available data, such as the internal structure of organizations and management decisions. This qualitative research identified reasons why some NHDOs survived and thrived, and others did not. This research determined three main factors that increased the NHDOs' survival and performance: (1) diversifying revenue sources, (2) implementing adaptive management, and (3) establishing joint ventures and mergers.

Housing Associations Overview

All five of the housing associations interviewed provided: advocacy for affordable housing, technical assistance, trainings, and networking opportunities for their members. Most of the housing associations organized large conferences for their members and other affiliates. One housing association ED described his/her organization as the NHDOs' "eyes and ears at the regional, state, and federal level." Another ED proclaimed their organization as a "quasi-trade association."

The age of the housing associations (number of years in operation) was about 30 years. The average number of staff was about seven persons, excluding consultants and some interns. These associations have an average of 370 members. Members primarily include developers, but also state and local government representatives, lenders, consultants, intermediaries, architects, service providers, legal aid, etc.

³² One interview included the executive director and a board member of a housing association.

Two of the associations were statewide and served both rural and urban areas. Two associations were regional and served 5-9 counties, and one association only served one county. A regional housing association ED said that they provided assistance statewide because “we don’t turn anybody down that wants help.” One of the statewide associations worked specifically in rural areas and the populations that they served were immigrants, farmworkers, and Native American tribes.

NHDOs Overview

In 2000, there were overall 801 NHDOs in California.³³ A total of 43% was from the Los Angeles region, 34% was from the San Francisco region, and 23% were from other regions (regions 3-7). I interviewed a total of 13 NHDOs: 38% from the Los Angeles region, 23% from the San Francisco region, and 38% from other regions. Several NHDOs were interviewed in regions 3-7 because many organizations from those regions were terminated or financially struggling.

Finding managers or staff from terminated organizations was difficult. For the 2000 cohort of NHDOs, 23% were terminated. Ten of the interviews were with executive directors or managers of strong organizations that grew in staff and units produced during the 2000-2010 period (Table 4-12). Five of these strong organizations were considered large because they reported having staff of 100 or more. Amongst the ten strong organizations, four of them merged and acquired the portfolio of another NHDOs. The organizations that obtained the portfolios were experienced NHDOs with 20 or more staff in urban cities. Amongst the remaining interviewees, two merged with another organization and one was struggling with financial and management issues.³⁴ The developers who transferred their portfolios tended to be small or medium-sized organizations from both urban and outer suburban areas with a wide range of years of experience.

³³ The data source was the Internal Revenue Service (IRS) 990 and 990EZ tax forms.

³⁴ One person interviewed had worked with two different nonprofit housing development organizations and discussed their experience with both organizations. One NHDO was terminated and one was struggling.

Table 4-12: Nonprofit Housing Development Organizations Interviews

NHDO Category	Merged	Location
5 large, strong NHDOs	3 merged	2 from Bay Area 2 from Los Angeles 1 national
5 strong NHDOs	1 merged	2 from Los Angeles 2 from San Diego 1 from San Joaquin Valley
3 struggled financially or were terminated	2 merged	2 from Bay Area 1 from San Joaquin Valley

Note: Large NHDOs had staff of 100 or more. Strong organizations grew in staff and units during the years 2000-2010.

Source: NHDOs Interviews

Table 4-13 lists some additional descriptive data on the NHDOs interviewed. Ten out of 13 NHDOs interviewed were primarily developing housing. For the three NHDOs that were not primarily developing housing, they focused more on community development or other services. For these organizations, housing development was a smaller percentage of their overall budget. All of the NHDOs interviewed provided other programs and services, which ranged from resident services, social services, property management, community development, community organizing, financial or real estate counseling to childcare services.

Table 4-13: NHDOs Interviews Descriptive Data

NHDOs Interviews (N=13)	Number or Average
Region 1 Los Angeles	5
Region 2 San Francisco	3
Regions 3-7 Other Regions	5
Primarily developing housing	10
Not primarily developing housing	3
Serve one neighborhood	1
Serve several neighborhoods	12
Managers and staff, 2000	41 average
Managers and staff, 2010 or 2014	107 average
Housing units, 2000	1,252 average
Housing units, 2010 or 2014	1,978 average
Operating budget, 2014	\$9.1 million average
Development budget, 2014	\$37.3 million average

Source: NHDOs Interviews

Geographic Service Area

All but one of the NHDOs interviewed were serving two or more neighborhoods. Ten of the organizations were regional and served multiple cities. Only one of the NHDOs was national. After the Great Recession, about half of the NHDOs interviewed expanded their geographic area where they developed housing. For example, a Los Angeles-based NHDO providing supportive housing decided not to “put all [their] eggs in one basket in Los Angeles” and started developing in Orange County.

Staff

The majority of the organizations interviewed (8 out of 13) had a staff of 21-100 persons. Four NHDOs had over 100 staff persons, and only 1 organization had a small staff of less than

20 persons.³⁵ In 2000, the average number of managers and staff for the NHDOs interviewed were 41 (8 answered this question). Currently as of 2014, the average staff was about 107 (all NHDOs interviewees responded to this question).³⁶ About half of NHDOs' staff numbers increased from 2000-2010, but this does not tell the whole story because several NHDOs laid off staff after the housing crisis around 2008. Half of the NHDOs interviewed stated that they had staff layoffs or did not fill vacant positions. In addition, one NHDO reduced salary increases. As one housing association ED explained, many NHDOs "quietly did huge reductions in forces." Later in this chapter, staff layoffs and retention are discussed in greater detail.

One of the regional housing associations' EDs described the "big five" nonprofit housing developers, Bridge, Mid-Peninsula, Eden, Mercy, and Ecumenical Association for Housing (EAH), with staff of 200-300 persons. Then, there were second tier or medium sized organizations with staff of 100-200. The third tier were smaller organizations with staff under 100 persons. Another regional housing association ED stated that their NHDOs tended to be smaller and typically had 20 staff persons.

Housing Development

About half of the NHDOs interviewed had developed over 2,000 units by 2014 (6 out of 12; one NHDO did not respond to this question). The remaining half of the NHDOs developed between 501-2,000 units. For the NHDOs interviewed, the average number of housing units developed in 2000 was about 1,250 (9 responded to this question). As of 2014,³⁷ the average number of housing units developed was nearly 1,980 (12 responded to this question). All of the NHDOs increased the number of housing units developed during this ten-year period. The majority of the NHDOs stated that they had housing in the pipeline (projects under construction)

³⁵ This interviewee may have answered the question regarding housing development staff only, rather than overall staff organization-wide.

³⁶ Eleven interviewees stated staff estimates for 2014. Two interviewees stated staff estimates for 2010 that were also incorporated for the average.

³⁷ Eight interviewees stated the estimated number of housing units developed for 2014. Four interviewees stated housing units developed estimates for 2010 that were also incorporated for the average.

or admitted that their pipeline had dramatically slowed down, many because of the California Redevelopment Agency's (RDA) demise in 2012, which is discussed later in this chapter.³⁸

Two-thirds of the NHDOs created limited partnerships for their housing development projects (10 out of 13). This arrangement is most commonly used for the Low Income Housing Tax Credit (LIHTC) program, which is described in more detail in the section on Funding. Four NHDOs created limited liability corporations. Three NHDOs had single asset corporations.

Nearly half of the NHDOs interviewed were managing some of their units and had hired property management companies for the other units (6 out of 13). Four NHDOs interviewed were managing all of their units.

Target Populations

Some of the NHDOs targeted their programs for specific populations, such as special needs, seniors, specific racial/ethnic groups, and low-income populations (such as those earning below 30% of area median income). The average number of persons served was about 5,000 (only 7 out of 13 NHDOs responded to this question). Some NHDOs had an estimated total number of clients assisted and others used a ratio, i.e. three persons per unit. The majority of NHDOs interviewed were developing senior housing (9), family housing (7), homeless housing (7), and/or transitional aged youth³⁹ (TAY) housing (6). Some of the NHDOs interviewed were developing permanent supportive housing (4), special needs housing or housing for developmentally or mentally disabled (3), mixed-use⁴⁰ (3), and mixed-income populations (2). Other types of housing mentioned were for persons with AIDS, farmworkers, immigrants, and drug/alcohol treatment patients.

³⁸ The California Department of Finance's Redevelopment Agency funds were dissolved as of February 1, 2012. The passage of Assembly Bill 26 resulted in the dissolution of the state's 400 plus RDAs. According to the California Department of Finance, property tax revenues from the elimination of RDAs are now being used to pay required payments on existing bonds, other obligations, and pass-through payments to local governments (State of California Department of Finance, 2015).

³⁹ Transitional Aged Youth (TAY) are persons typically age 16-24 who were formerly in foster care or juvenile detention facilities (Youth.gov, 2015).

⁴⁰ Mixed-use development projects may include commercial and residential land uses. For example, some recreation centers or childcare centers may be developed on-site with residential units.

Funding Sources

Ten NHDOs provided information regarding their annual operating budgets, which were an average of \$9.1 million.⁴¹ For many NHDOs the operating budget was for staffing and administration costs and each property had a separate operating budget. Seven NHDOs provided information on their development budget. The average development budget was \$37.3 million. Many of the interviewees said that the budgets varied by project.

From the interviewees, sources of revenue were from: development fees; property management fees; donations, fundraising, and philanthropy; and other lines of business, e.g. architecture fees. The most common funding sources mentioned in interviews were:

1. Federal funding from U.S. Department of Housing and Urban Development (HUD) (13 responses) – HOME, Community Development Block Grant (CDBG), Section 8 housing vouchers, McKinney-Vento homeless funds, and Neighborhood Stabilization Program (NSP),
2. Property management fees and rent (8 responses) – these are typically earmarked for the property,
3. State funding (8 responses) – state bonds, Proposition 1C, Proposition 46, and CalHOME,
4. Low Income Housing Tax Credits (LIHTCs) (7 responses), and
5. California Redevelopment Agency (RDA) funding (7 responses).

Table 1-14 includes a list of the NHDOs interviewees' most common government funding sources. Refer to the Glossary for additional information about these funding sources.

⁴¹ One NHDOs provided information only on the operating budget for the housing development department and not for the overall organization's national operating budget.

Table 4-14: NHDOs Government Funding Sources

Funding Source	Federal/State	Date Established
Community Development Block Grant (CDBG)	Federal	1974
Community Reinvestment Act (CRA)	Federal	1977
HOME Investment Partnerships Program (“HOME”)	Federal	1990
Housing Opportunities for Persons With AIDS (HOPWA) Program	Federal	1990
McKinney–Vento Homeless Assistance Programs	Federal	1987
Neighborhood Stabilization Program (NSP)	Federal	2008
Section 8 Housing Voucher Program	Federal	1937
The Department of Housing and Urban Development –Veterans Affairs Supportive Housing (HUD-VASH) Program	Federal	2008
California Greenhouse Gas Cap-and-Trade Program (AB 32, AB 1532, SB 535 and SB 375)	State	2006
California Proposition 46, Bonds for Housing Projects	State	2002
California Redevelopment Agency (RDA)	State	1945
California State CalHOME Program	State	2000
Low Income Housing Tax Credit (LIHTC)	State	1986
Mental Health Services Act (MHSA) Proposition 63	State	2004
Proposition 1C, Housing and Emergency Shelter Trust Fund Act of 2006	State	2006
Senate Bill-391 California Homes and Jobs Act of 2013 (formerly Assembly Bill 1220)	State	2013

Source: NHDOs Interviews

According to the interviewee at a national NHDO, they use “everything, anything we can find” as funding for housing development.

On average, the cost per unit was about \$362,000 (eight NHDOs responded to this question). The majority of interviewees stated that the average cost per unit was about \$400,000, but there were regional differences. One San Diego NHDO ED stated that the

average cost per unit was about \$225,000. The national NHDO explained how San Francisco's average cost per unit tended to be higher at about \$550,000 and Sacramento's was about \$300,000.

The majority of interviewees stated that the project costs often vary for numerous reasons, such as the location, topography (e.g. on a hillside or need to level land), density, rehabilitation, historic preservation, remediating environmental hazards, tenant population, city requirements (e.g. fire sprinklers), etc. A couple of NHDOs interviewees mentioned how parking drives costs up and makes a "humongous difference" especially if you need underground parking. According to the ED at a statewide housing association, development costs always vary because "there's always a story."

An ED from a San Joaquin Valley-based NHDO explained how the costs to develop housing varied pending on what you are building. Their tax credit projects are typically \$260,000 to \$320,000 per unit. They were not building very many single-family homes because an affordable home needs to cost less than \$170,000 and building permits alone can cost up to \$50,000 per unit. S/he exclaimed, "You start adding up all of those and pretty soon there's just no money left to really build the home."

Housing and Economic Crises

The Great Recession affected both NHDOs and their clients. The volatile real estate market coupled with the economic crisis resulted in financial instability for many communities. In this section, I describe how the economic crisis worsened housing burdens for many low-income and unemployed Californians. As more and more people became unemployed or underemployed (with decreased earnings, less hours, fewer benefits, and part-time verses full-time work), housing became more unaffordable. I also discuss the effects of the Great Recession on the exurban⁴² and more rural areas of the state. Next, I explain how the collapse of the banking industry affected NHDOs and their clients. After the housing crisis, banks were consolidating or restructuring, which caused confusion for homebuyers, homeowners, and housing developers. Despite all of these setbacks during the ten-year period, NHDOs still had high demand for affordable housing, which was even further exacerbated by the Great Recession. This high demand for housing may be due to the nature of the real estate market and how nonprofit developers often work counter-cyclical to the private housing market.

As of 2011, California had the largest housing sector among the 50 states and the most unaffordable housing (Bardhan & Walker, 2011). According to Bardhan and Walker (2011), California was the “source of mass mortgage lending, ballooning home values and dubious subprime operations” (p. 1). It has the largest state budget in the country and the worst financial crisis with a budget gap of over one-third of the fiscal year 2009 general fund and 2% of the gross state product (Bardhan & Walker, 2011).

The majority of interviewees discussed the negative effects of rising unemployment (7 out of 13). Four of the housing association EDs mentioned issues about unemployment, wages, or cost of living. An interviewee from a Los Angeles-based NHDO with many Latino clients

⁴² Exurban areas are suburban or rural areas where residents live and commute to the urban areas for work. This term was coined by novelist Auguste Comte Spectorisky in his 1955 book, *The Exurbanites*. These areas are also known as commuter towns or “bedroom communities.”

discussed how Latinos and African-Americans were disproportionately affected by the economic crisis:

Latinos and Blacks, as a community, were the hardest hit that set us back three decades. So, the policies around wealth-building and seeing housing as *the* wealth-building strategy in the United States is a huge negative factor for us...[H]omeownership...that being so out of reach for so many people, that is a huge external policy that is very challenging for us to be able to achieve and support families and wealth-building.

This interviewee further explains how there is a need for immigration reform because a significant number of their clients do not have a social security number and do not, technically, have the right to be in the country and to work.

An ED of a large San Francisco NHDO explained how unemployment was about 9% in 2010 and has dropped to nearly 5% in 2014. S/he mentioned that since 2010, “the environment has radically changed in terms of the recession, the lack of jobs, the state budget, seven consecutive years of cuts in the state budget and a lot of that coming out of low-income people’s public benefits.” S/he said that San Francisco in 2010 compared to 2014 is like “night and day.” But there is a downside to prosperity because the city is becoming unaffordable for many people. S/he questioned, “Even when San Francisco [is] creating good jobs...who is getting them? Engineers are being recruited from other parts of the country or other countries.” One association declared that rents are “off the charts” in San Francisco where residents are grappling with issues of displacement and gentrification. Median rents in San Francisco have increased 22% from 2000 to 2012, while median incomes have declined by 2% (California Housing Partnership Corporation, 2014). The city is divided as it attracts new residents, like affluent young technology workers, and existing residents who need affordable housing struggle to stay.

A Bay Area-based NHDO ED described the negative side to the “economic tsunami” in Silicon Valley, which is now on “steroids.” As the region becomes more affluent, there is no middle class and housing is unaffordable. S/he said, “On the one hand, it makes it really

impossible for working class people to do anything to change their situation, to do anything to change their children's situation.” Another ED from a Bay Area-based NHDO noticed the senior population had been fairly stable economically, but families earning 50 percent of the median income or below were more affected by the economic crisis because they were at higher risk of losing their jobs or benefits.

One of the housing association EDs explained how unemployment is getting better, but those working are not making as much money. Even if there is a perception that the housing crisis is over, there are many people who are underemployed or still struggling to make ends meet. During the crisis, one of the interviewees of a Los-Angeles based NHDO noticed that more and more clients were in need of basic necessities, such as food and transportation. They could not meet the needs of all the people that were coming through their doors. A regional association ED described how the impact of the housing crisis “shattered the whole economic community” in areas with high foreclosure rates.

Exurban and Rural Areas Struggling

Exurban and rural areas of California were hit hard by the housing and economic crisis. The vast majority of new construction during the bubble took place in the Inland Empire of Riverside and San Bernardino counties near Los Angeles County, which doubled in population 1990–2009 (DeLara, 2009), and the San Joaquin Central Valley,⁴³ near Sacramento and Stockton in the Bay Area, where the population grew to about 10 million people (Metcalf and Terplan, 2007).

These areas had cities with some of the highest foreclosure rates after the bubble burst. From 2007-2010 Riverside County's foreclosures increased 65% from about 13,000 to 21,000 and San Bernardino County's foreclosures doubled from 8,000 to 16,000 (RAND California).

⁴³ The San Joaquin Central Valley includes eight counties: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and Kern. In this chapter, I mainly focused on San Joaquin County because of its high foreclosure rates during the housing crisis of 2007.

During this period, San Joaquin County's foreclosures increased 54% from 4,000 to 6,000 (RAND California).

Most exurban and rural areas already had high poverty rates, which worsened with rising unemployment. From 2007-2010, Riverside County's poverty rate increased about 4% (from 12% to 16%) and San Bernardino County's poverty rate increased about 6% (from 12% to 18%). Similarly, San Joaquin County's poverty rate increased about 4% (from 14% to 19%). Riverside, San Bernardino, and San Joaquin counties had unemployment rates that increased about 9% from 2007 to 2010 (U.S. Bureau of Labor Statistics). Riverside and San Bernardino County's unemployment rates rose from 6% to 14%, and San Joaquin County's rate jumped from 9% to 18% (U.S. Bureau of Labor Statistics).

One of the statewide housing associations' EDs explained how California's geography is changing as outer suburban and rural areas of the state are shrinking and becoming more urban. This ED described how more and more Californians were moving to the state's interior, the Central Valley and the Inland Empire, where real estate and the cost of living is cheaper. According to this ED, there are growth opportunities in these areas, but there is also a deficit of nonprofit housing developers.

Exurban areas of California became commuter suburbs to the largest nearby central city. This ED from the statewide housing association called it the exportation of urban housing costs into rural areas. Developers turn to these areas to build because cities in the San Francisco Bay Area have become too expensive to produce housing. S/he explained how the Bay Area has extremely high housing costs but the low-wage workers are still paid low wages and there's no affordable housing.

The ED of a NHDO talked about how the San Joaquin Valley region was one of the hardest hit by the crisis and the economy was "brutal." S/he said that the two ends of the region were much more affected by the urban real estate markets: the north end is affected by the Bay Area market and the south end (near Bakersfield) is affected by the Los Angeles and San

Fernando Valley market. S/he described the situation as a “tidal wave of commuters” who would commute either every day or four days a week to the larger, urban business centers at both ends of the valley. After the Great Recession, s/he said that “everything crashed and the tide went back out and just left trash on the beach.” Those communities were really struggling and people were uncertain and insecure about the real estate market and employment.

S/he stated that bedroom communities like Modesto, Manteca, and Merced for folks commuting to the Bay Area became “ghost towns.” For the first four years of the recession, s/he said there were thousands of foreclosures every month, but now it has dwindled to about 300 to 400 people per month. S/he stated, “Despite the impression that we have recovered from the recession, there are still a lot of defaults and foreclosures pending because not everyone gets a [loan] modification.” Merced still has a higher number of foreclosures, especially since developers overbuilt with the expectation that University of California, Merced would have more students attending.

Many nonprofit housing developers in exurban and rural areas provide self-help⁴⁴ single family housing, and some of these properties became worthless as property values dramatically decreased. An ED from a Bay Area-based NHDO that transferred properties to another NHDO, explained how the housing market crash affected their exurban areas. S/he claimed that property values dropped 50 percent or more from 2007 to 2009. This NHDO borrowed money to buy properties, which were secured through the loan. The ED said, “All of a sudden the land is worth half as much, so all of a sudden you owe the banks tens of millions of dollars. That value isn't there.” Luckily, the banks recognized that these properties were well thought out and well-structured in a good market, but their value fell due to the financial and housing crash.

⁴⁴ Nonprofit and government organizations can administer self-help programs to assist very low- and low-income households construct their own homes (through volunteer hours or “sweat equity”). Under mutual self-help programs, a group of low income households work together to help build their homes collectively. The HUD Section 502 Mutual Self-Help Housing Loan program targets families who are unable to buy decent, safe, and sanitary housing through conventional methods. At least 40 percent of program funding nationwide must be used to assist very low-income households (HUD, 2015e).

According to the ED from the NHDO in San Joaquin Valley, it was the worst devaluation of properties:

I mean everybody knew somebody who lost a home that they'd paid too much for. Everybody knew somebody who'd gotten a loan that was crap. Everybody knew somebody who had a loan that suddenly had balloon payments that were due. I mean everybody, whether they knew them first hand or second hand. The stories were out there and there was a sense that houses were now worth dimes on the dollar.

S/he clarified that despite the high foreclosure rates in the region, most of their clients were renters and not homeowners. Typically, this NHDO was not serving persons facing foreclosure, they were serving a lower income population. S/he explained, "Our families that we serve can't pay the \$1,000 a month rent. Our families pay between \$300 and \$500 and you're not going to get a two bath home that's been foreclosed on for \$500."

An ED from a San Joaquin Valley-based NHDO said that NHDOs were not able to buy houses at low prices because when they hit the market, investors with cash were buying them all. Another issue mentioned by the ED of a statewide housing association was that "equity immigrants" who could cash out of a small house in the Bay Area and buy twice as much house for half the cost in the Central Valley and Inland Empire. These home buyers would drive up the housing costs, and those who originally lived and worked in the area were out bid. In addition, this interviewee said that other investors, including international investors from Canada, China, and Japan, were buying up real estate. S/he even described real-estate tours of people from other countries coming in to see how cheap the land was.

A statewide housing associations' ED described the tough economic conditions for rural residents, particularly farmworkers and Native American tribes. S/he said, "Some rural communities that are among the most depressed places in the United States." There are communities in the San Joaquin Valley where there is double-digit unemployment. Most of these areas are farmworker communities where work tends to be seasonal and undependable.

Several interviewees from NHDOs and housing associations mentioned issues with the water shortage. The ED from a San Joaquin Valley-based NHDO described the linkage with the drought and unemployment or underemployment:

...part of the problem with the foreclosures is that people lost their jobs. Now for us...that's why it's flat-lined...because California doesn't have any water and the Central Valley is farming community and the crops have not been great because they're not getting enough water. Many of our agricultural workers have less money or less work hours. That's put another burden into the economy.

Many farmworkers are still out work because of the drought.

There is persistent, chronic poverty in rural communities with families that have been impoverished for generations. S/he stated, "As long as there is...low-wage immigrant labor and agriculture, you're always going to have a large number of poor people who need housing...The tribes are chronically, generationally poor, unless they're a casino tribe...these are long-standing conditions."

Collapse of the Banking Industry

About half of interviewees discussed difficulties with banks after the housing market crash. They noticed how projects were scrutinized more, which may have caused development delays. In addition, clients had more difficulty getting mortgages. An ED from a regional housing association complained about the chaotic banking environment:

...nobody dealt with what was going on with the foreclosure crisis [in] any significant way. Most of the solutions that were produced were kind of a joke and what ended up...was a bunch of people getting kicked out of their homes and losing a lot of their wealth and the banks making a crap load of money.

An interviewee from a Los Angeles-based NHDO with many Latino clients said that banks were slow to respond to clients who were facing foreclosure. S/he stated that people were waiting between two and five years to just get a response from the bank about their foreclosure and they did not know what was going to happen to their home.

A manager from a Los Angeles-based NHDO said that these times were confusing as big banks were merging and “always changing players.” An ED from a regional housing association described how the banking experience had become more impersonal and less accountable: “I have a relationship manager at the banks, but that person is detached from that process other than sending me a link, so...there’s no accountability to it.” One ED of a statewide housing association said, “Bank credit shrank, investments shrank. Period...The banks got a free ride; they got bailed out.” Another ED from a statewide housing association agreed with this sentiment. S/he said, “I don’t think there has been a real restructuring of the banking industry...the banks just seem to be doing just fine.”

Interviewees from a Los Angeles-based NHDO described how creditors would call everyday asking all types of questions about their projects. One of the interviewees explained how they had to work hard to make projects work during the recession:

So just taking a step back, looking at the bigger picture, in the first half of the 2000s, our activity really started to ramp up and we were pretty aggressive, in terms of looking for site[s], acquiring sites, again with partners taking acquisition loans from intermediaries, as well as banks, to secure the properties and being able to get a lot of [RDA] funding into a lot of these projects early. And then the recession hit and every one of those projects then stalled...we have been scrambling ever since then, almost to this day to rescue those projects. We were successful in doing that with all, but one project. One project we just had to sell the property at a huge loss. At one point our organization had an outstanding acquisition loan totaling about \$26 million. Now it is down to zero.

An ED from a Los Angeles-based NHDO providing supportive housing also felt that banks got “really shy and nervous about deals that traditionally they wouldn’t have any issues with.” S/he said from 2008-2011, the banks were very risk adverse and some stopped extending their acquisition loans for a second and third year. Another observation was that underwriting got tougher, such as requiring three months of operating reserves and stricter financial ratios.

An interviewee from a Los Angeles-based NHDO noticed lenders backing out of deals, which impacted potential funding. According to this interviewee, in 2008 and 2009, lenders started walking away from financing deals. As a result, developers may have missed their

deadline to start construction for tax credit projects, which negatively impacts future tax credit applications. S/he lamented, “You get negative points, which basically puts you out of business...so really dire consequences. And we started to get weak in knees on a couple of development because our lenders were having a really hard time getting credit approval and whatnot.”

Similarly, a manager from a Los Angeles-based NHDO said that the financial industry was not making capital available. S/he said that “they went from underwriting projects to underwriting organizations.” The NHDOs managers thought some projects were “vanilla deals” but now were seen as “hairy deals” by the banks. S/he laughed that the industry was “high on the hog” before the recession, which initially did not negatively impact the multifamily housing unit development. In reflection, s/he said that “In a weird way, other than these kind of blips of things that happened that were a precursor of much worse things to come” with the demise of the RDAs. An interviewee from a regional housing association noticed that smaller NHDOs struggled to make deals happen. The banks want “sponsorship, sponsorship, sponsorship” and they want experience, staff capacity, and a strong balance sheet, which makes it very tough for a small group to survive.

According to another interviewee at a Los Angeles-based NHDO, the banks were much more cautious about lending in the late 2000s. On the other hand, s/he felt that Bank of America’s community development department was better than other banks. As the economy picked up, s/he said that more private banks became interested in funding projects especially for the permanent loan towards the end of the construction phase.

One ED from a San Joaquin Valley-based NHDO had a more positive experience. Its ED said that banks frequently contacted them wanting to do business:

So people were all over us all the time because they wanted to work with us. We were successful and we followed through...we'll do whatever it takes to be successful with it so you've got to figure out what that cost will be. So the banks were bringing extra work with us...Wells Fargo has been a long time very important partner for us throughout the downturn...Though in the multifamily properties, construction loans or investing in tax credits there was no problem there. They were happy to lend, do construction financing for us on the rental housing but on the more speculative raw land stuff [and some other acquisition financing] they were pretty leery.

S/he explained one of the tactics that they used to deal with the banks. During the recession and when real estate values tanked, banks were not financing a lot of deals. This ED decided to pay off the banks instead of extending loans, which was "too painful."

A statewide housing association ED expressed how the housing crisis was a missed opportunity for NHDOs to obtain foreclosed properties. Some of their members used the federal HUD program, Neighborhood Stabilization Program (NSP) funds, to purchase Real Estate Owned (REO) or bank-owned properties for both rental and single family units. S/he lamented about the promise and failure of the NSP:

My sense has been that we have lost an absolutely historic opportunity to buy up...homes and land at bargain basement prices and keep them in social ownership and perpetuity. And instead, because of a lot of factors—the NSP program had restrictions, the money was slow coming out, there were the usual bottom feeders [e.g. private investors] that were involved in creating the crisis also began to buy up REOs, especially the best inventory and they had lots of money to bring to the table. So they could outbid and they could more quickly move to buy the better properties and then to make cosmetic changes and wait until the market rebounded...But we lost that opportunity in my opinion.

This ED also suggested that banks should have been required to offer REO properties to nonprofits, rather than voluntarily make those transactions. The ED of a statewide housing association cynically described their relationship with the banks, "that's the same, banks are pretty essential, and they are a pain in the ass in this world."

High Demand for Affordable Housing

Representatives from both NHDOs and housing associations commented on how the high demand for affordable housing is constant. According to one ED of a San Joaquin Valley-based NHDO, “there are some places in general we have seen no reduction in demand. Every property that we have ever built rents up within about 48 hours... But the fact is we rarely have vacant units ever.”

An interviewee from a regional housing association agreed that demand is constant and not necessarily driven by the real estate market:

But typically the fact is affordable housing, with deeply discounted rents, there is always demand out there in any economic times. If it is greater during periods of economic downturns, that only adds to the need. But the need is insatiable...it is driven by the financing and for the most part driven by subsidy capital...

One of the EDs from a statewide housing association stated that “Rents are off the charts. I mean, absolutely off the charts, you know. Something’s got to give.” The ED proclaimed that the vacancy rate in San Francisco is extremely low. By the end of 2014, the vacancy rate was 3.6% (Forbes, 2015). S/he said that some people are selfish and they have the attitude of “I’ve got my housing; I don’t care if those people have to drive two hours one way to work.”

The ED from a Bay Area-based NHDO explained how their clients are very low-income and have barriers to housing:

The people we serve pretty much have always had housing barriers. The barriers always been too expensive, regardless of the economic downturn or the economic recovery. You know, people working as home health care aids have never been able to afford to live safe neighborhoods unless they’re lucky, you know, unless they’ve locked into some deal. Seniors on SSI [Supplemental Security Income] aren’t, never been able to rent in the marketplace. Economic upturn, economic downturn, our folks, except the working families that like 50% AMI [Area Median Income], have not been wildly affected. I mean there’s definitely been things like changes in Medicare, changes in like food stamps, or other services programs getting cut, like people have been impacted but their housing impact isn’t exactly different, you know? Do you know what I mean?

In San Diego, a NHDO ED described the lack of affordable housing as a definable crisis because the population exceeds the number of housing units that they can provide. S/he called

the 3-4% vacancy rates “scary low,” which meant there could be overcrowding and substandard housing that is being occupied. In addition, people are over burdened with housing costs and are probably paying more than 30% of their income on housing costs.⁴⁵ An ED from a regional housing association suggested that we should be addressing the larger context that cities, regions, and areas are becoming more unaffordable. S/he identified part of the problem as “we’re losing units...we’re not building them fast enough and the market is coming and knocking down the ones that exist and replacing them with things that people can’t afford to live in.”

Competition with Private Developers

During the Great Recession, the private sector also struggled. An interviewee from a regional housing association proclaimed that the private sector was worse off than nonprofit developers because around 2008, NHDOs still had funds from redevelopment agencies, bonds, and tax credits. An ED from a statewide housing association noticed that the California Building Industry Association (BIA) probably lost close to two-thirds of their membership during this decade. Many of the big homebuilding companies went out of business. This ED also thought that NHDOs “got hit later.” S/he said that “cottage industries” suffered financially, such as consulting and law firms that had a lot of clients that were involved in affordable housing.

The nonprofit and private sectors vie for land, funding, and staff. An ED from a Bay Area-based NHDO described how for-profit developers encroached into the affordable housing sector:

The evil players in my mind are these like opportunistic for-profits that are like, “okay we’ll do affordable housing.” They do 60% AMI [Annual Median Income], they have no services; you know, they’re truly not connected to community, and they beat us out for funding.

In Los Angeles, the ED from a NHDO that provides supportive housing mentioned how NHDOs and for-profit developers also compete for land and personnel:

⁴⁵ The 30% threshold for housing costs is an industry standard to determine housing burden created by U.S. Department of Housing and Urban Development (HUD).

[W]hat was really unusual was in '09, '10, what happened was we were in the same terrible circumstances as the single family market, and the for-profit market, because the other thing, sometimes when the for-profit luxury market is doing well, we don't do so well cause we can't compete, we can't compete for land, we can't compete for financing, and so, then when they're doing terrible, and when we can't compete for GCs [general contractors] 'cause GCs are just so excited working for-profit they won't come into the affordable market. And so, but in this particular case, we were all in the same boat. That's why it was such a difficult environment.

This ED offered an explanation for this competitive environment. S/he believes that the affordable housing market is counter cyclical from the private housing market. If the private market is doing well, then the affordable housing development industry may not be able to compete for land, labor, housing, and clients. However, a "hot" housing market in the private sector may also indicate greater needs for affordable (and not market-rate or luxury housing). The housing market is also tied to the overall economy, and in good economic times, NHDOs may be better positioned to secure financing and bring down development costs.

Dwindling Funding

This section discusses the NHDO interviewees' issues with funding, which were caused by a dependency on developer fees, the decline in government funding, the increase in competition for Low Income Housing Tax Credits (LIHTCs), and the demise of the California Redevelopment Agency (RDA) funding. To combat the decline in funding, NHDOs that found new funding sources and adopted policies and procedures to be financially self-sufficient fared well. Yet, some criticized developers who were just "chasing the money" without the experience to provide specialized quality housing and services. Others were skeptical of the new sources of funding, which were at much lower levels than the federal and state funding sources of the past.

Overwhelmingly, NHDOs stated that funding was one of their top challenges during the 2000-2010 period, and all of the housing associations echoed this sentiment. One housing association interviewee described the severe decrease in funding for affordable housing development. S/he declared, "right now, we have...no local, no state, and no federal housing production program...it may be the first time in history that has happened."

The ED of a large Bay Area-based NHDO listed their three main sources of revenue: development fees, property management fees, and philanthropy. S/he said that "Ironically, our philanthropy has stayed roughly the same, which means that it's gone down. Not only as the percentage of the pie, but it's gone down in real terms as a result of inflation." As one of the statewide housing associations assessed, most NHDOs are "leaner and meaner" because of the decline of funding. Another housing association recommended that NHDOs be "entrepreneurial and opportunistic" when it comes to solidifying funding.

An interviewee from a national NHDO explained how developers need a lot of capital to start construction, particularly in higher density areas where costs are expensive. Even if a NHDO is able to front construction costs, they may not know if they will secure other funding. S/he pointed out, "To be out half a million dollars or more without knowing if we're going to get

funded is a lot. Particularly since the upside is maybe a million. You risk a million to get a million. It's not a good business model.” A large Bay Area-based NHDO, described the dire gap financing situation:

Prior to 2008, we put together [project] financing and working on them and getting them entitled and all that kind of stuff and then when the music stops, there's no more money to fill the financing gap to start construction...we still have two other sites from pre-2008 that we own and are partially finance, but have not been able to get gap funding. I guess there [is] not enough state money and there's no redevelopment.

One of the housing associations discussed how their members struggle to keep rents affordable for their low-income clients:

By their mission [NHDOs] are not inclined to want to raise the rent, that's why all of our investor projections or consultant projections that we always do never pan out, if you look at the affordable housing portfolio nationwide or in California it barely runs over 1.0 debt service coverage, in other words these projects barely [make] cash flow.

Despite the crisis, an interviewee from a San Diego-based NHDO thought that their organization was still able to be productive. This NHDO had about 100 staff and merged (prior to the crisis) with another organization to be able to provide both single family and multifamily housing. The interviewee made a reference about how the Chinese or Japanese character for “crisis” is the same character for “opportunity.” S/he realized that “We were very busy during the peak of the crisis, and frankly we fared quite well.” They had new contracts and a lot of new revenue sources.

Developer Fees

Most of the NHDOs interviewed relied on developer fees for revenue. The ED of a Los Angeles-based NHDO providing supportive housing explained how most of their revenue was driven by production and, “It's all tied into producing housing and with the real estate market crashing and property values plummeting, the interest in housing, at least homeownership, fell way off.” This NHDO typically had 2 to 5 housing projects in the pipeline. After the Great Recession, this ED said that the pipeline stalled and they had no developer fees:

[I]n 2010 we found ourselves with no construction starts in the whole year. Zero...A whole year of nothing, which for housing developments no revenues, you know, no developer fees, which drives a lot of housing organizations. So anyway, for us it hit...

There are benefits and drawbacks when relying on development fees for revenue. One benefit is that fees are unrestricted, unlike government or foundation funding, which may be earmarked for specific activities and with extensive reporting requirements. Some drawbacks are that it takes a long time to develop housing, and developers only receive the fee after the project has been built. There is a large initial investment before the payoff. One housing association explained how depending on developers fees is financially risky:

...So you are looking at, it's the worst situation an organization can ever have, you are looking at long-term, sustained, goals and activity, but a pretty inconsistent and intermittent way of funding yourself, big chunks of developer fees coming in overtime and you know it is typical to work on an affordable housing project for two years easily, before you get the first developer fee and another year before you get the next chunk from your investor...

Despite these flaws, this ED explained how developer fees give NHDOs the most flexibility in terms of growing the organization because the funding is not as restrictive.

One national NHDO fared better during the recession. This organization had offices in various states and a multimillion dollar development budget. This interviewee stated that they had funded over 10 properties from 2009 to 2011 with either non-RDA funding or committed RDA funding. Although one of their projects fell through, this NHDO had their biggest years of collecting development fees in 2012 and 2013. S/he attributes part of their success to the stable development staff that had been working there for over ten-years. This was an atypical NHDO. The ED of a regional housing association said most of his/her members had to become more efficient with resources, "developers aren't building as much, and so their revenues are down and so there's a lot of emphasis of kind of squeezing the company." When reflecting about the future, this ED thought that NHDOs were "starting to build again even if it's not at the scale it was once before." One ED from a San Joaquin Valley-based NHDO was more optimistic about the future. This organization had about 20 staff persons and it went through a major re-

organization but was still able to produce housing during the crisis. S/he said, “To me it's not all gloom and doom, I believe that there's opportunities. We just have to think differently and look at our models...to see what's going to keep us sustainable.”

Government Funding Sources

The major federal housing assistance programs' budgets have decreased over the years, while the need for affordable housing has increased due to income inequality and the Great Recession. In the Fiscal Year 2012, appropriations for the HOME program were down 45 percent and for the CDBG program were down by 26 percent from two years earlier (Joint Center for Housing Studies of Harvard University, 2013). In 2014, Congress passed a bill (H.R.4745 - Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2015) that would have drastically cut HUD's budget, but this Bill did not pass in the Senate (Transportation-HUD S-2389) (U.S. Congress, 2015 and National Low Income Housing Coalition, 2015). President Obama's Fiscal Year 2015 budget funded HUD at its current levels or slightly lower for some programs, including for the HOME program. The number of potentially eligible low-income households⁴⁶ for government housing assistance grew from 15.9 million in 2007 to 19.3 million in 2011, while the number of very low-income renters benefiting from some form of support only increased from 4.4 million to 4.6 million (Joint Center for Housing Studies of Harvard University 2013).

All five of the housing associations verified that costs are going up while revenues are flat. NHDOs have projects with a “jigsaw puzzle of financing” and most of these resources are dwindling. One of the statewide associations described how these challenging times have been very difficult for their members:

⁴⁶ Households earning 50% or less of the area median income (Joint Center for Housing Studies of Harvard University, 2013).

What we've seen in the last 10 years is a shrinkage of resources...and again it's kind of a perfect storm of the exhaustion of Prop 1C money, the loss of redevelopment in 2011, restrictions on inclusionary housing, federal housing cuts; the Obama administration has been dreadful when it comes to rural housing programs. So...and then we had the crash...we especially saw a big issue with our developers who build self-help housing that were sitting on lots that they bought at the top of the...appreciation and now the lots were worthless...

A San Joaquin Valley-based NHDO proclaimed "all the resources around housing have dried up, CDBG, HOME, they're virtually pennies now." The ED from a statewide housing association concurred that within the last four years, the CDBG, HOME, and the Section 202 and Section 811 programs⁴⁷ have been severely cut. S/he exclaimed, "Thank goodness...we still have the tax credit program." An ED from a Los Angeles-based NHDO calls it a contraction in funding at the federal, state, county, and local level from 2000 to now (2014). S/he reflected, "So with less funding, essentially the pie gets small and competition increases...[W]e are seeing a lot stricter guidelines with the public funding sector." The ED from a Bay Area-based NHDO contemplated how they will have to be "creative about how to finance projects moving forward. That's the magic bullet that everyone is trying to figure out."

Low Income Housing Tax Credits (LIHTCs)

The Low Income Housing Tax Credit (LIHTC) program was enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers who then sell these credits to investors to raise capital (or equity) for their projects. This reduces the debt, which enables the developer to offer lower, more affordable rents to their tenants. Investors receive a dollar-for-dollar credit against their federal tax liability each year over a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.

Properties must either meet a 15 year requirement of a minimum of either: (1) 20 percent of the units being occupied by tenants with incomes less than 50 percent of Area

⁴⁷ The 202 program is a U.S. Department of Housing and Urban Development (HUD) program for elderly and the 811 program is a HUD program for housing for persons with disabilities (HUD, 2015f).

Median Income (AMI), or (2) 40 percent of units being occupied by tenants with incomes less than 60 percent of AMI (Khadduri et al., 2012). Congress changed this affordability period for properties with LIHTC allocations from 1990 or later. Now, there is an additional 15 year restricted-use period, for a total of 30 years, unless there are specific circumstances that allows the owner to leave the program early (Khadduri et al., 2012).

The Joint Center for Housing Studies of Harvard University (2013) reported, "Since its inception in 1986, the LIHTC program has provided a critical piece of the financing used to support construction or preservation of some 2.2 million affordable housing units" nationwide (p. 8). A CohnReznick (2012) report stated, "For the last 15 years, the demand for housing tax credits has exceeded supply almost every year" (p. 7). According to a 2012 HUD Office of Policy and Development report, LIHTCs produces roughly 100,000 units each year and provides funding for approximately one-third of all new multifamily housing units built in the U.S. (Khadduri et al., 2012). "The LIHTC program has produced more units than public housing (with 1.1 million units currently existing) and HUD-assisted, privately owned housing (with up to 1 million units)" (Khadduri et al., 2012, p. 2). LIHTCs are often combined with other forms of assistance to make the units affordable for extremely low-income tenants (Joint Center for Housing Studies of Harvard University, 2013). According to the Joint Center for Housing Studies of Harvard University (2013), "So far, the Low Income Housing Tax Credit (LIHTC) program has been spared from sequestration because it operates through the tax code and therefore does not require annual appropriations" (p. 8).

One of the housing associations' ED called the LIHTC program the "bread and butter" of nonprofit housing development. Another housing association interviewee described LIHTCs as the most significant program to shape housing development over the past two decades. It has support from both political parties and promotes private-public partnerships. As a result, many successful, aesthetically designed affordable housing projects have been developed.

A manager from a Los Angeles-based NHDO explained how tax credit are structured:

...our primary form of financing is tax credits and so tax credits automatically put you into a case where you have to do a limited partnership. And we usually partner with the tax credit investor. Different development organizations do it somewhat differently. Some are entirely relationship-based and they use the same folks...everything is super competitive and you just want to get the best pricing. The strength and power of your organization also dictates which of those things you can realistically do.

According to this manager, they were a strong developer in a real estate market that was very attractive to investors for their RDA credits. Therefore, this organization tended to work with the same small group of direct investors as opposed to syndicators.⁴⁸ Since LIHTC funding is competitive, some for-profit organizations establish nonprofits to apply for funding. A regional housing association interviewee explained that their members are mission-driven, veteran nonprofit developers and not the so-called “fake” or “captive nonprofits” usually created by for-profit developers to apply for LIHTC funding.

The ED of a Bay Area-based NHDO described how tax credits went through a period of uncertainty in 2008:

...tax credit pricing was really advantageous for a long time as the way it works is...syndicators that buy these tax credits and they sort of pay a price per dollar for the benefit of the tax credits and taking the depreciation of other losses, to offset their profits, so when the economy is booming, there's a lot of desire for tax credits and the pricing therefore is advantageous for us with the price per credit dollar is higher for us. Then, with the softening of the economy, there was less demand for the credits and there was a lot of unease in the lending community around anything, so just as it was hard for individuals to get new mortgages, it was more challenging, there were higher hurdles to jump for us to get our loans and our investments.

A statewide housing association ED described how inexpensive land and properties may have been available during the crisis, but there was not much funding available. S/he estimated that 40 percent of the tax investment projects involved Fannie Mae and Freddie Mac.⁴⁹ When these

⁴⁸ Syndicators or “fund managers” create funds to pool investor capital. Syndicators then use these funds to purchase the tax credits from the developer in exchange for an equity stake in the housing development. With capital from investors, developers can limit the amount of money they borrow to fund construction, which reduces the developers’ debt and keeps rent affordable (Enterprise, 2015).

⁴⁹ The Federal National Mortgage Association (FNMA), or “Fannie Mae,” and the Federal Home Loan Mortgage Corporation (FHLMC), or “Freddie Mac,” are government-sponsored enterprise (GSE) corporations that were

entities collapsed, so did the whole tax credit market. The result was nonprofit developers lost access to a significant amount of subsidy. S/he said that the price of tax credits went way down, so a lot of developers could not take advantage of the cheap housing prices. S/he also explained that President Obama's stimulus funding helped to rectify the situation with the Tax Credit Exchange and investors could just trade in their tax credits to get straight cash.

Despite the high production levels, critics of the LIHTC program claim the subsidy is not enough to serve very low-income populations and often must be supplemented by other programs, such as Section 8. Furthermore, a statewide housing association argued that there is not much tax credit investment in rural areas.

LIHTC Resyndication

According to a HUD Office of Policy and Development Research (2012) report on the LIHTC program authored by Khadduri and her colleagues, "Since 2009, 10,634 LIHTC properties with 374,675 affordable rental units have either reached or passed their 15-year period of restricted use" in the U.S. (Khadduri et al. 2012, p. iv). By 2020, more than 1 million LIHTC units could leave the stock of affordable housing throughout the U.S. (Khadduri et al., 2012). After the year 15 affordability period, LIHTC properties take one of three paths: "they remain affordable without recapitalization, remain affordable with a major new source of subsidy, or are repositioned as market-rate housing" (Khadduri et al. 2012, p. v). Fortunately, this research found that most LIHTC properties remained affordable despite having reached and passed the 15-year period of compliance. Most were sold to new owners willing to comply with LIHTC restrictions and or resyndicate the property.

A couple of housing associations confirmed that NHDOs were resyndicating their tax credit projects. This enables the developer to refinance, rehabilitate, and/or restructure the

created to assist people to buy, refinance, or rent homes by expanding the U.S. secondary mortgage market through mortgage-backed securities (Fannie Mae, 2015; Freddie Mac, 2015). Refer to the Glossary for more information.

project. Often, the NHDOs will take equity money out of these projects as a source of funding. According to the ED of a statewide housing association, there will be less new construction rental housing development because the resources aren't there. Nonprofit developers will be doing more acquisition and rehabilitation and resyndication of existing units with rehabilitation and recapitalization. S/he stated that "the challenge is going to be rents and...I don't know that one can depend upon Section 8 in the future. And as properties get resyndicated, the rents will go up. And they may still be at tax credit [minimum] rents but that's not really affordable to low-wage workers."

One of the managers from a Los Angeles-based NHDO explained how they are resyndicating more projects to financially and physically reposition the properties:

...our pipeline is not dramatically smaller than it was in those previous years, but what's in our pipeline is different. And specifically what I mean by that is we, back then, all of the pipeline were new projects...whereas now a good chunk of our pipeline is taking our existing portfolio that's older, that is already coming up on the end of its tax credit compliance period, and resyndicating those projects so that we can get a fresh infusion of cash to do upgrades to the property, extend their useful life, further our mission...so number of deals we have and therefore our staffing revenue and revenue stream in our pipeline is not terribly different. But part of it is just this restructuring. The other thing we've done differently is we've been much more selective about...what kind of deals we can take in...

Another ED of a housing association was more skeptical and felt that the surge in resyndication was problematic. S/he wondered if these properties really needed rehabilitation or if the organization was doing it out of convenience to pull money out of the projects from equity to help sustain their overall budget.

An interviewee from a regional housing association said that there needs to be "some hard pushing to get affordable housing elevated...in terms of public policy priorities in the face of all these fiscal issues." S/he stressed this point because of the fear that the affordable housing tax credit program is still "on the table" to be eliminated similarly to Redevelopment Agency funding.

Elimination of Redevelopment Funding

The California Community Redevelopment Act of 1945 (later called the Community Redevelopment Law) was created to catalyze private investment by allowing a city or a county to designate “blighted areas” for improvement (Leffall & Rein 2012, p. 57). Cities or counties could establish a Redevelopment Agency, which could raise capital for infrastructure improvements by issuing bonds against future tax revenues (Leffall & Rein, 2012). In 1976 and 1993, amendments to the law required “RDAs to set aside 20 percent of their funding to create and preserve affordable housing, and required cities to ensure that 15 percent of all housing in a redevelopment area be affordable to low- and moderate-income residents” (Leffall & Rein, 2012, p.57). “In 2009–10, over 80 percent of the then 480 cities had a redevelopment agency, as did 31 of the state’s 58 counties” (Detwiler, 2012).

Detwiler (2012) called this program “a lucrative and often successful public–private partnership” resulting in many downtown economic development projects. RDAs had “extraordinary powers” to spend public funds, use eminent domain, and access tax increment dollars for tax allocation bonds (Detwiler, 2012). Some RDAs and cities may have abused their power and allocated public funds to subsidize private enterprises, fund suburban development in areas that may not have been blighted, and destroy affordable housing without relocation or replacement (in 1993, legislation reform was enacted to avoid this) (Barbour, 2007; Detwiler, 2012). In 1978, Proposition 13 passed, which “capped the local property tax rate at one percent, rolled back the assessed values used to calculate property taxes, restricted the growth in future assessed values, and required supermajority votes for new taxes” (Detwiler, 2012). With the Proposition 13 restrictions on property tax revenues, redevelopment funds were questioned as “an expensive state subsidy with dubious results for affordable housing and community development” (Barbour, 2007). Critics questioned if the increased property values were caused by RDA investments and if the slum clearance resulted in gentrification (Detwiler, 2012; Leffall & Rein, 2012).

California legislators passed Assembly Bill (AB) 1X 26 and AB 1X 27 on June 15, 2011 to dissolve redevelopment agencies and establish successor agencies to receive property tax increment revenues (Barbour, 2007). These Bills were effective as of February 1, 2012, and the “infrastructure has been dismantled with alarming speed” with redevelopment specialists laid off and projects terminated (Stephens & Fulton, 2012, p. 9). However, cities are still grappling with the \$1.3 billion in uncommitted affordable housing funds (Stephens & Fulton, 2012), how to handle outstanding debt, and who will manage their housing assets (Leffall & Rein, 2012). “For six decades, redevelopment gave California cities one of their most powerful—and controversial tools for spurring real estate investment. Now they stand to lose \$1.6 billion per year in local RDA property tax levies and will need to change their approach to housing, land-use planning and development financing” (Leffall & Rein 2012, p. 57). The removal was expected to result in a statewide average annual loss of 4,500 to 6,500 new affordable units if all enforceable obligations are met (Blount et al., 2014).

Over half of the NHDOs and all of the housing associations discussed the devastating effects of the dissolution of the state redevelopment funding. A manager from a Los Angeles-based NHDO said that the demise of RDA is the “number one biggest thing for us” and it has been the most detrimental. The ED from a large Bay Area-based NHDO declared that the loss of RDA funding had a profound impact of about \$30 million lost for affordable housing in San Francisco. One housing association questioned if this was the “death of affordable housing.”

Interviewees from a Los Angeles-based NHDO lamented on how the loss of RDA caused other funding to disappear. RDA funding is usually used for acquisition, then the developer secures permanent financing. In 2008, the City of Los Angeles put a halt on their funding and there was a “domino effect” of other funders backing out. Another a Los Angeles-based NHDO agreed that RDA helped to trigger other funding sources.

An interviewee from a national NHDO acknowledged that without RDA, it is very difficult to get site control of land. From a Los Angeles-based NHDO, the manager explained that even

if a NHDO had site control, unless you had housing dollars in a development, the RDA award contract was no longer valid and that award dissolved. “It just disappeared before our very eyes,” s/he said. This manager stated that they were still waiting for the Department of Finance (which now oversees RDA properties) to approve their long-range property management plan and “nobody’s able to do anything until that approval happens.” To add to this frustration, they will have to complete another Request for Proposal (RFP), and this was their third time competing. S/he said, “Hopefully the third time we’ll win again. And these RFPs, they cost us, like, \$25,000 to put together. They aren’t cheap.” As a possible remedy, two of the housing associations mentioned how some nonprofit developers are suing the state for “boomerang money,” funds for backing out of their redevelopment agency deals.

According to the ED of a Los Angeles-based NHDO providing supportive housing, lenders were apprehensive of lending when RDA funding was terminated:

And all of the lenders went berserk when they saw that because the state money came in at the end, which means you had a construction loan...after you finish construction, the state money came to pay off those construction loans. So when the commitment letters came and had that wiggle language, the banks started to freak out because they’re not going to give you a \$10 million construction loan if they don’t know if the state is actually going to take them out. And so that stopped a lot of projects. And it required a lot of negotiations with the state treasurer’s office, to work out language that was acceptable to the funders and meanwhile the nonprofits were caught in all of that.

A manager from a Los Angeles-based NHDO said that nonprofit developers thought that some version of redevelopment would emerge, and then shockingly, there was no replacement.

Several of NHDOs were advocating for a permanent source of funding. An interviewee from a national NHDO felt that “we were active in all the major and minor housing associations.” When RDAs were being dissolved, their organization was successful in encouraging residents to either write a letter, create videos, or attend lobbying days in Sacramento. On the other hand, some interviewees criticized the affordable housing industry for lacking leadership on a national level. An ED from a statewide housing association said that there are conflicting priorities in the nonprofit development world. This ED felt that there is an “industry inside of a movement,” and

often NHDOs function like a business, and at the same time, like an advocacy organization. This ED complained that the industry had failed to have a cohesive response to the crisis or proposed agenda to the status quo.

New Funding Sources

With government funding unstable, many NHDOs were seeking new funding sources. These included housing trust funds, cap and trade funding, proposals for new state funding, and selling or acquiring properties.

A couple of the regional housing associations stated that NHDOs were fortunate to have a housing trust funded by local government. Federal, state, county and local government agencies establish housing trust funds to support the construction, acquisition, and preservation of affordable housing for low-income households. Housing trust funds are typically funded through real estate transfer taxes or document recording fees to ensure a steady funding stream (rather than relying on annual budget appropriations).

According to the ED of one of these associations, San Francisco is the only city in California that has taxed itself to establish a fairly robust housing trust fund. In November of 2012, San Francisco passed Measure C Housing Trust Fund⁵⁰ and a portion of the hotel tax is earmarked for affordable housing. In addition, a portion of the city's gross receipts tax is allocated to affordable housing. San Francisco also has an Inclusionary Affordable Housing Program which requires new residential developments to either pay a fee or provide 12% of their units on-site or 20% of their units off-site to low-to-moderate income households.⁵¹ This ED

⁵⁰ Proposition C Housing Trust Fund of the San Francisco County was on the November 6, 2012 Election. The amendment specified that the City create a San Francisco Housing Trust Fund and appropriate to it from the General Fund a base \$20 million annual allocation in the first year (fiscal year 2013-14). For the following ten-years the annual allocation would be increased by \$2.8 million each year until the fund reaches an annual allocation of \$50.8 million in fiscal year 2024-25. From fiscal year 2025-26 through fiscal year 2042-43, the \$50.8 million would be adjusted based on the annual percentage increase or decrease in General Fund discretionary revenues (Smart Voter, 2015).

⁵¹ Section 415 of the San Francisco Planning Code, or the Inclusionary Affordable Housing Program, requires residential developments with 10 or more units to pay an Affordable Housing Fee. Project sponsors may apply for an alternative to the fee in the form of providing 12% of their units on-site or 20% of their units off-site as affordable to low- to moderate-income households (these percentages are higher in certain parts of the Eastern

commented, “Believe me, it was controversial. There were developers who were like, I don’t want to, you know, build a beautiful senior housing development and put [in low income tenants or] homeless.”

An ED of a large Bay Area-based NHDO, said that San Francisco’s Measure C housing bond has provided an infusion of money, which enabled them to successfully put together projects. San Francisco allocated approximately \$20 million per year for the housing trust fund with increases over a ten-year period until it reaches over \$50 million a year. However, s/he also questioned if the funding was enough:

Even with the housing trust fund, we are not even half way to what we lost from redevelopment. But when the housing authority imploded and now it became a mayoral priority to renovate housing authority units. How is that going to be paid for? It’s going to be paid for out of the trust fund.

According to the ED from a Los Angeles-based NHDO providing supportive housing, s/he is hoping that the National Housing Trust Fund⁵² will be funded in the near future:

So everyone’s kinda eyeing the National Housing Trust fund, which has not been funded since its adoption. It was supposed to be based on profits from Fannie and Freddie, and they ended up going to receivership, but even though they’re still in receivership, they’re generating profits. Like billions of profits...So we’re crossing our fingers. So that hasn’t been happening yet.

In addition to housing trust funds, local governments are seeking other funding sources. One of the EDs from a regional association mentioned how about \$12 million was recently donated to Los Angeles County and earmarked for permanent supportive housing.⁵³

Neighborhoods Plan Area.) Most units sold under the Inclusionary Program sell for 90% of Area Median Income (AMI) and most rental units rent for 55% of AMI (San Francisco Mayor’s Office of Housing, 2015).

⁵² The National Housing Trust Fund was established as part of the Housing and Economic Recovery Act of 2008 by President George W. Bush. This law required that Fannie Mae and Freddie Mac pay 4.2 basis points of their annual volume of business to two funds: The NHTF was to receive 65% and the remaining 35% was to go the Capital Magnet Fund (CMF). The National Housing Trust Fund was established to provide rental housing for extremely low-income people and the Capital Magnet Fund was created to support community development and affordable housing (National Low Income Housing Coalition, 2015b).

⁵³ In October of 2014, the Conrad N. Hilton Foundation announced its \$12 million donation to the Corporation for Supportive Housing (CSH) for both new construction and adaptation of private units for homeless people. CSH expects to fund 780 new units with the money. In addition, the foundation recently contributed \$4 million to help

Some of the associations are optimistic about the cap and trade funding for affordable housing, while others felt this was an insufficient allocation to meet affordable housing needs. Many of the housing associations were organizing to lobby for the passage of Senate Bill (SB) 391 California Homes and Jobs Act, which would allocated a half a billion a year for affordable housing. According to an interviewee at a regional housing association, cap and trade funding allocation for affordable housing may be \$100 million, although it was originally supposed to be \$200 million.⁵⁴ S/he said that this general fund allocation is “such a blip on the screen, but it is an indication that things have gotten better, that the governor has got his rainy day fund.”

Chasing the Money

One of the regional housing associations stated that some NHDOs “follow the money,” and they changed populations or type of housing to apply for funding sources more readily available during this ten-year period. Four associations mentioned how their members are developing more senior, homeless, permanent supportive housing and veterans housing.

The ED from a Los Angeles-based NHDO agreed that there are some developers who are “chasing the money” and are blindly jumping into providing supportive housing:

...classic example is there a lot of people who are now doing supportive housing when they're not a supportive housing developer, and they're trying to access the resources related to providing housing for people who are homeless with mental illness, and while it's good to increase the number of apartments available for that population cause it's a very vulnerable group of people. The concern is they don't know what the hell they're doing and that they're not going to do it right, and for those of us who have been doing it right, they're going to give us a bad name. Some of the developers...they're not staffing up right in terms of services. They forget things like, when you building for housing for the homeless, you got to furnish the apartments...so you gotta make sure that when you do this, you're providing the resources to actually to make the tenancy successful. And so, anyway, but I'm seeing that, I'm seeing people entering the market doing supportive housing when they never done it before so the people are chasing the money.

provide housing for chronically sick and mentally ill homeless people enrolled in a Los Angeles County Department of Health Services program (Holland, 2014).

⁵⁴ As of May 15, 2015, the cap-and-trade funding affordable housing allocation was \$130 million for last year Governor Brown's latest budget proposal would add another \$400 million. Retrieved from: <http://www.latimes.com/local/politics/la-me-pol-state-budget-20150516-story.html>

With less funding available and competition heating up, NHDOs were seeking various new types of funding. A Los Angeles-based NHDO manager mentioned a couple of sources of funding for veterans, e.g. Veterans Affairs Supportive Housing (VASH) and state money earmarked for veterans' single family housing. S/he claims, "now with this other new chunk of money for veterans, I think we'll see a big swarm. There will be a ton of veterans' projects that will be popping up."

Self-Sufficiency

Many NHDOs are working hard to become more self-sufficient. An ED from a regional housing association expressed his opinion that funding for affordable housing may "never come back completely." As a result, s/he suggested that NHDOs become more efficient and "tighten up their internal systems" to be more financially stable.

A large Bay Area-based NHDO worked hard to become more self-sufficient. The ED said that ten years ago, they earned 25 percent of their general fund revenue, whereas, they were now earning 50 percent (and the rest was coming from philanthropy or miscellaneous sources). This ED described how they created more financial stability through the efforts of their Chief Financial Officer (CFO):

One of the things that was a big deal for us, and really we were lucky, we acquired a piece of land in 1998 at a below market price, if you will. We sold it in 2006 because of our effort to put together a deal fell apart and our loans coming due, so we were forced to subdivide and sell. Of course 2006, it was near top of the market. We were able to create an endowment. So we have now more than \$10 million as a rainy day fund to shield us from the risks of development, so we have very solid foundation.

An ED from another Bay Area-based NHDO said that their organization had a healthy development pipeline and had diversified revenue. They had funds from fees, but they also acquired properties as part of a merger. These buildings were older with equity and paid off loans, so the NHDO was able to refinance for renovations and pull out funds to sustain the organization.

With decades of government funding declining at all levels, NHDOs were struggling to generate revenue through developer fees. Tax credits were devalued during the housing crisis, until the federal government provided assistance through its stimulus program. Furthermore, projects funded under the LIHTC program may be eliminated from the affordable housing stock because of the expiring 15 year restricted-use requirement for low-income tenants. Since the demise of RDA, the NHDOs and associations emphasized the need to advocate for a permanent source of funding for affordable housing. Leadership of NHDOs are managing their portfolios and staff to ensure future funding and self-sufficiency. This next section discusses some of the management and staffing decisions implemented during this tumultuous time period.

Managing in Crises

According to the Enterprise Community Partners (“Enterprise”) report (2014), “Successful Organizational Practices: Strong Partners,” key practices for effective nonprofit housing developers were related to management, staff, finances, and asset management. The authors discussed the importance of: (1) managing growth and evolution, (2) having strong staff and good communication, and (3) ensuring board and senior management stability (Nichols & Trinh, 2014).

Nearly half of the NHDO interviewees implemented management changes over the ten-year time period. The following sections assess the NHDOs’ management decisions regarding housing development and organizational structure. Successful EDs were adaptive and open to change. In addition, many NHDOs’ managers and staff cultivated partnerships, including joint ventures and mergers.

Housing Development Decisions

This section discusses how managers of NHDOs made strategic decisions about their development pipeline, real estate portfolio, programs, and services. Most of the interviewees mentioned how their organization’s development pipeline decreased or stalled. Many managers adapted to the crisis by trying new lines of business, such as property management, community development programs, or developing a different type of housing.

Smaller and Slower Pipeline

Seven NHDOs decreased their housing development. The remaining six increased development from 2000-2010, but most of these NHDOs admitted that there was a decline after the housing crisis around 2007 or since RDAs were dissolved in 2011. An ED from a statewide housing association recognized that most NHDOs needed an influx of funding in order to start producing again:

...the pipeline has shrunk. Production is down. Developers are hoping for associations like ours to be a rainmaker for them and create some new subsidy sources. But how

they're adapting is, they're changing their business models, and they're doing less housing production...You know, so they're doing less development, but they're still surviving as organizations...You see some folks hoarding their cash, and, you know, they're just hoarding their cash, and they're managing their portfolio. But they're not doing any new construction.

All five housing associations described how development has been a steady decrease since 2007 or 2008. There was less production and a lot of groups were hurting. One ED from a statewide housing association said that NHDOs had high production numbers in 2007 and 2008 because Proposition 46 and Proposition 1C state funding was still in existence and being spent at that time (refer to the Glossary for more information on these propositions). S/he further explained that what's happening in the regular housing market isn't always in sync with the community development world.

More Risk Adverse

Managing risk is an important management tool, which becomes even more critical during unstable economic periods. About four NHDOs discussed how they were more risk adverse. An interviewee from a Los Angeles-based NHDO noticed that since 2008, their organization had become more cautious when it came to acquisition loans. A manager from another Los Angeles-based NHDO saw a "weird shift" after RDAs dissolved. The organization had more laser focus on the risk they could tolerate. This NHDO started to "staff down" and re-assess their pipeline. They began to be more strategic about what kind of new deals they brought in, but they did not have "deal paralysis," which would cause them to go out of business. The ED from a San Joaquin Valley-based NHDO said they were not risk averse, but instead were "failure averse."

Lag in Development

A couple of the housing associations pointed out that there was a delayed impact from the recession on NHDOs. This may be because of the lag to develop affordable housing (the long period from construction to occupancy). Another possible explanation is that the development pipeline is usually funded from previous years' resources, so past funding can

sustain an organization for a while. The ED from a statewide housing association observed that some of the impacts of the recession did not occur until 2010 or after.

An ED from a large Bay Area-based NHDO characterized the lag in affordable housing development as between 5-7 years. This organization had a huge project that they started in 2007 and revenue wasn't received until 2010 or later. S/he said, "That's the hard part of teasing out of the Great Recession." A housing association ED thought that the lag in affordable housing development was because of the public sector involvement of money. S/he stated that the affordable housing real-estate market didn't react right away, so the downturn for nonprofit developers started later in 2009 or 2010. One statewide housing association predicted that the 2010-2015 period, rather than the 2000-2010 period, is going to be a particularly interesting time because of post-redevelopment.

New Lines of Business

Some NHDOs were demonstrating entrepreneurship to sustain during these tough times. According to a national housing association ED, some of them were creating new lines of business, such as property management and community development.

Several NHDOs mentioned the benefits of managing properties in-house. Six NHDOs interviewed were managing some of their units and four NHDOs were managing all of their units. The property management fees (which may include resident services) often only cover the staff costs. An ED from a Los Angeles-based NHDO providing supportive housing explained how the majority of their staff was for property management and services, which is very labor intensive.

One Los Angeles-based NHDO manager stated that there is a slim margin for property management and resident services, and these fees are not a massive revenue generator. In contrast, the ED of a large Bay Area-based NHDO recognized that they started to earn more from property management, which is an economy of scale business. S/he said that "the marginal unit requires fewer staff people than the unit before it." Typically, a management

company must manage at least 1,000 units to be profitable (Nichols et al., 2011). The ED from a San Diego-based NHDO with many senior housing projects stated that their portfolio grew and they generated significant revenue from property management fees, during the 2000-2010 time period. S/he believed that “nonprofits are not very business [focused], they are kind of do-gooders.” To keep their doors open, this NHDO created a separate nonprofit management company to manage their own assets and properties. This ED understood that property management staff have a tough job:

The property management stuff that we do is not easy, it can be difficult, dealing with not only the lease up, screening tenants, and often times I call my managers “psychologists,” they deal with a lot of issues and the same thing with the resident services people. But it connects us to our property in a way, which a lot of our competitors do not have, they hire a third party out, and then they will have to rely on fundraising...So, it gives us stability and connection...

S/he thought that this business model of in-house property management protected their organization from potential downturns.

One ED from a statewide housing association observed that some organizations chose to engage in more community development work, such as job creation or environmental advocacy. According to this ED, many were becoming community development corporations (CDCs) or Community Development Finance Institutions⁵⁵ (CDFIs). Another statewide housing association ED noticed that members were expanding into other lines of business such as managing childcare facilities, participating in the healthy food movement, or working with charter schools. A San Diego-based NHDO remarked how they were like a conglomerate of several businesses with a mortgage group, real estate group, asset management and property

⁵⁵ A certified Community Development Financial Institution (CDFI) is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. The U.S. Department of Treasury oversees the CDFI Fund to promote economic revitalization and community development through investment in and assistance to CDFIs. Since its creation, the CDFI Fund has awarded over \$2 billion to community development organizations and financial institutions; it has awarded allocations of New Markets Tax Credits which will attract private-sector investments totaling \$40 billion (U.S. Department of the Treasury, 2015).

management team, development team, and team to provide services to kids and adults in the community.

Changes in Housing Type

All of the NHDOs interviewed were developing multifamily rental housing. Half of the NHDOs were developing single family housing units, however, all six of these developers mentioned that they either stopped development or slowed production of this type of housing. Two trends were NHDOs were developing: (1) more rental versus homeownership housing and (2) more rehabilitation versus new construction.

After the housing and foreclosure crisis, there was a decrease in developing homeownership projects for NHDOs. Eight NHDOs planned to do more rental development in the future. However, only one expressed interest in conducting more homeownership development. Three of the housing association interviewees said that their members are mostly developing rental housing. Two of these interviewees stated that their members are developing self-help housing. Since the housing crisis, a couple of housing association interviewees described how some of their members are developing less homeownership housing.

According to an ED from a San Joaquin Valley-based NHDO, single-family homeownership fell because it is largely driven by the real estate market while the rental multifamily is not. This ED further described how land values plummeted:

[W]e had invested a lot in land, which left us with land that was too expensive to work into development so that slowed us down a bit. But the real change was that there was a period where we just could not produce new single family homes that cost less than the appraised value. With all the foreclosures happening appraised values were being driven down so low that for new development you couldn't cover the cost of the land.

A national NHDO had a homeownership program called mutual self-help housing program, but they ended up shutting that program down and transferring it over to another nonprofit. The interviewee said, "We couldn't compete with resales." S/he explained that the housing collapse left them "holding the bag and left single family almost impossible to pencil out for a while." An ED from a statewide housing association affirmed that banked land became over-priced:

...the single-family home developers...they typically buy land for self-help housing years in advance, in order to land bank it and to buy it when it's cheap. With the expectation that land prices are always going to go up. The recession certainly threw a wrench into that; so they were sitting on over-priced land, which created a real problem to recover the costs of the purchase of that land through the self-help development.

This ED recognized that there may have been opportunities to buy cheaper land during the recession but it was not the “kid in a candy shop” situation. Nonprofits did not “gobble up” properties because there were not a lot of resources to fund development during period. During the housing crisis, the ED of a Bay Area-based NHDO said that they had a single family project of 500 units that stalled because people had difficulty getting mortgages. S/he further lamented how it was “very, very difficult to keep single family moving during the crunch” but “multifamily was sort of independent of the economy.” An ED from a statewide housing association noticed how there was no new money for rental housing construction and the pipeline for self-help housing shrank with reductions in federal and state funds. In fact, some developers completely stopped doing self-help housing.

Despite these setbacks, one San Joaquin Valley-based NHDO continued to develop both self-help and rental properties. One of their housing developments with a new park made a huge impact in the neighborhood. The residents enjoyed having a park for the first time, and people started fixing up their houses nearby. This ED believed that the residents liked the idea of self-help housing because there is “pride of ownership,” and s/he tried to parlay this support for rental housing. Their rental housing projects had a good reputation in the community. According to this ED, “people know it's our property and people know it's us, and they know who to call, and it works.” S/he declared, “We love showing off our housing projects in some of the worst communities in Central California and they stand out as oasis.”

One housing association ED mentioned that NHDOs have shifted towards more acquisition and rehabilitation (or “rehab”). According to a San Diego-based NHDO, they are not developing a lot of new construction because 77 percent of its subsidy portion is gone and that

represented about two-thirds of the overall funds needed to make it work. S/he realized that a “new construction pipeline, without having pre-committed funds from the city, is very difficult today. A large San Francisco-based NHDO confirmed that “new construction is a lot more expensive than rehab.” Another ED from a regional housing association agreed that many of the NHDOs are focusing on asset and portfolio management rather than new construction.

Organizational Structure Decisions

Successful NHDOs managed staffing levels and strategically opted to lay off staff or retain them when necessary. This section discusses staff layoffs, recruitment and retention, and succession planning. Organizations with management, board, and staff stability were often the most effective. The organizations with managers and board members that were mission-focused were able to sustain tough economic times.

Staff Layoffs

Half of the NHDOs managers laid off staff or did not fill vacant positions. Besides staff layoffs, other tactics were utilized such as cutting merit increases in half or reducing retirement benefits.

As one ED of a San Joaquin Valley-based NHDO stated, “Downsizing--it was very painful period, but it was what we had to do to keep the organization healthy.” This ED tried to be transparent about staff layoffs, but everyone in the organization (with the exception of the Information Technology (IT) staff) was affected:

...we made cuts through the entire organization everything from accounting to front office to property management oversight and those sorts of things, partly because we wanted people to feel that no one was immune to the, no one had a free ride one it...The toughest piece was that with most of our reductions in staff they tend to be...sort of surgical, nobody knows it's coming, it just happens off to the side, and next thing people know somebody's not working there anymore. And for some folks that got to be a negative.

One of the Los Angeles-based NHDOs went through two rounds of layoffs in 2008. This manager felt that “in hindsight, [it] turned out to be a really strategic move for us to make sure we weren't too top heavy or weren't too heavy in terms of staffing-per-project ratio and that

helped us weather what was a pinch in the pipeline.” These layoffs included property management, development, administrative and accounting staff. In the second round, there were fewer layoffs, and they decided to not fill some positions. One of the statewide housing association EDs reflected on how the loss of staff and shrinkage of resources resulted in low morale and weakened capacity.

When the ED of a San Joaquin Valley-based NHDO had to lay off staff during the crisis, s/he still tried to exhibit strong leadership and stay connected with staff:

I always try to be very present. I am an MBWB kind of [person]...“Manage by Wandering About,” and I personally try to have connection with people. And I think as an organization, we work always to keep that vision of what we are about out there in front of people and always work pretty hard to convey that the organization cares about the things people are going through; can't solve them all, but there is a real human element to it and encourage that among the staff. Really work to eliminate silos, so that people have a sense of shared mission, try to decentralize some of the thinking, but...that didn't happen enough.

By emphasizing the mission, this ED tried to boost morale for the remaining staff.

Recruitment and Retention

Staff recruitment and retention are management priorities during good and bad economic times. A statewide housing association ED expressed concerns about recruiting staff, especially in rural areas of California where it was harder to attract and maintain capable and dedicated staff. Half of the NHDOs emphasized the importance of staff retention. Both the nonprofit and private developers competed for skilled personnel.

The ED of a statewide housing association acknowledged that staff capacity and the right skill mix is essential. Figuring out how to manage the new generation of nonprofit housing developers is challenging. S/he noticed that, “some of our developers have people in their 20s and people in their 70s in their organization. So, it's like a generational [gap]--how does a millennial talk to a baby boomer?” According to this ED, nonprofit housing developers have not figured out “how to do leadership development and human capital development well.” S/he

suggested that NHDOs work with universities to encourage students to choose affordable housing development as a career, as a type of feeder system of new employees.

An ED from a large Bay Area-based NHDO admitted, in 2010, they were not concerned about staff retention because there were fewer jobs available due to the economic crisis. But since 2014, things changed and employees have more options:

Clearly in 2010, we weren't worrying too much about people leaving for other jobs because there just weren't many other jobs. In 2014, particularly our more skilled and better performing people, we definitely worry they can go out and earn more money elsewhere. Because there's just a war for talent going on.

The ED of a San Joaquin Valley-based NHDO echoed the same concern that employees may only be staying because they do not have many job options in a recession, but “the minute an opportunity shows up they're out of there.”

Both nonprofit and for-profit developers compete for staff in the real estate and construction industries. During the Great Recession, some former private sector employees were trying to break into the nonprofit world. A manager from a Los Angeles-based NHDO noticed:

...when the for-sale market was drying up, a lot of professionals from that industry were suddenly very interested in trying to do affordable housing. I saw a lot of people applying for jobs who were coming from for-profit who, from a nonprofit perspective, they weren't necessarily aligned with the mission and there was certainly concern that they were just, you know, following the money. And that as soon as the market-rate housing market went back up, they would be “sayonara.”

One of the EDs from another San Joaquin Valley-based NHDO discussed the region's high foreclosure rate and how their city was facing major financial issues. This NHDO was one of the few developers in the area that built during this period of time. They had to assess their staffing but were fortunate to keep about the same amount. Nonetheless, this ED viewed the private sector as a threat. According to this ED, their “staff is very well trained...when the time comes, when you've got the private sector ramping up and starting up, we're going to be easy prey. We're going to be there for the picking.”

Succession Planning

Three of the housing associations mentioned the effects of retirements of EDs amongst NHDOs. Many of these organizations were founded by charismatic, visionary leaders from the 1970s who were now starting to retire. One of the housing associations mentioned the age gap between retiring EDs who are around age 60 or older and their replacements who are in their 40s. Another housing association ED recognized this generational shift and emphasized the need for succession planning. For over 20 years, a San Joaquin Valley-based NHDO's senior management team worked together, which created stability. More recently, they positioned the organization to transition to new management and to promote younger staff members who are "more diverse and some have higher education levels."

Board Relations

Successful NHDOs cultivate good relations with their board members. Six of the NHDO interviewees mentioned that their board was stable, and two additional interviewees stated that their boards increased. Three identified that the primary reason for the board increase was to have a mix of skills. One acknowledged that they wanted to have a more racially and ethnically diverse board.

An interviewee from a Los Angeles-based NHDO thought that their board was pretty stable with an average of seven years tenure. S/he believed that there was a variety of perspectives and professions on the board, which included community residents, a land use lawyer, a development person, and a finance/banking representative. The interviewee noticed that the board was not involved in day-to-day things, but instead, oversaw the mission and vision for the organization. This NHDO convened joint all-board and all-staff retreats, so the strategic planning was a fluid, collective process.

The ED of a Bay Area-based NHDO that merged with another NHDO shared how much she appreciated the board since the Great Recession. They lost some board members because two passed away and someone moved away. Nonetheless, their board members were

extremely loyal through this crunch. S/he reflected, “This has not been an easy [time]; it’s just not going to ribbon cutting [events] and some things like that. We’ve had some very tough decision making and they are still with us.”

Mission-Focused

About half of the NHDO interviewees stated that their mission did not change. However, three NHDOs updated their mission. One Los Angeles-based NHDO decided to “stick with what they know” and just expand their geographic service area. Similarly, another Los Angeles-based NHDO did not change their mission because of their specialization as a “pioneer” of permanent supportive housing. This ED proclaimed, “So we did not stop doing permanent supportive housing. In fact, during this time frame, we’ve reconfirmed our mission.”

The ED from a San Diego-based NHDO with many senior housing projects realized that their mission had not changed, but *how* to accomplish their mission had changed:

The mission hasn’t changed, it’s how do you adapt to the changes in the banking industry, in the government industry, political make up, those type of things... And we have seen them come and go, changes come, good times and bad times, but I think our goal, one of my board members... he said, “if we are in a hell in a hand basket situation, just stay steady, manage your properties and wait for a better day,” and it sounds so simple, but as an organization that wants to keep producing and help people, there are times when it is so tumultuous from external factors that you just have to hunker down and just get through it and we have that luxury.

This ED reflected on the importance of keeping their mission in the forefront: “we are doing it for a human being, who needs an affordable, safe environment.” S/he felt that solidifying the money to accomplish their mission is just “a necessary evil.” Another interviewee from a Los Angeles-based NHDO with many Latino clients noticed their mission changed to adapt to community needs during the recession. They starting shifting priorities, engaging residents, and making policy changes. In particular, they began advocating for low-income persons to have more opportunities and to live in a high quality environment.

Adaptive Management

The most successful NHDO EDs executed an adaptive management style, which included dynamic strategic planning, implementing program and services changes, and emphasizing collaboration and compassion. Adaptive management is typically used for resource management. Walters (1986) wrote about how management should be an iterative process because of the uncertainties of managing renewable resources. Neufville (2000) defined dynamic strategic planning for technology and engineering projects. He recognized the risks and uncertainties associated with forecasting the future, so he recommended building in flexibility into a plan that should be designed with long-term benefits and short-term objectives (Neufville, 2000). These management practices are intended for other fields, but NHDOs could adopt them for the affordable housing industry.

Several NHDOs' interviewees recognized different ways that their organization was adaptive. The ED of a large Bay Area-based NHDO identified that building capacity and managing organizational growth had been some of their biggest challenges. They recently obtained the portfolio of another NHDO. Because of this merger, they wanted to ensure the infrastructure and financial planning was in place for sustainable growth. This ED attributed their success to a very well-run management and financial system. S/he said, "Our long-term sustainability has less to do with dollar and cents, and more to do with people. How we do business and institutional history."

In the mid-2000s, one Los Angeles-based NHDO went through a re-organization and merged its community development corporation (CDC) with its housing development organization under the leadership of one ED. They had just completed their five year strategic planning process but that "went out the window" when the housing and economic crises hit. Then, the organization's next challenge was succession planning when their long-time ED retired, which was scheduled many years in advance. Since then, the NHDO restructured their

management roles and transitioned to the new ED who was an internal hire. Through these ups and downs, the organization had some financial hurdles but continued to produce housing and be an active CDC. They predicted their future to be bright as long as the new ED does not “burn out.” In addition to diversifying their sources of funding, part of their success was attributed to the management structure and style, which was more flat and team-oriented.

From a San Diego-based NHDO, the interviewee thought that their organization’s adaptive culture in designing programs and services led to their success. They were “hustling” to ensure that they did not have to halt their pipeline. Instead, they changed services, developed different types of housing, and increased the clients’ income thresholds. An ED from a San Diego-based NHDO with many senior housing projects emphasized the importance of adaptation, “As financing changes, the economy changes, the culture changes, so will changes occur on how we provide the services.” This ED shared how they altered their resident services in a low-income housing development with a large Somali refugee population. Their 120 unit building had many multigenerational households with great-grandparents, grandparents, parents, and children living together. This NHDO adjusted their resident services for this immigrant population. Currently, the building has a community garden and large community room where tenants can gather for educational and cultural events.

The interviewee from a Los Angeles-based NHDO attributed the success and growth of their organization to their continuity in leadership and culture of learning. Their president was one of the founders and had been with the organization for over 15 years. This ED created management teams, including an executive team that meets weekly. This interviewee said, “We continuously are questioning ourselves in regards to: are we pushing the most that we can? Where else can we stretch to strengthen our abilities and opportunities?” Another key to their success was that they kept their community organizing and real estate development in-house (rather than contracting this out). They also focused on their geographic base. S/he recognized

that their budget may not show their successes because funding levels had remained the same, but they had “exponentially grown” through programs and services expansion.

Most of the interviewees felt that their organization had the solid management and financial foundation to continue operating in the next five to ten-years. Yet, one of the interviewees at a Los Angeles-based NHDO reflected how there will be fewer NHDOs in the future because “not too many groups now want to get into the affordable housing business, it is so hard to break into and such a tough industry.” An ED from a large Bay Area-based NHDOs summarized challenges to developing affordable housing, “it’s just...so political, NIMBY [Not In My Backyard], entitlement period process, competition from for-profits...When I think about all things that have kept me up at night over the last 10 years, it’s like all the projects, there’s always so much drama.”

Among the managers and staff that believed that their organization would survive in the next 5-10 years, five stated that they were strong financially because of their operating reserves, endowment fund from selling properties, cash taken out of equity from refinancing properties, or diversifying funding. Three reflected on how their management team was effective because they were open to change. An interviewee at the Los Angeles-based NHDO felt that they had the “sophistication and knowledge” to sustain over time. They emphasized “managing and operating with a heart and being a responsible company.” This NHDO’s management prioritized its human resources:

...we’re fairly strong financially. Our assets are going good; our housing projects are moving forward; our campaigns are really strong; our clients and our programs are reaching more people than ever before...so I do feel that we have the wherewithal and we continue to grow and cultivate our leadership so I think that, as long as we continue to keep our pulse with the staff and what we need going forward and being able to cultivate as much from within to grow.

Another interviewee at a Los Angeles-based NHDO remarked how the organization’s size, experience, and long-time in existence worked in their favor. S/he thought that they had put into place good strategies to get through the “lean years.”

When reflecting about all of their members, the housing associations were less optimistic about the future. When asked if their members would be able to continue developing housing in the next 5-10 years, most of them said “it depends.” One interviewee from an association stated that “some are doing better than others.” No one foresaw the loss of redevelopment and gap funds, and members were trying to keep their “heads above water.” S/he predicted in the next decade we are going to see some real transformation, and if they don’t figure things out, there will be a lot of groups hurting.

Another admitted that some NHDOs were in jeopardy because they were overextended. A former staff person of a Bay Area-based NHDOs that went out of business, said that one of the key problems was that the ED had other commitments that took time away from managing the NHDO. This interviewee also realized that the ED has a contentious relationship with the city. This made developing housing difficult because the affordable housing industry is so “relational” and strong networks are very important. As one housing association predicted, about two-thirds will be able to continue to develop and about one-third will not. S/he explained that sometimes the nonprofit developer’s ED is unwilling to acknowledge that things are going wrong. Another association interviewee stressed the importance that NHDOs must evolve and adapt or they will “die or become extinct.”

New Partnerships

Affordable housing is a collaborative industry focused on relationships with different investors and stakeholders. Nearly all of the NHDOs worked with either the housing associations or intermediaries. During these tough economic times, many NHDOs created partnerships, including joint ventures and mergers, to increase capacity or survive financially. A majority of the organizations interviewed created joint ventures with other NHDOs to develop housing. Partnerships often enabled projects to come to fruition, especially when staffing and funding resources were scarce. Out of necessity, some mergers occurred when financially unstable NHDOs transferred assets to another developer.

There are informal and formal partnerships. Informal partnerships are providing referrals, sharing advice, collaborating on task forces, mobilizing for advocacy, or networking. Formal partnerships are a contractual or legal obligation between two or more entities for a business agreement or transaction. In 2005, Guo and Acar conducted a survey of 95 urban charitable organizations (that were not specifically housing developers). This study found that “an organization is more likely to increase the degree of formality of its collaborative activities when it is older, has a larger budget size, receives government funding but relies on fewer government funding streams” (p. 340). Collaborations flourished when the board members had linkages with other nonprofit organizations; however, education and research or social service industries were less likely to enter into formal partnerships (Guo & Acar, 2005).

A Los Angeles-based NHDO talked about the cooperative environment amongst NHDOs. S/he said that they had a history of working with each other, even though they apply for the same funding sources. According to this interviewee, Los Angeles NHDOs regularly take the time to meet and discuss who has the best chance of applying for a Request for Proposal (RFP) and whether a NHDO should apply alone or jointly with another organization. She described the collaborative environment:

...we do really good about respecting the needs that each organization has, in addition to how we build strength collectively. So it's, it's surprisingly gone a lot smoother than I would have ever imagined [laugh] and I think it's in large part due to the history that we have together and how we've supported the mission of each other....So I think that history of camaraderie runs so deep and it's so strong that although we know it's a competitive process and we're competing with each other...it's not so much the organization, it's about the neighborhood we're serving and whatever is going to get those resources here...

A statewide housing association ED recognized a correlation between more collaboration and the lack of resources:

In the '90s...because there was all this money available, everybody was like, "hey, I can do this by myself. I don't need partners." I think there is a definite correlation between lack of resources and collaboration/joint ventures. I think there's a correlation there. When times are tough, people are more willing to do joint ventures and collaborate more.

One of the interviewees from a national NHDO commented that regardless of the economy, they frequently form partnerships. According to this interviewee, it is not driven by economic factors but by their philosophy to develop supportive housing with quality service partners.

These differing opinions indicate how joint ventures depend on the region and level of competition for funding.

One ED from a statewide housing association knew the importance of having partnerships outside of your "silo":

It's also important [to]...have partnerships with people that are involved in job creation, healthcare, education, [and] environment. It's very important on the policy front to have these broad-based partnerships. There are also partnerships on the program side because housing is one part of the fix in order to get people out of poverty. It's not the only way. And when we build those partnerships we can deliver services more holistically and we can also build a political constituency to push for resources to address all the needs, not just one piece of the need.

Some other unique partnerships flourished during this time period. For example, a Los Angeles-based NHDO with many Latino clients noticed how they started working more with the Spanish-

language press. Another example was a national NHDO partnered with a real estate research center of a nearby university.

Joint Ventures

According to the Lawyers Alliance for New York (2007), “A joint venture is an [legal] arrangement between two or more parties who invest in a single business or property” (p. 4). A joint venture could also be two or more nonprofits combining a subset of programmatic functions (La Piana, 2010). Joint ventures for affordable housing development are typically between:

1. **nonprofit developers and service organizations**—many nonprofit development organization partner with service organizations to provide health care, mental health services, and other social services;
2. **nonprofit developers and other nonprofit developers**—many nonprofit developers will partner with each other to develop or manage housing or for another type of a project. Often, an inexperienced NHDOs will partner with an experienced one. Other times, experienced NHDOs may partner with each other to maximize their ability to solidify funding or to share financial risks;
3. **nonprofit developers and for-profit entities**—nonprofit developers may create a joint venture with a for-profit developer to develop housing or create another type of business together. One of the most common types of joint ventures was discussed earlier when for-profit developers partner with nonprofits to develop LIHTC projects. A for-profit entity can also create a nonprofit housing development subsidiary to develop housing; and
4. **nonprofit developers and other organizations**—many nonprofit developers partner with intermediaries, associations, universities, etc. to obtain funding, develop housing, receive training or technical assistance, etc.

Several interviewees confirmed that NHDOs formulated new joint ventures during the 2000-2010 period.

Joint ventures were formed with a variety of entities for many different reasons. Some collaborations were created because NHDOs were seeking new sources of funding. A regional housing association ED noticed partnerships with nonprofit housing developers and health care, environmental, and utility organizations, in addition to Public Housing Authorities (PHAs). NHDOs initiated other partnerships to create jobs, to implement solar homes programs, to increase transportation access, and to provide mental health or education services. Sometimes, joint ventures were established out of necessity. One housing association interviewee

acknowledged that certain organizations do not have the capacity to develop housing, and they should either partner with an experienced developer or “stick with being a CDC.”

Most of the NHDOs worked with housing associations, such as Southern California Association of Nonprofit Housing (SCANPH), Housing California, NeighborWorks, Nonprofit Housing, San Diego Housing Federation, California Housing Consortium, East Bay Housing Organization (EBHO), and California Housing Partnership Corporation. Eight NHDOs collaborated with intermediaries, such as Enterprise, Local Initiatives Support Corporation (LISC), Low Income Investment Fund (LIIF), Corporation for Supportive Housing (CSH), Rural Community Assistance Corporation (RCAC), Rural LISC, and the newly formed Housing Opportunities Collaborative. According to an interviewee at a Los Angeles-based NHDO, their organization used intermediaries like a LISC or Enterprise for post-construction loans.

A Bay Area-based NHDO that transferred its properties to another organization said that the intermediaries were extremely helpful when trying to modify and work out a distressed loan with the banks. Throughout the process, s/he felt that NeighborWorks had been very supportive. NeighborWorks, RCAC, and Rural LISC all came together and created an inter-creditor agreement, which was financially beneficial to all parties. The ED stated that this should be a model or best practice because it was an extraordinary tool. Similar to the NHDOs' interviews, most of the housing association EDs mentioned that their members partnered with these intermediaries. One housing association thought that intermediaries were helpful, but they often compete with each other and the private sector. S/he claimed that their financial products were more attractive in times of a strong economy, and the private sector products may be more advantageous in a weak economy.

Current trends indicate that NHDOs are creating partnerships and joint ventures with health care and environmental entities. The ED from a regional housing association declared that the “hot thing” was migrating funding from the healthcare finance system over to the affordable housing side. S/he stated that Mercy Housing and Mid-Peninsula Housing are on the

forefront of partnerships with the health care industry. These partnerships are an extension of the supportive, senior, and special needs housing:

...when they created the supportive housing movement, and they proved that if you house people and give them services, then they don't show up in the emergency rooms, and, you know, you actually save taxpayer dollars. Now they're doing the same thing with housing for seniors and other populations, and figuring out, how do you migrate healthcare financing dollars over to the housing development finance side?

An interviewee from a housing association encouraged NHDOs to take advantage of public health and transit oriented development (TOD) funding. According to the ED from a statewide association, NHDOs initiated partnerships with new transportation, environmental, and health organizations:

So the other thing that I see, you know continuing at the policy level and opening up some new avenues is the intersection between housing, transportation, [and] climate change and then the intersection between health care and housing...I mean there are lots of health indications around stable homes but meeting very specific health needs of people by providing stable housing. You've got Mercy in Mission Creek apartments in San Francisco where they have 50 beds that are direct referral from hospitals and skilled nursing facilities. It's subsidized \$700 a month per unit by the Department of Public Health in San Francisco and they found that they saved an average of \$29,000 per person per year in medical services by stabilizing the most vulnerable and the most expensive patients.

The interviewee of a national NHDO said that they were leaders in this health care and affordable housing trend. They were starting to work with health care organizations to acquire more existing properties, to identify philanthropic capital to improve the property, and to potentially bring in services. S/he declared, "It's really about identifying [a] critical housing stock and getting it in the hands of an owner-operator that is mission-focused and has the long-term perspective in mind."

The ED of a statewide housing association anticipated that specialized funding sources for affordable housing may become available from environmental entities. S/he proclaimed that the environment is on the forefront of the public policy realm, and the "hot thing right now is green. And I don't mean green building [or] sustainable development; I mean energy efficiency,

accessing pots of money at the Public Utilities Commission to help reduce...what rates either the developers or the residents are paying.”

Another statewide housing association ED discussed efforts to pass the Bay Area Quality of Life Initiative.⁵⁶ Advocates were working on a three-year initiative to add a tax for a regional affordable housing trust, open space, and transportation on the November 2016 ballot. This ED said, “We’re not leading with housing, because we know if we do, we will lose. So, we are partnering with the environmentalists. We’re partnering with the transportation advocates.” If this initiative passes, it would generate up to \$750 million to a billion dollars a year for affordable housing in the nine Bay Area counties alone.

An ED of a large Bay Area-based NHDO described a new partnership with the Public Housing Authority (PHA). The NHDO will manage the properties; but the PHA owns the land, and LIHTCs may be used to rehabilitate the units. This ED provided more details about this arrangement:

Basically...[i]t's the rental assistance demonstration program, RAD, with tax credits and housing authority owning the land. It's a huge deal. They're facilitating the resources to make it happen, they're looking at it, as perhaps, a model for what might happen at other places. It's getting a lot of good attention. There's tons of risks and a lot of question marks.

An ED of a statewide housing association exclaimed that this venture with the PHA is groundbreaking new territory for NHDOs. In the future, more nonprofits may start managing PHA properties throughout the country.

Mergers

Author La Piana (2010) and Hyerstay and Sonogo (2010) wrote about mergers amongst nonprofit organizations. Although their work was not specific to nonprofit developers, many of their findings are applicable. La Piana defined a nonprofit merger when their boards,

⁵⁶ The Bay Area Quality of Life Initiative aims to put a ballot measure on the nine-county Bay Area ballot (by November 2016) that will raise dedicated funds for parks and open space, transportation and transit, climate adaptation and affordable housing of \$750 million to \$1 billion annually (Non-Profit Housing Association of Northern California, 2015).

management, and legal entities are fused to form a single organization. He found that the “urge to merge” was increasing because of two core beliefs: “The nonprofit sector has too many organizations, and most nonprofits are too small and are therefore inefficient” (La Piana, 2010, p. 28). Mergers are seen as the solution to reduce competition for scarce funding, introduce more economies of scale, increase efficiency and effectiveness (La Piana, 2010). However, the author asserted that this is too simplistic (La Piana, 2010). Because often it is not fewer organizations, but more money that is needed for the services and programs that are in high demand (La Piana, 2010). La Piana argued that the problem is not the duplication of services, but the duplication of service provider infrastructures, e.g. board of directors, human resources, administrative, information systems, human resource management, and budgeting and accounting processes.

According to Hyerstay and Sonogo (2010), “the trend in Corporate America to merge in order to increase efficiencies, provide better product and produce stronger financial results does make sense in the changing nonprofit environment” (p. 4). However, they emphasized that there are risks, resistance, and costs to merging (Hyerstay & Sonogo, 2010). There are “perceived cost savings” with a merger, but the merger itself does not save the money (La Piana, 2010, p. 31). Instead, it creates a structure for management to make the tough decisions that ultimately leads to better financial footing, regarding staffing, contracts and program restructuring (La Piana, 2010). Hyerstay and Sonogo wrote: “There are hard costs associated with a merger, including legal fees, charges related to the integration of infrastructure (from buildings to computer systems) and human resource costs (modifications to insurance benefits, severance packages, etc.), that can burden the already strained budget of a nonprofit” (Hyerstay & Sonogo, 2010, p. 6). On the upside, the long-term benefits may result in new/improved services and program, greater financial security/flexibility, reduced administration costs, etc. (Hyerstay & Sonogo, 2010).

An interviewee from a national NHDO proclaimed: “Our history is built on mergers.” Typically, mergers happen when an executive director leaves or retires. One ED from a statewide housing association describes mergers as “collaborative conversations” between two NHDOs. Rather than calling it a closing of a business or a takeover, it is combining the NHDOs’ portfolios and property management. Some of the NHDOs saw the “writing on the wall” and knew that if they did not make drastic changes, they could go bankrupt or out of business. They opted to merge with another organization and transfer their real estate portfolio. A statewide housing association ED noticed that some of the large nonprofit developers grew during this period, especially if they merged with another organization. S/he observed that these NHDOs are increasingly functioning like for-profit organizations since they have an extensive real estate portfolio and staff capacity.

A couple of the mergers between organizations occurred prior to the Great Recession. In 2002, a San Diego-based NHDO merged their multifamily and single family operations together under the guidance of the intermediary, NeighborWorks. The interviewee stated that these two organizations were completely separate and most of the single-family staff left after the merger. A management team was created to oversee the merger, and now, this combined organization “became one full spectrum, comprehensive organization that goes from homeless to homeowner.” A national NHDO merged with two entities in different cities; one merger occurred before 2000 and another in early 2000. This national NHDO received the self-help single family portfolios of these two nonprofits. Starting in 2007, the national NHDO was unable to compete with resales. In 2011, they ended up shutting down their self-help programs and transferring the properties to another smaller nonprofit.

Other mergers formed during or after the crisis, and they varied from happening quickly to incrementally. One of the Bay Area NHDOs that went out of business in 2010 and quickly split their portfolio between two other nonprofit developers. They were experiencing financial and management problems and lost their portfolio of about 950 units. They had about 70 staff

members and 50 of them were in property management. Some staff were retained, but most were let go.

The ED from a large Bay Area-based NHDO that obtained the portfolio of this organization explained why the struggling developer went out of business. They had “some problematic properties that was draining their money,” and they had difficulty competing for funding against some of the large NHDOs. S/he observed that during the recession, it became more competitive to apply for funding and most NHDOs have a business model that requires at least three new projects a year. The struggling NHDO was “reading the tea leaves” and decided to be responsible owners and transferred their assets on a 60-day notice. According to the ED that obtained properties, s/he acknowledged that this “very valuable portfolio” really bolstered their sustainability and was “a great move financially.”

A Bay Area-based NHDO in an exurban area merged with another organization because sales prices were drastically decreasing in their community. The ED had to discount over 200 homes up to \$5,000 each. S/he complained about how the merging process was complex. For their 40 properties, over 35,000 consents were necessary to transfer the properties. Their real estate staff was 15 persons originally and was reduced to two to “wind down” the business. The ED ended up transferring properties to another NHDO and explained that their organization was making changes incrementally:

There's not really a guide book for this, there's not really many examples of [this type of merger]... There's something when somebody just blows up and implodes I guess I should say. There are examples where people just close down and hand their staff off and leave. It's unusual to have this done in what we call the orderly fashion...it's all done with everyone's agreement. I mean there are all kinds of creditors [that have] to agree to this.

S/he emphasized the importance of finding the right partner to transfer their properties to because their number one goal was to save the units and not disrupt the tenants. S/he wanted to stress that people should not think about themselves, but about the bigger picture of preserving affordable housing. S/he felt that the organization that they merged with has “the

same values, same philosophies, our boards were very much aligned and...has a great relationship with the municipality. [They will] take care of the property and the tenants, make sure that the services continue to be offered here and then take care of staff to the extent as best we can.” In the future, some of the former staff of the terminated NHDO were interested in creating another nonprofit in a different location.

Under a merger, one of the organizations is usually large and financially stable and obtains the portfolio of a smaller, unstable organization. However, an unusual situation occurred in the Bay Area where two medium sized NHDOs merged because the departure of one of the EDs. These two developers were similar in mission and geographic service area, but one focused more on senior housing. After a couple of years in the making, the merger was completed in 2014. The ED from one of these organizations became the new ED of the merged entity. S/he praised the transition team for keeping all of the staff from both organizations (except for natural attrition). The transition has been successful and studied by an intermediary as a best practice. One of the keys to success was the ED established a new management team with a Chief Operating Officer (COO) and Chief Financial Officer (CFO). This newly merged organization ended up combining the two boards for one “giant” board of about 17 members, although the ED would prefer to bring this number down to 13 or 15 persons. Since the mortgages were paid off for some of the older properties of the transferred portfolio, the ED was able to refinance and use this equity money for new housing projects.

Mergers are costly; there is a loss of staff and identity for an organization with a strong connection to its mission, clients, tenants, and community. On the other hand, a merger is the preferred choice over going out of business and liquidating assets. The potential benefits of mergers are a better financial standing in the long-run, and perhaps, improved programs and services. An ED from a regional housing association said, “It’s not only the pain [and] suffering that comes from losing of a specific business, but really from a broad public policy perspective

question is what happens to those assets.” This ED considered the NHDO’s properties more like public assets that should remain affordable for a long period of time.

Qualitative Summary of Findings

This chapter provides insight on how nonprofit housing development organizations (NHDOs) in California adapted during the most recent housing and economic crises. The volatile housing market and economic situation forced NHDOs to seek out new funding sources and implement adaptive management strategies for survival. Exurban and rural areas of California suffered because of drastic property value decreases, in addition to high foreclosure and unemployment rates. Rural area residents, very low-income persons, and African Americans and Latinos were disproportionately affected by the rising unemployment, during this ten-year period. With the collapse of the banking industry, NHDOs described how there was confusion with the bank mergers, an increase in scrutinizing projects, and a tendency for banks to back away from deals. Despite the housing and economic crises, most of the interviewees discussed how the demand for affordable housing is constant with many more clients needing housing than they are able to assist. To further complicate matters, NHDOs would often compete with for-profit developers over real estate, funding, and staff.

When asked about challenges facing their organization, NHDOs and housing associations overwhelmingly stated that funding was the most important issue. Although large NHDOs tended to fare well and produced many housing units, most NHDOs were concerned about the need for a permanent source of funding. Typically, NHDOs relied on developer fees, property management fees, and government funding. Developer fees are unrestricted, but it is a risky, intermittent source of funding. Property management fees may not always generate high revenue, and often, the fees only cover the staff costs.

Interviewees acknowledged how there have been funding cutbacks at all levels of government: federal, state, and local. Government funds often served as acquisition or gap financing to secure other resources. In addition to federal funding, such as HOME, Community Development Block Grants (CDBG), and Section 8, NHDOs relied on state resources, such as

bonds, Low Income Housing Tax Credits (LIHTCs), and California Redevelopment Agency (RDA) funding. Many of these state bonds were only funded once and will not be renewed, and in the case of RDAs, funding was terminated as of 2012. A recent trend was to resyndicate LIHTC projects to rehabilitate the building(s), refinance the loan(s), and take out equity as a revenue source. NHDOs sought new sources of funding to sustain their organizations, from housing trust funds to new cap and trade (environmental) funding.

During the Great Recession, NHDOs managers made key decisions about their pipeline, programs, and services. They assessed their real estate portfolios and managed risk. The majority of NHDOs interviewed noticed that their pipeline of development projects decreased or stalled. One the main reasons was because of the lag in affordable housing development, which was estimated to be about 6 years from construction to occupancy. In addition, another interviewee discussed how there is also a lag when the affordable housing market reacts to the for-profit real estate market. After the crisis, NHDOs were more risk adverse when making decisions for their development projects. There may have been opportunities to purchase cheaper land, but at the same time, there were few resources available for development. So NHDOs could not take advantage of these opportunities, especially since some investors paid cash to purchase properties.

In reaction to the lack of funds available and volatile real estate market, NHDOs changed the type of housing they developed, in addition to their programs and services. After the crisis, NHDOs started developing more rental and less homeownership housing. They were also rehabilitating more units rather than taking on new construction projects. Another trend was more NHDOs began developing senior, homeless, permanent supportive housing, and veterans housing. Several NHDOs created new lines of business, such as property management, asset and portfolio management, real estate services, and different community and social services.

Many NHDOs experienced management and staff changes. Some of the internal organizational challenges were staff recruitment, retention, succession planning, and layoffs.

Exurban and rural areas, in particular, have organizational capacity issues, and it is difficult for NHDOs to recruit and retain staff. Throughout the state, there was competition between the nonprofit and for-profit developers for talented staff. Furthermore, many long-time executive directors were retiring, which could lead to a historical “brain drain” and increase the need for succession planning. A few organizations mentioned how they had to lay off staff, which was a very difficult time. Other cost-saving methods were also used, e.g. not filling vacancies, cutting salary increases, or reducing retirement benefits.

Successful NHDOs were adaptive and built collaborative management teams. About half of the NHDOs stayed focused on their mission, but some made adjustments to staffing levels, programs, and services. A few NHDOs strategically changed or expanded their board to increase the mix of skills or add racial/ethnic diversity to reflect the neighborhoods that they serve.

As an industry, affordable housing developers tend to be cooperative and regularly partner with associations, intermediaries, and other NHDOs. Some of the interviewees mentioned that joint ventures increased during the 2000-2010 period. With less funding available, developers decided that joint ventures may increase the success of a project to increase organizational capacity and share financial risks. New ventures percolated with health care, environmental, transportation, utility, and public housing organizations. This was a result of NHDOs seeking a variety of funding sources and new public policy trends. A handful of the NHDOs merged with, or transferred assets to, another organization. Facing financial difficulties or drastic management changes, these organizations decided to go out of business but keep the real estate portfolio under ownership of another nonprofit developer.

The crisis may have been a lost opportunity for NHDOs to capitalize on buying foreclosed properties. Not only are new funding sources needed for affordable housing, but perhaps, the overall structure of how affordable housing development needs to be re-vamped. There is a perception that the Great Recession is over, but NHDOs are still struggling financially

These lessons learned and adaptive management tactics inform other NHDOs how to survive crises to continue fulfilling their mission of providing affordable housing and social services.

Chapter 5: Analysis of Findings discusses both the quantitative and qualitative findings and provides policy recommendations.

Chapter 5: Analysis of Findings

In this chapter, I synthesize findings from both the quantitative and qualitative research. The outcomes of interest were nonprofit housing development organizations' (NHDOs) survival and performance (as determined by revenue) during the ten-year period of 2000-2010. The hypotheses in Chapter 3: Research Methods served as an outline for this section.

Less Funding with Greater Demands

Both the qualitative and quantitative findings highlight the financial difficulties facing the nonprofit sector. NHDO and housing association interviewees overwhelmingly stated that funding was the most important issue. The NHDOs' pipeline of housing development projects decreased or were delayed. Most of the interviewees discussed how the demand for affordable housing was constant or increased during the Great Recession. This was consistent with the existing research on nonprofits (but not specifically NHDOs), which determined that nonprofits' financial instability became more severe as the demand for their services increased during the crises (Anheier, 2009; Johnson, 2011).

Over the past twenty years, the key government funding sources for affordable housing have declined or were eliminated. From 2000 to 2012, HUD appropriations for the HOME program were down 45 percent and 26 percent for the CDBG program (Joint Center for Housing Studies of Harvard University, 2013). According to a CohnReznick (2012) report, "the demand for housing tax credits has exceeded supply almost every year" for the past 15 years (p. 7). As of 2009, about 375,000 LIHTC affordable rental units in the U.S. could leave the stock of affordable housing because they have either reached or passed their 15-year period of restricted use, and this number could increase to more than 1 million by 2020 (Khadduri et al. 2012). The State of California was facing budget problems and Redevelopment Agency (RDA) funding was eliminated as of 2012. Statewide, this could result in a loss of over \$ billion per

year of California RDA funding (Leffall & Rein 2012) and an estimated average annual loss of 4,500 to 6,500 new affordable units (Blount et al., 2014).

From the bivariate analysis, I concluded that NHDOs that survived earned an average of about \$211,000 more revenue (18%) than those terminated. There was a modest increase in revenue from 2000-2010. For those developers that survived, their average revenue increased \$288,000 or 21% by 2010; however, the median revenue increase was only \$17,000 or 3% more. Contrary to a priori assumptions, revenue in the baseline year did not affect survival. As expected, revenue in 2000 did positively affect revenue in 2010.

According to the bivariate results, nonprofit developers that survived had 8 percentage points less in government funding than those that survived. The multivariate regression results revealed that NHDOs that were more dependent on government funding had a lower chance of survival and less revenue, which differed from the a priori assumptions. These results indicated that government funding had been decreasing or unstable during this time period, which was validated by the qualitative interviews.

Variations in survival and revenue depended on housing type or population served, which also determines eligibility for funding. NHDOs had a lower survival rate (67%) if they were general housing developers (rather than specializing in rental housing, senior housing or housing for disabled). NHDOs producing rental and senior housing were more likely to survive (both at 82%), which was confirmed by the logistic regression models. According to the OLS regression models, NHDOs developing senior housing tended to have less revenue.

The interviews revealed that successful NHDOs were seeking new sources of funding and working towards financial self-sufficiency. Some of these funding sources were: California Greenhouse Gas Cap-and-Trade program, housing trust funds, health care, utility, public housing, etc. To gain more self-sufficiency, some NHDOs refinanced their properties to take out equity and other opted to resyndicate Low Income Housing Tax Credit (LIHTC) projects to rehabilitate building(s), refinance the loan(s), and take out equity as a revenue source.

Organizational Structure: Age, Size, and Staff

Both the quantitative and qualitative findings demonstrate the importance of organizational structure for nonprofit developers. The organization's age, size and staff had effects on its survival and funding. NHDOs are similar to other for-profit (Hager, Galaskiewicz, Bielefeld, & Pins, 1996) and nonprofit (Hung & Ong, 2012) entities in that being a larger and older organization typically increases survival. From the regression models, I found that the organizations' age had a positive (but marginal) effect on survival. Therefore, older organizations were more likely to survive; if they survived, they may struggle to sustain over time. This may be an indication of organizational rigidity. Age did not have a statistically significant effect on revenue.

Revenue and staffing (as indicated by employee salaries) served as indicators of organizational size and capacity in the regression models. As previously stated, I found that revenue in the base year did not affect survival, but had a positive effect on revenue. Employee salaries positively affected survival and revenue. NHDOs that survived had an average of about 66% more salaries compared to those that were terminated, according to the bivariate results.

The qualitative research points to additional organizational factors. NHDOs with stable board members, managers, and staff (i.e. with long tenures) fared better during the Great Recession, which is consistent with the existing management research (Nichols, 2011; Nichols & Trinh; 2014). In the affordable housing industry, there are economies of scale, especially for property management. As funding became increasingly more scarce and competitive, the organizations with more staff capacity and experience were successful in solidifying funding. During this time period, the unstable banking industry heavily scrutinized projects, which made it more difficult for a small organizations to compete. Both large and small NHDOs experienced staff layoffs or did not fill vacant positions. Some nonprofit developers resorted to cost-saving tactics, such as cutting merit increases or reducing retirement benefits. A few of the larger organizations increased their staff and real estate portfolios because of mergers. Since the

affordable housing industry is difficult to break into and remain in, there may be fewer and larger NHDOs in the future. These bigger NHDOs could function more like private sector monopolies and veer away from their mission and community base.

Regional Variances and Agglomeration Effects

According to the qualitative and quantitative data, there were regional differences in the outcomes. The majority of NHDOs were in the Los Angeles (43%) and San Francisco (34%) regions. Both of these regions had a higher percentage of NHDOs that survived, 82% and 78%, respectively. These bivariate results may validate that there were agglomeration effects among organizations in close proximity to each other, which enables them to share resources and information (Hannan, 1986).

Regions that did not fare as well during this time period tended to be exurban or rural areas. The interviews substantiated how exurban and rural areas of California, such as the San Joaquin Valley and the Inland Empire, were grappling with high foreclosure, poverty, and unemployment rates. These areas also had some capacity issues with few nonprofit developers producing affordable housing in their region, volatile land and home values, and difficulty recruiting and retaining staff. From the bivariate analysis, San Joaquin Valley had the lowest survival rate at 57%. The parsimonious logistic model confirmed that NHDOs in the San Joaquin Valley region were less likely to survive.

Some county characteristics (or contextual) variables had an effect on survival and revenue. Trends were difficult to identify, possibly, because there was not a lot of variation in the 58 counties or multicollinearity effects amongst variables. The bivariate results indicated that NHDOs were more likely to survive in counties with a high number of households, housing units, renters, and newly constructed units (built during 1995-2000). This suggests that NHDOs thrive in dense areas with renters who have more affordable housing needs. Counties with a higher number of newly constructed units indicates development activity, but these units may be for market rate (and not affordable) housing. NHDOs were less likely to survive in counties with a

high percentage of vacant units. If the county has a high vacancy rate, this area may have a surplus housing supply with low rents. In the logistic regression models, both households and percentage of vacancies were negatively related to survival. In addition, the poverty rate had a positive effect on survival; thus, low income counties probably have greater needs for affordable housing.

In the OLS regression models, the variables, renters and household income, positively affected revenue. This may indicate that counties with many renters and upper income households may have high needs for affordable housing for low-income households. The variables, home values, newly constructed units, and unemployment, are negatively affected revenue. These counties could be either: expensive with high housing costs, unaffordable for persons who may be unemployed, or are conducive for development activity.

Adaptation and Partnerships

Findings from the qualitative research were consistent with the existing organizational and management theory literature (Hannah and Freeman, 1977; Haveman, 1992; Brinckerhoff, 2000) and industry reports (Nichols, 2011; Nichols & Trinh, 2014). NHDOs that implemented adaptive management methods were more likely to perform well. Some effective tactics used by managers included: managing risk for the development pipeline; implementing dynamic strategic planning; changing or terminating programs and services; creating new lines of business; and strategically adjusting staffing levels (including layoffs, if necessary). In addition, a stable management team, strong board relationships, and a commitment to the organizations' mission were keys to success.

The affordable housing industry is collaborative in nature, regardless of good or bad economic times. Joint ventures to develop housing or administer social service programs existed before the crises, but perhaps, increased during and afterwards. Organizations that were struggling often opted to partner through joint ventures or mergers with other organizations.

Joint ventures and mergers occur in the private and nonprofit sectors, but can be costly and disruptive for the organization and its clients (La Piana 2010; Hyerstay & Sonogo, 2010). These coping strategies allowed the NHDOs to apply for new funding, combine resources (financial and human), or simply, keep their doors open.

Some organizations that were financially unstable or undergoing significant management changes (typically because of the departure of an executive director) opted to merge with another NHDOs. By changing ownership of the housing assets, this enabled the units to be managed by another nonprofit with a similar mission and goals. Although the merged NHDOs may have drastically reorganized, the overarching goal was to minimize problems for the tenants and preserve affordable housing units.

The quantitative and qualitative research both provided complimentary and consistent information on how and why NHDOs survived and/or thrived. While the quantitative findings establish an association between measurable causal and outcome variables, the qualitative interviews offer a better understanding non-quantifiable factors, particularly organizational dynamics. The next section offers policy recommendations for the affordable housing industry.

Policy Recommendations

The following policy recommendations to support affordable housing were compiled from the quantitative data and qualitative interviews. Many of these recommendations would be implemented by the NHDOs themselves or by other stakeholders. I created four categories of affordable housing stakeholders:

1. Board members, managers, and staff of NHDOs;
2. Funders and elected officials on the federal, state, and local level;
3. Regional housing associations, intermediaries, and advocacy organizations; and
4. Other allies, e.g. planners, community-based organizations, service organizations, academics, media, etc.

The recommendations include the following: (1) diversify revenue sources, (2) increase capacity in underserved areas, (3) implement adaptive management, and (4) establish new partnerships.

Diversify Revenue Sources

Many NHDO interviewees discussed how their ability to keep developing housing depended on the availability of funding. Regional housing associations, intermediaries, and advocacy organizations need to work with board members, managers, and staff of NHDOs to lobby funders and elected officials to create permanent sources of funding. These should be on the federal, state, and local levels. In order to solidify a permanent source of funding, NHDOs, housing associations, and other allies need to build political support, change the negative perceptions of affordable housing, and propose legislation to appeal to legislators and voters.

The affordable housing industry is increasingly becoming more complex, and it is more difficult to apply, solidify, and manage funding. Applications and reporting requirements are onerous. Staff must be well-trained in finance, housing development, property management, and asset management. Managers and staff need to be opportunistic for new sources of funding. Successful NHDOs had sophisticated computer systems for their finances. Some NHDOs were working towards self-sufficiency by opening up new lines of business or providing

services in-house, such as property management. Another strategy was refinancing and taking out equity loans as a source of revenue, including resyndication of LIHTCs.

About half of the interviewees said that there was not much political support for affordable housing, which contributes to the reduction in funding. Some NHDOs complained that there are no politicians championing for affordable housing. Even if there is awareness or concern, there is no financial support for nonprofit developers. One Executive Director (ED) from a regional housing association stated that affordable housing has “rhetorical support but no real support...[in terms of] cash, straight up cash.”

Four NHDO EDs and all five housing association EDs stated that an anti-affordable housing or “Not In My Back Yard” (NIMBY) attitude was a problem. A Los Angeles NHDO manager claimed that NIMBYism “didn’t get better or worse. It was just irrespective of the financial crisis.” In contrast, the ED of a statewide housing association said, “In my opinion, I think the NIMBY phenomenon is almost as bad--I think it’s actually gotten worse.”

Interviewees suggested two methods of combating NIMBYism: (1) personalize the stories of persons in need of affordable housing and (2) showcase success stories of NHDOs and their projects. An interviewee from a Los Angeles-based NHDO explained how the NIMBY attitude is derived from “hatred and discrimination and racism towards populations that would access affordable housing.” Since the city council leadership had not done much to push back on this negative perception, s/he thought that NHDOs are ones left to combat NIMBYism.

Advocates of affordable housing need to make an emotional appeal and tell the stories of the persons in need of affordable housing through the media and other avenues. According to an interviewee of a housing association representing some politically conservative cities, support for affordable housing is an “uphill battle.” S/he believes the exception is the homeless population. This interviewee thought that even conservatives have a “greater willingness to do something about homelessness” because it falls more within the charity definition, especially with faith-based and veterans organizations. The public perception of homeless persons is:

“let’s get them off the streets of downtown.” Another interviewee from this housing association agreed that wealthy people from all over the world are visiting their newly revitalized downtown and walking over a homeless person to go to their nice restaurant or hotel. Since homelessness is more visible, support for the homeless is a “visceral thing.”

Supporters of affordable housing should shift the public and media’s attention from identifying the problem of a housing crisis to executing solutions. NHDOs need to be promoted as part of the solution to the housing crises. An interviewee from a Los Angeles-based NHDO explained how people who oppose an affordable housing project often change their mind after construction. S/he said, once the project is complete, people see how beautiful it is and take pictures with it. They end up changing their minds and would say, “This is a great project. We should be doing more affordable housing.” Academics can play a critical role by building on existing research on the effects of affordable housing on residents and neighborhoods. Persons with NIMBY attitudes claim that affordable housing increases pedestrian and car traffic, overcrowds schools, and raises the demand for social services. Another major concern is that affordable housing decreases property values; when in fact, some affordable housing projects increase values, which may also cause gentrification. Additional empirical research is needed on all of these topics.

Advocates of affordable housing need to propose legislation to solidify funding and implement favorable policies. Regional housing associations, intermediaries, and advocacy organizations need to push harder for legislation related to housing and jobs, health, transportation, and the environment. Not only do NHDOs need new sources of funding, but existing government programs ought to have an infusion of additional funds. For many federal programs, e.g. CDBG, HOME, McKinney-Vento homeless funding, and Section 8, and state programs, e.g. state bond and redevelopment agency (RDA), funding was reduced or eliminated. Some NHDOs are still hopeful that RDA funds will be reinstated, but others are

taking a proactive stance and are suing the state for backing out of their redevelopment agency deals. Another alternative is to offer an agenda that will completely revamp existing housing policies and real estate taxes.

A manager from a Los Angeles-based NHDO described their slow, but steady, progress to pass the Homes and Jobs Act (Assembly Bill 1220 and Senate Bill 391) at the end of the year (see Glossary). From this manager's perspective, s/he saw a policy shift after the demise of RDAs, when housing developers became more engaged on a policy level to advocate for the fate of their future. Some housing supporters were lobbying for fair wage laws in their cities. Advocates need to build on this momentum while capitalizing on the new multi-sector trends in affordable housing.

As one interviewee from a housing association proclaimed, "affordable housing is an income issue, so solving it is essentially redistribution. No matter how you slice it." S/he said, "I think what [the] affordable housing sector has really suffered from is this really three decade mentality of this anti-welfare society, and if you are poor, you haven't worked hard enough, it is your fault, and I think affordable housing has really taken a PR [Public Relations] hit." S/he suggested that the messaging and framing needs to move towards linking affordable housing to equity and income inequality. A housing association ED agreed and declared that the "battle cry" is to combat economic and social inequality.

The new trends focus on the intersection between housing, health, transportation, and the environment. NHDOs need to secure new funding sources from the hospitals, California Greenhouse Gas Cap-and-Trade Program, and utility companies. Some NHDOs are working with hospitals to provide their patients with housing and services after they exit the medical facility. Stable housing for seniors, mental health patients, drug and alcohol addicts, and other special needs populations could assist in the patient's recovery and be cost-effective. By developing affordable housing as part of transit oriented development (TOD), NHDOs can access environmental and transportation funding. As mentioned earlier, affordable housing

supporters are collaborating with environmentalists and transportation advocates to pass the Bay Area Quality of Life Initiative in November 2016.

Other suggestions include promoting inclusionary zoning to pushing for a complete overhaul of housing policy. San Francisco's extensive inclusionary affordable housing program requires residential developers to either pay a fee or provide 12% on-site or 20% off-site of affordable housing units. A NHDO interviewee said that Los Angeles has not been able to pass an inclusionary zoning legislation, but recently, there has been more success in convincing developers to make affordable housing a requirement in their projects. One of the EDs from a regional housing association discussed how mortgage interest deductions and Proposition 13 are also making housing unattainable for most Californians. S/he thinks that Proposition 13 "encourages hoarding of property and land and forces up the cost of housing" and even suggested that the U.S. end mortgage interest deductions similar to Europe. Another ED argued that the "fundamental structure of how new affordable housing gets done" be changed. S/he felt that we "need the next big idea" or a movement for the next generation whether that is drastic tax reform, a revamped War on Poverty, or an effective lobbying campaign. S/he believes the problem is surmounting and said, "I think the answer comes from the public sector, but I just don't know what the answer is, what's the new normal."

Increase Capacity in Underserved Areas

Exurban (outer suburban) and rural areas of California were hit hard by the housing and economic crises. The quantitative data indicated that NHDOs in the San Joaquin Valley region were less likely to survive, and the qualitative interviews reiterated that San Joaquin Valley and the Inland Empire real estate markets were suffering in the aftermath of the crises. These underserved areas need assistance to: (1) increase the capacity of NHDOs to produce affordable housing, (2) address the high foreclosure rates, and (2) reduce poverty and unemployment.

Although these areas experienced a population spurt, there were only a handful of NHDOs producing affordable housing. In addition, NHDOs mentioned that recruiting and retaining staff in exurban and rural areas was difficult. To produce more affordable housing in these regions, the industry could invest in existing NHDOs, establish new ones, or encourage NHDOs from other areas to expand their service area into underserved areas. Of course, this would necessitate funding, and rural housing assistance programs and other funding have been decreasing (Joint Center for Housing Studies of Harvard University, 2013). In addition, other funding sources, such as LIHTCs, tended to focus on more urban areas or have urban-centric requirements. For example, two associations mentioned how NHDOs in exurban and rural areas have difficulty complying with the prevailing wage⁵⁷ requirement because the wage minimums are set by urban area standards. Funding could be earmarked for more exurban and rural areas; in addition, the definition of a rural area needs to be revised as demographics and development changes occur. A housing association ED suggested that housing could be funded on a more regional basis, e.g. through regional housing needs allocation to ensure underserved areas receive adequate funding.

The high foreclosure rates in the exurban and rural areas were due to volatile fluctuations in housing values, banked land that became severely devalued, and the private sector overbuilding housing. To address the issues of foreclosures, some NHDOs were continuing to provide foreclosure counseling. Others were shifting the focus from homeownership or self-help housing to rental or multifamily housing. One San Joaquin Valley NHDO branched out into real estate services, so they could provide specialized services to their clients and ensure that they did not fall prey to predatory or risky borrowing.

⁵⁷California Assembly Bill (AB) 1901 of 2000 requires that developers receiving loans from the Department of Housing and Community Development agree to the payment of prevailing wage rates during construction. These hourly wages for each trade are set by the State of California Department of Industrial Relations (State of California Labor and Workforce Development Agency, 2015 and State of California Department of Industrial Relations, 2015).

Private financial institutions and government-sponsored enterprises, Fannie and Freddie Mac, ought to revise policies and create programs to specifically assist the areas most affected by the housing and crisis. Homeowners need foreclosure counseling assistance, loan modifications, and better customer service from their banks. In addition, there should be preventive measures to assist homebuyers through financial education, standardized underwriting criteria, and enforced disclosure requirements for real estate professionals.

Solutions to the affordable housing shortage are strongly linked to reducing poverty and unemployment. Residents in rural areas, in particular, suffer from chronic poverty. Most are farmworkers, tribal members, or low-wage immigrant laborers. Several NHDOs and housing association interviewees mentioned how addressing income inequality and creating jobs is a key to meet the affordable housing needs. Rural residents are, typically, agricultural workers and have seasonal and intermittent work that has been affected by the drought. Some residents are in need of more educational opportunities, including language and job training. Immigration policy reform can help many residents in the area to obtain citizenship and qualify for other benefits. Low-income families can alleviate their housing costs by increasing access to other social services, such as Temporary Assistance for Needy Families (TANF), food stamps, unemployment benefits, health care coverage, etc.

Implement Adaptive Management

Successful NHDOs had managers that were open to change, promoted teamwork, and facilitated collaborations. NHDOs leadership ought to engage in dynamic strategic planning and managing risk. They should make key decisions for their portfolio and staff. Adaptive managers often started new lines of business or changed their housing type, and many sought new sources of funding. Successful managers were able to identify issues and know when to scale back, which meant declining projects or cutting programs and services. Understanding when to expand or shrink your staffing levels and ensuring the right skill mix is critical for NHDOs.

Managers need to have a balance of stability and adaptability. Having board members, managers, and staff with long tenures creates stability. In addition, it is important for managers to stay mission-focused and to exercise compassion for their staff and clients. However, organizational leaders need to avoid rigidity. Managers and staff may need to change their goals depending on the needs of the clients, external environment, new policy trends, and funding patterns.

Establish New Partnerships

Since the affordable housing industry is collaborative, NHDO managers prioritize cultivating relationships with different investors and stakeholders. Partnerships and joint ventures often enabled projects to come to fruition, especially when staffing and funding resources were scarce. As a result of NHDOs seeking a variety of funding sources, new joint ventures percolated with health care, transportation, environmental, and public housing organizations. Out of necessity, some mergers occurred when financially unstable NHDOs transferred assets to another developer. Facing financial difficulties or drastic management changes, these organizations decided to go out of business but keep the real estate portfolio under ownership of another nonprofit developer.

It is important for NHDOs leadership and staff to understand the lessons learned and success stories of joint ventures and mergers. Mergers are expensive, disruptive, and difficult to implement. NHDOs need to be able weight the costs and benefits of a merger. They ought to seek legal advice and consult with all of the financial institutions that will be impacted. One of the lessons learned from the NHDOs interviewed is that the merger should be made incrementally, i.e. in phases over a reasonable period of time. In addition, setting up a transition or new management team is strongly advised. Planning a merger with a compatible organization with a similar mission and culture can help to mitigate disruption to tenants and preserve affordable housing units.

These recommendations are not solely for the NHDOs but for all of the stakeholders invested in affordable housing. Too often, researchers and policy makers suggest recommendations that add to the burdens of NHDOs who are already facing funding, real estate market, development, property management, staff, and organizational issues. My intention for these recommendations is to alleviate NHDOs' hardships to enable them to continue providing affordable housing and services to low-income populations.

Conclusion

This dissertation addressed the research question: how were nonprofit housing development organizations (NHDOs) affected by the Great Recession that began in 2007? It examined the effects of the housing and economic crises on nonprofit housing development organizations in California regarding survival and revenue, during the period of 2000-2010. The quantitative research included a bivariate and multivariate analysis of factors that influence the performance of nonprofit housing development organizations. For the qualitative research, interviews of executive directors and managers determined how and why these organizations experienced variations in financial and organizational sustainability.

Most of the findings were consistent with the existing literature; there was less funding but greater demands for affordable housing. Age, size, and staff affected survival and funding. Similar to for-profit and other nonprofit entities, larger and older NHDOs with more staff and revenue tended to fare better during this ten-year time period. There were regional variances and agglomeration effects. Organizations in large, urban areas with the highest number of NHDOs were more likely to survive, such as in the Los Angeles and San Francisco regions. In contrast, NHDOs in exurban and rural areas were less likely to survive, e.g. in San Joaquin Valley region. An unexpected finding was that reliance on government funding was negatively associated with NHDOs' survival and revenue. This may be an indicator of how government funding decreased or was unstable during this time period. Adaptation and partnerships were key to the success of an organization. Policy recommendations for NHDOs included: (1) diversify revenue sources, (2) increase capacity in underserved areas, (3) implement adaptive management, and (4) establish new partnerships.

These research findings may not be applicable to other states. The California context is unique, especially since housing is highly localized and political. Generalizability is questionable

since the interview sample size is small. Additional research is needed on the aftermath of the dissolution of California Redevelopment Agency funding; success stories of Low Income Housing Tax Credit resyndication projects; case studies on mergers and partnerships; and how affordable housing effects property value, demographic, and neighborhood changes. Despite the limitations of this study, it provides an empirical contribution to the literature on nonprofits, affordable housing, and the Great Recession. The lessons learned and adaptive management tactics from these NHDOs inform other developers how to survive crises to continue to fulfill their mission of providing affordable housing and social services.

Glossary

California State CalHOME Program

The purpose of the California State CalHOME program is to enable low and very-low-income households to become or remain homeowners. Grants are provided to local public agencies and nonprofit developers to assist individual households through deferred-payment loans or direct, forgivable loans are provided to assist development projects involving multiple ownership units, including single-family subdivisions. CalHome does not loan directly to individuals. Retrieved from: <http://www.hcd.ca.gov/fa/calhome/>

California Greenhouse Gas Cap-and-Trade Program (AB 32, AB 1532, SB 535 and SB 375)

Assembly Bill (AB) 32, the Global Warming Solutions Act of 2006, set a target for reducing California's greenhouse gas (GHG) emissions to 1990 levels by 2020. As part of implementing that goal, the California Air Resources Board (CARB) put in place a Cap and Trade system. The first quarterly auction of allowances under that system, on November 14, 2012, raised a total of \$288 million. AB 1532 requires the Department of Finance, in consultation with CARB, to prepare a three-year investment plan that ensures that Cap and Trade proceeds reduce GHG emissions while maximizing job creation, public health and other "co-benefits" for "the most disadvantaged communities and households in the state."

SB 535 quantified the minimum benefits that Cap and Trade investment plan must set aside at least 25% of auction revenues for disadvantaged communities with at least 10% in projects located within these communities. The Sustainable Communities and Climate Protection Act of 2008, also known as Senate Bill (SB) 375 requires CARB to establish a Metropolitan Planning Organization for each region that must develop a "Sustainable Communities Strategy" (SCS) that integrates transportation, land-use and housing policies to plan for achievement of the emissions target for their region.

Retrieved from: <http://www.publicadvocates.org/cap-and-trade-revenues-under-ab-32-and-sb-535> and https://en.wikipedia.org/wiki/Sustainable_Communities_and_Climate_Protection_Act_of_2008

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) program is a flexible HUD program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD.

Retrieved from:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs

Community Reinvestment Act (CRA)

The Community Reinvestment Act (CRA) is a United States federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. Congress passed the Act in 1977 to reduce redlining or discriminatory credit practices against low-income neighborhoods.

Retrieved from: http://en.wikipedia.org/wiki/Community_Reinvestment_Act

The Department of Housing and Urban Development –Veterans Affairs Supportive Housing (HUD-VASH) Program

The Department of Housing and Urban Development – VA Supportive Housing (HUD-VASH) Program is a joint effort between HUD and VA to move Veterans and their families out of homelessness and into permanent housing. HUD provides housing assistance through its Housing Choice Voucher Program (Section 8) that allows homeless Veterans to rent privately owned housing. VA offers eligible homeless Veterans clinical and supportive services through its health care system across the 50 states, the District of Columbia, Puerto Rico and Guam. As of September 30, 2013, HUD had allocated funding to local public housing authorities to provide more than 58,000 Housing Choice Vouchers to homeless Veterans while VA hired dedicated VA case managers to assist homeless Veterans in securing and maintaining permanent housing through intensive case management.

Retrieved from: <http://www.va.gov/homeless/hud-vash.asp>

Fannie Mae or Federal National Mortgage Association (FNMA)

The Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, was founded in 1938 as part of the New Deal as a federal response to the Great Depression. It is a government-sponsored enterprise (GSE) and has been a publicly traded company since 1968. The corporation's purpose is to expand the U.S. secondary mortgage market by securitizing mortgages in the form of mortgage-backed securities to assist people to buy, refinance, or rent homes. In 2008, Fannie Mae and the similar but smaller, Freddie Mac, owned or guaranteed a large proportion of all home loans in the U.S. and so were severely impacted by the housing crisis. Fannie Mae's stock plunged and the government was concerned that it might go bankrupt. The federal government decided to take over both Fannie Mae and Freddie Mac through a conservatorship.

Retrieved from: <http://www.fanniemae.com/portal/about-us/company-overview/about-fm.html> and http://en.wikipedia.org/wiki/Fannie_Mae#The_mortgage_crisis_from_late_2007

Freddie Mac or Federal Home Loan Mortgage Corporation (FHLMC)

The Federal Home Loan Mortgage Corporation (FHLMC), commonly known as Freddie Mac, is a public government-sponsored enterprise (GSE) created in 1970 to expand the secondary market for mortgages in the US. Along with Fannie Mae, Freddie Mac buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. During the foreclosure crisis, Fannie Mae and Freddie Mac increased their subprime lending, which later led to deficiencies in underwriting criteria and major drop in credit rating. These financial problems resulted in Fannie Mae and Freddie Mac being placed under the federal government conservatorship with the Federal Housing Finance Agency (FHFA) on September 7, 2008. Retrieved from:

http://www.freddiemac.com/corporate/about_freddie.html?intcmp=AF and http://en.wikipedia.org/wiki/Freddie_Mac

Housing Opportunities for Persons With AIDS (HOPWA) Program

The Housing Opportunities for Persons With AIDS (HOPWA) Program is the only Federal program dedicated to the housing needs of people living with HIV/AIDS. Under the HOPWA Program, HUD makes grants to local communities, States, and nonprofit organizations for projects that benefit low-income persons living with HIV/AIDS and their families. Retrieved from: <https://www.hudexchange.info/hopwa/>

HOME Investment Partnerships Program (“HOME”)

HUD's HOME Investment Partnerships Program (“HOME”) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Retrieved from:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home/

McKinney–Vento Homeless Assistance Programs

The McKinney–Vento Homeless Assistance Act of 1987 is a United States federal law that provides federal money from HUD for homeless shelter programs. It was the first significant federal legislative response to homelessness. The McKinney Act originally had fifteen programs providing a spectrum of services to homeless people, including the Continuum of Care Programs: the Supportive Housing Program, the Shelter Plus Care Program, and the Single Room Occupancy Program, as well as the Emergency Shelter Grant Program. Retrieved by:

http://en.wikipedia.org/wiki/McKinney%E2%80%93Vento_Homeless_Assistance_Act

Mental Health Services Act (MHSA) Proposition 63

The passage of Proposition 63 (now known as the Mental Health Services Act or MHSA) in November 2004, provides the first opportunity in many years for the California Department of Mental Health (DMH) to provide increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. The Act addresses a broad continuum of prevention, early intervention and service needs and

the necessary infrastructure, technology and training elements that will effectively support this system. This Act imposes a 1% income tax on personal income in excess of \$1 million. Statewide, the Act was projected to generate approximately \$254 million in fiscal year 2004-05, \$683 million in 2005-06 and increasing amounts thereafter. Much of the funding will be provided to county mental health programs to fund programs consistent with their local plans.

Retrieved from: http://www.dhcs.ca.gov/services/mh/Pages/MH_Prop63.aspx

Neighborhood Stabilization Program (NSP)

As part of the Housing and Economic Recovery Act 2008 (HERA), Congress created the Neighborhood Stabilization Program (NSP) to help cities, counties and states deal with community problems that are the result of the mortgage foreclosure crisis in the nation. Generally, the money must be used to buy, fix up, and resell foreclosed and abandoned homes. As long as the funds are used for this redevelopment, the units of government that receive HUD funds decide how to use the funds and what specific redevelopment activities to undertake. Retrieved from: <https://www.hudexchange.info/faqs/841/what-is-the-neighborhood-stabilization-program-nsp>

Proposition 1C, Housing and Emergency Shelter Trust Fund Act of 2006

California Proposition 1C, also known as the Housing and Emergency Shelter Trust Fund Act of 2006 was on the November 7, 2006 ballot in California as a legislatively-referred bond act, where it was approved. It aimed at providing housing for needy families, seniors and military veterans as well as shelters for battered women. The state will issue bonds totaling two billion eight hundred fifty million dollars (\$2,850,000,000) paid from existing state funds at an average annual cost of two hundred and four million dollars (\$204,000,000) per year over the 30 year life of the bonds. Retrieved from: [http://ballotpedia.org/California_Proposition_1C,_Bonds_for_Housing_\(2006\)](http://ballotpedia.org/California_Proposition_1C,_Bonds_for_Housing_(2006))

California Proposition 46, Bonds for Housing Projects

California Proposition 46, also known as the Housing and Emergency Shelter Trust Fund Act of 2002, was on the November 5, 2002 statewide ballot in California as a legislatively-referred bond act, where it was approved. Proposition 46 was approved issuing \$2.1 billion in general obligation bonds for housing projects. Retrieved from:

http://ballotpedia.org/California_Proposition_46,_Bonds_for_Housing_Projects_%282002%29

Section 8 Housing Voucher Program

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. PHAs receive federal funds from HUD to administer the voucher program. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Retrieved by:

http://portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8

Senate Bill-391 California Homes and Jobs Act of 2013 (formerly Assembly Bill 1220)

The Senate Bill (SB)-391 California Homes and Jobs Act of 2013 would establish a permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except as provided, of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. The bill would require that revenues from this fee be sent quarterly to the Department of Housing and Community Development for deposit in the California Homes and Jobs Trust Fund, which the bill would create within the State Treasury. The bill would provide that funding be expended for supporting affordable housing, administering housing programs, and the cost of periodic audits. Retrieved from:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140SB391

Technical Appendix

National Taxonomy of Exempt Entities-Core Codes (NTEE-CC) for Housing & Shelter

The National Taxonomy of Exempt Entities-Core Codes (NTEE-CC) for “L” Housing and Shelter are described below. These definitions are from the 2007 Desk Reference from National Center for Charitable Statistics, Center on Nonprofits and Philanthropy at The Urban Institute. For this research, the four codes below were considered to be housing development organizations.

L20 Housing Development, Construction & Management

Organizations that build, rehabilitate, manage and/or provide rental housing for low-income individuals and families, older adults and people with disabilities; or which make purchasable housing available to low or moderate income families by offering lower priced housing and/or affordable payment plans, by arranging for interest or mortgage subsidies or by involving eventual owners in the construction process (sweat equity). Use this code for organizations that provide housing services for a wide range of individuals or for those that offer housing options for low-income tenants that are not specified below. Key words: Accessible Housing; Affordable Housing; Barrier-Free Housing; Habitat for Humanity; Housing Construction; Housing Cooperatives; Housing Development; Housing Management; Inexpensive Housing; Low Cost Housing; Low Income Housing; Low to Moderate Cost Housing; Low to Moderate Income Housing; Mobile Home Parks; Moderate Income Housing; Rooming Houses; Shared Housing; Single Room Occupancy; SRO Hotels; SRO Housing; SROs; Sweat Equity; Urban Homesteading. Scope notes: For housing expense assistance to organizations USE Common Codes L112 or L122; for housing expense assistance to individuals and/or families; USE Housing Expense Reduction Support (L82). NAICS Code: 624

L21 Low-Income & Subsidized Rental Housing

Organizations that develop, rehabilitate, manage and/or provide rental housing that is available to people who qualify on the basis of income, age or disability for publicly subsidized housing e.g., HUD housing or housing assistance under Section 8 of the Housing and Urban Development Act. Key words: Farm Labor Housing Program; Federal Leased Housing; FMHA 515; Government Subsidized Housing; Housing and Urban Development Housing; Housing Authorities; HUD Housing; Leased Housing; Low and Moderate Income Housing; Low Income and Affordable Housing; Public Housing; Rent Subsidies; RHS Programs; Rural Housing Service; Section 202; Section 231; Section 236; Section 8; Section 811, Section 221(d)(3); Section 221(d)(4) Subsidized Housing; Subsidized Rental Housing. Scope notes: Use for all low-income housing programs where targeted populations are either not specified or include multiple target groups including but not limited to the elderly and/or people with disabilities. USE L22 Senior Citizen Housing for independent housing options for the elderly and L24 Independent Housing for People with Disabilities for housing options for people with disabilities. Prior to 1990, Section 202 of the National Housing Act included the elderly as well as individuals with disabilities. USE L22 for housing options for the elderly only or for housing options for both the elderly and people with disabilities. NAICS Code: 624

L22 Senior Citizens Housing & Retirement Communities

Residential options exclusively for older adults who want to have a simpler, maintenance-free lifestyle and enjoy the company of peers with common interests, or who require a moderate amount of support in the activities of daily living to maintain independent living. Key words: Age Restricted Communities; Agency on Aging Apartments; Elderly Housing; HUD 202; Retirement Communities; Retirement Homes; Section 202 Supportive Housing for the Elderly; Senior Apartment Complexes; Senior Citizens Housing; Senior Citizens Retirement Communities; Senior Congregate Living Facilities; Senior Retirement Communities

Scope notes: *Includes:* HUD Section 202 Supportive Housing for the Elderly programs. Section 202 programs help expand the supply of affordable housing with supportive services for the elderly. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc.

Prior to 1990, Section 202 of the National Housing Act included the elderly as well as individuals with disabilities. USE L22 for housing options for the elderly only or for housing options for the elderly and people with disabilities.

NAICS Code: 623

L24 Independent Housing for People with Disabilities

Organizations that develop, manage and/or provide rental housing with the availability of supportive services for individuals with disabilities.

Key words: HUD 811; Section 811 Supportive Housing for Persons with Disabilities.

Scope notes: *Includes:* HUD Section 811 Supportive Housing for Persons with Disabilities.

Section 811 of the National Affordable Housing Act of 1990, supersedes Section 202 Program of Housing for Handicapped. The purpose of the Section 811 program is to enable persons with disabilities to live independently within their communities by expanding the supply of housing that provides supportive services, which address the individual health, mental health and other needs of the residents and is designed to accommodate these special needs.

USE L24 for housing options solely for individuals with disabilities; USE L22 for housing options solely for the elderly or for housing options for both the elderly and people with disabilities. For users whose NTEE-CC system has not enabled this code, USE L21.

Code added 5/2005

NAICS Code: 623

Dependent Variable

The definition of the dependent variable (DV) nonprofit housing development organizations' total revenue is described below according to the Urban Institute's National Center for Charitable Statistics (NCCS) data dictionary for International Revenue Service (IRS) 2010 Core Data.

Total Revenue (calculated)=Calculation of total revenue is based on version of Form 990/990EZ (see DocCD)

Old 990 (DocCD=90) and Old 990EZ (DocCD=09): calculated as (CONT + PROGREV + DUES + INVINC + NETRENT + SALESECN + SALEOTHN + FUNDINC + GRPROF + OTHINC)

New 990 (DocCD=93) and New 990EZ (DocCD=92): calculated as (EXPS + NETINC)

DocCD=990 Document Type Code=A 2-digit code identifying type of Form 990 (990, 990-EZ, or 990-PF), and form revision (form revision 2007 and earlier vs. 2008 and later). Document Code is the 4th and 5th digits of the DLN assigned by the IRS.

CONT=Total contributions, gifts, and grants

PROGREV=Program service revenue

DUES=Membership dues and assessments

INVINC=Total investment income

NETRENT=Net rental income

SALESECN=Net gain/loss: sale of securities

SALEOTHN=Net gain/loss: sale of other assets

FUNDINC=Net income from special events and activities

GRPROF=Gross profit/loss from sales of inventory

OTHINC=Other income

Retrieved from:

<http://nccsdataweb.urban.org/PubApps/dd2.php?close=1&form=Core+2010+PCTOTREV>

Descriptions of Contextual Independent Variables

Contextual independent variables include the number of households (excluding group quarters) and housing units. According to the U.S. Census American Community Survey (ACS), “a housing unit is a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or if vacant, is intended for occupancy) as separate living quarters.”

Median home value is the ACS survey respondent's estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale (U.S. Census Bureau ACS 2011 Subject Definitions).

Renter occupied housing units are not owner occupied units; the renter does not necessarily have to pay rent. A housing unit is owner occupied if the owner or co-owner lives in the unit even if it is mortgaged or not fully paid for.

Median gross rent is the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels.

Vacant units are where no one is living in the unit at the time of ACS interview or where there is no permanent resident and the unit is only temporarily occupied (2 months or less).

Units constructed within the last five years were from 1995 to 2000.

Household income was reported in 1999 and converted to 2010 U.S. dollars.

The percentage of families below the poverty level was determined by the number of families below the poverty level for the past 12 months per the total number of families. Poverty status is determined by the standards specified by the Office of Management and Budget, which varies by family size and composition to determine who meets the poverty threshold.

The unemployment rate is the number of unemployed people as a percentage of the civilian labor force for persons over age 16.

Source: U.S. Census Bureau ACS 2011 Subject Definitions

Counties with Missing Foreclosure Data in 2000

Region	County
Region 1 Greater Los Angeles	Imperial
Region 3 San Joaquin Valley	Kings
Region 5 Sacramento Metropolitan	Sutter Yuba
Region 7 Northern California Non-Metropolitan	Alpine Amador Butte Calaveras Colusa Del Norte Glenn Humboldt Inyo Lake Lassen Mariposa Mendocino Modoc Mono Plumas Shasta Sierra Siskiyou Tehama Trinity Tuolumne

Source: RAND California

Interview Information

EMAIL REQUEST FOR INTERVIEW

Dear _____, I am interested in interviewing you for my dissertation research project for the University of California, Los Angeles (UCLA). For my dissertation, I am conducting interviews of Executive Directors and/or managers of nonprofit housing development organizations. The purpose of this research project is to determine how nonprofit housing development organizations adapted during the most recent housing and economic crises. The interview will be a discussion about your organization's structure, what type of housing development does it produce, funding sources, and other organizational management questions. Attached is a copy of the interview questions.

This interview will take approximately 45-60 minutes and will be held in a location convenient to you (such as at your office or a café nearby). This is a confidential research project and any information given would only be used for research purposes to better understand nonprofit housing development organizations ability to adapt in crises.

Please be assured that all information gathered through the study will be kept confidential. No individual's name will be directly associated with any specific response. Only summarized group information will be reported in publications or reports.

If you have any questions or concerns about this research, feel free to contact me at (XXX) XXX-XXXX. I hope that we can set up and interview at a time convenient for you. Thank you very much for your consideration.

Karna Wong
Urban Planning Doctoral Candidate
UCLA Luskin School of Public Affairs

LETTER FOR INTERVIEWEE

Date

Dear _____,

As part of a research project for the University of California, Los Angeles (UCLA), I am conducting interviews of Executive Directors and/or managers of nonprofit housing development organizations. The purpose of this research project is to determine how nonprofit housing development organizations adapted during the most recent housing and economic crises. The interview will be a discussion about your organization's structure, what type of housing development does it produce, funding sources, and other organizational management questions. You were chosen as a possible participant in this study because you have worked with a nonprofit housing development organization that provided housing and other services between the time period of 2000 to 2010.

This interview will take approximately 45-60 minutes. With your permission, I would like to audio record this interview for my notes. This is a confidential research project and any information given would only be used for research purposes to better understand nonprofit housing development organizations ability to adapt in crises.

Please be assured that **all information gathered through the study will be kept confidential.** No individual's name will be directly associated with any specific response. Only summarized group information will be reported in publications or reports. Any information that is obtained in connection with this study will remain confidential and will be disclosed only with your permission or as required by law. You may discontinue participation without penalty. You are not waiving any legal claim or rights because of your participation in this research study. If you have questions regarding your rights as a research subject, contact the UCLA Office of the Human Research Protection Program, 11000 Kinross Avenue, Suite 211, Box 951694, Los Angeles, CA 90095-1694, and (310) 825-7122.

Your participation in this survey is critical to the success of this project. If you have any questions or concerns about this research, feel free to contact Karna Wong, Principal Investigator, at (XXX) XXX-XXXX. Thank you for your assistance in this research project.

Sincerely,

Karna Wong, Doctoral Candidate
Department of Urban Planning, Luskin School of Public Affairs
University of California Los Angeles
3250 School of Public Affairs Building, Box 951656
Los Angeles, CA 90095-1656

UNIVERSITY OF CALIFORNIA, LOS ANGELES

The Housing Crisis and the Third Sector

Karna Wong, Principal Investigator and Doctoral Candidate, from the Luskin School of Public Affairs Urban Planning Department at the University of California, Los Angeles (UCLA) is conducting a research study on "The Housing Crisis and the Third Sector."

You were chosen as a possible participant in this study because of your work experience and/or expertise on nonprofit housing development. Your participation in this research study is voluntary and confidential.

Why is this study being done?

For this study, the researcher is conducting interviews of Executive Directors and/or managers of nonprofit housing development organizations. The purpose of this research project is to determine how nonprofit housing development organizations adapted during the most recent housing and economic crises. You were selected as a possible participant because you have worked with a nonprofit housing development organization that provided housing and other services between the time period of 2000 to 2010.

What will happen if I take part in this research study?

If you volunteer to participate in this study, the researcher will ask you to do the following:

- This interview will take approximately 45-60 minutes and will be held at a time and location convenient for you (such as at your office or a café nearby).
- The interview will be a discussion about your (current or previous) organization's structure, what type of housing development does it produce, funding sources, and other organizational management questions.
- With your permission, the interview will be audio recorded for our notes.
- This is a confidential research project and any information given would only be used for research purposes to better understand nonprofit housing development organizations' ability to adapt in crises.

How long will I be in the research study?

Participation will take about 45-60 minutes.

Are there any potential risks or discomforts that I can expect from this study?

- There are no anticipated risks or discomforts.
- You have the right to refuse to answer any question or terminate the interview without any penalty.

Are there any potential benefits if I participate?

You will not directly benefit from your participation in this research. However, the results of the research may provide information that could assist nonprofit housing development organizations and affordable housing professionals, including lessons learned regarding management and financial issues.

Will information about me and my participation be kept confidential?

Any information that is obtained in connection with this study and that can identify you will remain confidential. It will be disclosed only with your permission or as required by law. No individual's name will be directly associated with any specific interview response. Only summarized group information will be reported in publications or reports. Confidentiality will be maintained by means of coding the interview

data with no names (only alphanumeric identifiers) associated with the data. Data will be kept in a locked cabinet only accessible to the study team.

What are my rights if I take part in this study?

- You can choose whether or not you want to be in this study, and you may withdraw your consent and discontinue participation at any time.
- Whatever decision you make, there will be no penalty to you, and no loss of benefits to which you were otherwise entitled.
- You may refuse to answer any questions that you do not want to answer and still remain in the study.

Who can I contact if I have questions about this study?

- **The research team:**

If you have any questions, comments or concerns about the research, you can talk to the one of the researchers. Please contact:

Karna Wong, Doctoral Candidate and Principal Investigator
Department of Urban Planning, Luskin School of Public Affairs
University of California Los Angeles
3250 School of Public Affairs Building, Box 951656
Los Angeles, CA 90095-1656
Telephone (XXX) XXX-XXXX

Paul Ong, Ph.D., Faculty Sponsor
Professor, UCLA Luskin School of Public Affairs, UCLA Asian American Studies, and UCLA
Institute of the Environment and Sustainability
University of California Los Angeles
3250 School of Public Affairs Building, Box 951656
Los Angeles, CA 90095-1656
Telephone (310) 825-4025

- **UCLA Office of the Human Research Protection Program (OHRPP):**

If you have questions about your rights while taking part in this study, or you have concerns or suggestions and you want to talk to someone other than the researchers about the study, please call the OHRPP at (310) 825-7122 or write to:

UCLA Office of the Human Research Protection Program
11000 Kinross Avenue, Suite 211, Box 951694
Los Angeles, CA 90095-1694

Dissertation Proposal on how Nonprofit Housing Development Organizations (NHDOs) were affected by the housing and economic crises of 2007

Karna Wong, UCLA Urban Planning Doctoral Candidate

February 2014

Qualitative Research - Interview Questions

Interview questions for Executive Directors of Nonprofit Housing Development Organizations (NHDOs) may include the following:

Organizational Structure

1. Does your organization primarily develop housing? What other programs and services does it offer? Have the programs and services changed between 2000-2010?
2. What geographic area does your organization serve? Has this area changed between 2000-2010?
3. How many managers and staff does your organization have (full time and part time)? Has the number of managers or staff changed between 2000-2010? Has the staff titles or responsibilities changed during the ten-year period?

Housing Development

4. How many housing units have your organization developed/completed construction during the 2000-2010 period? Did your organization set up a single asset corporation, limited liability corporation, or limited partnership to develop housing?
5. How many housing units have your organization owned and/or managed during the 2000-2010 period?
6. Has the type of housing changed during this period (e.g. homeownership or rental, single or multifamily, etc.)?
7. Has the type of clients or population served changed during this period (e.g. families, seniors, veterans, homeless, permanent supportive housing, etc.)?
8. How many persons and households has your organization served through its real estate portfolio and through other programs/services?
9. Has housing development increased or decreased during the 2000-2010 period? Why do you think this change (or no change) occurred?
10. What future plans does your organization have for housing development projects?

Funding

11. Approximately what is your organizations' annual budget (expenses) for: housing development, general administration/operations, building management, asset management, etc.?
12. Approximately what is your organizations' annual revenue (including rents and other funding)? Has funding for administration/operations and housing development increased or decreased during the 2000-2010 period? What sources of funding changed (are there new sources of funding or have some sources been eliminated)? Why do you think this change (or no change) occurred?
13. Has your organization determined a per project or per unit cost to develop housing? If yes, what are the estimates?

Internal and External Factors

14. What are the internal factors that have affected your organization between 2000-2010? Staff retention, leadership (management and board) changes, change in mission, etc.?
15. What are the external factors that have affected your organization between 2000-2010? Laws and regulations, zoning, city-wide political environment, regional unemployment, restructuring of banking industry, etc.
16. Have you created partnerships with other NHDOs (or mergers with another NHDO), regional housing associations, and/or intermediaries? If yes, describe these interactions or partnerships.
17. What were the top three challenges/issues that faced your organization during this ten-year period?
18. Do you think that your organization has a solid management and financial foundation to continue operating in the next year, five years, or ten-years? Please provide an explanation of why.
19. Do you have any additional information that you would like to share with us regarding your organization and its experiences since 2000?
20. Do you have any recommendations of other NHDOs that we should interview for this project to ensure that we capture diverse perspectives?

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Qualitative Research - Interview Questions

Interview questions for associations/intermediaries/funders of Nonprofit Housing Development Organizations (NHDOs) may include the following:

General Information about the Association/Intermediary/Funder

1. What types of services or programs does your organization provide to NHDOs? How have these changed during the 2000-2010 period (which includes the 2007 housing crisis)?
2. How many staff does your organization have and how do they interact with NHDOs? How has this changed during the 2000-2010 period?
3. Does your organization have membership? If yes, how many members do you have? How has this changed during the 2000-2010 period?
4. Does your organization fund NHDOs? If yes, what activities do you fund? How has this changed during the 2000-2010 period?

NHDOs Organizational Structure

5. Do the NHDOs that you work with primarily develop housing? What other programs and services do they offer? Have the programs and services changed between 2000-2010?
6. What geographic area does the NHDOs that you work with serve? Has this area changed between 2000-2010?
7. How many managers and staff do the NHDOs that you work with have (full time and part time)? Has the number of managers or staff changed between 2000-2010? Has the staff titles or responsibilities changed during the ten-year period?

Housing Development

8. How many housing units have the NHDOs that you worked with developed/completed construction during the 2000-2010 period? Do these organizations typically set up a single asset corporation, limited liability corporation, or limited partnership to develop housing?
9. How many housing units have the NHDOs that you work with owned and/or managed during the 2000-2010 period?
10. Has the type of housing changed during this period (e.g. homeownership or rental, single or multifamily, etc.)?
11. Has the type of clients or population served changed during this period (e.g. families, seniors, veterans, homeless, permanent supportive housing, etc.)?
12. How many persons and households the NHDOs organizations served through its real estate portfolio and through other programs/services?
13. Has housing development increased or decreased during the 2000-2010 period? Why do you think this change (or no change) occurred?
14. What future plans do the NHDOs have for housing development projects (any new trends)?

Funding

15. Approximately what is the NHDOs' annual budgets (expenses) for: housing development, general administration/operations, building management, asset management, etc.?
16. Approximately what is the NHDOs' annual revenue (including rents and other funding)? Has funding for administration/operations and housing development increased or decreased during the 2000-2010 period? What sources of funding changed (are there new sources of funding or have some sources been eliminated)? Why do you think this change (or no change) occurred?
17. Have the NHDOs determined a per project or per unit cost to develop housing? If yes, what are the estimates?

Internal and External Factors

18. What are the internal factors that have affected the NHDOs between 2000-2010? (staff retention, leadership (management and board) changes, change in mission, anything else?)
19. What are the external factors that have affected the NHDOs between 2000-2010? (laws and regulations, zoning, city-wide political environment, regional unemployment, restructuring of banking industry, anything else?)
20. Have the NHDOs that you worked with created partnerships with other NHDOs (or mergers with another NHDO), regional housing associations, and/or intermediaries? If yes, describe these interactions or partnerships.
21. What were the top three challenges/issues that faced NHDOs during this ten-year period?
22. Do you think that the NHDOs that you work with have a solid management and financial foundation to continue operating in the next year, five years, or ten-years? Please provide an explanation of why.
23. Do you have any additional information that you would like to share with us regarding NHDOs and their experiences since 2000?
24. Do you have any recommendations of other NHDOs that we should interview for this project to ensure that we capture diverse perspectives?

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Web Resources

California Association of Realtors
<http://www.car.org/>
California Building Industry Association
<http://www.cbia.org/>
California Coalition for Rural Housing
<http://www.calruralhousing.org/>
California Center for Cooperative Development
<http://cccd.coop/>
The Center on Nonprofits and Philanthropy (CNP)
<http://www.urban.org/center/cnp/>
Fannie Mae
<http://www.fanniemae.com/>
The Foundation Center
<http://www.foundationcenter.org/>
Freddie Mac
<http://www.freddiemac.com/>
GuideStar
<http://www.guidestar.org/>
Housing California
<http://www.housingca.org/>
Internal Revenue Service (IRS)
<http://www.irs.gov/>
National Association of Home Builders
<http://www.nahb.org/>
The National Center for Charitable Statistics (NCCS)
<http://nccs.urban.org/>
National Low Income Housing Coalition (NLIHC)
<http://nlihc.org/>
Nonprofit Housing Association of Northern California
<http://www.nonprofithousing.org/>
RAND California Business and Economics Statistics
<http://ca.rand.org/stats/economics/foreclose.html>
RealtyTrac
<http://www.realtytrac.com/>
San Diego Housing Federation
<http://www.housingsandiego.org/>
Southern California Association of Nonprofit Housing (SCANPH)
<http://www.scanph.org/>
State of California Department of Housing and Community Development
<http://www.hcd.ca.gov/>
U.S. Census American Fact Finder
<http://factfinder.census.gov/>
U.S. Department of Housing and Urban Development
<http://www.hud.gov/>
U.S. Department of Labor Bureau of Labor Statistics
<http://www.bls.gov/>