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The Challenge of Affordable Housing in 21st Century California: Constraints and Opportunities in the Nonprofit Housing Sector

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Introduction

This study examines California's nonprofit housing developers and the supports they need to address California's need to preserve and expand its supply of affordable housing. California's need for affordable housing is urgent. In 1990, over 2 million rental households (48% of all California renters) paid in excess of 30 percent of their income on housing. In 1995, 71% of very low income Californians paid more than 50% of their income on housing.

As shown in the following map, the extent of excessive rent burdens varies throughout the state. As Table 1 demonstrates, California's poor renters living in overcrowded housing far outweigh the national median. Although poor renters in all of California's major metropolitan areas suffer, Los Angeles and Orange Counties seem to be particularly burdened. In Los Angeles County, there is a high concentration of low income households, immigrants, and minorities, and insufficient affordable housing supply. In Orange County, the figures reflect a particularly expensive housing market with a dearth of housing opportunities for low income households.

Table 1. Households Living in Overcrowded Housing

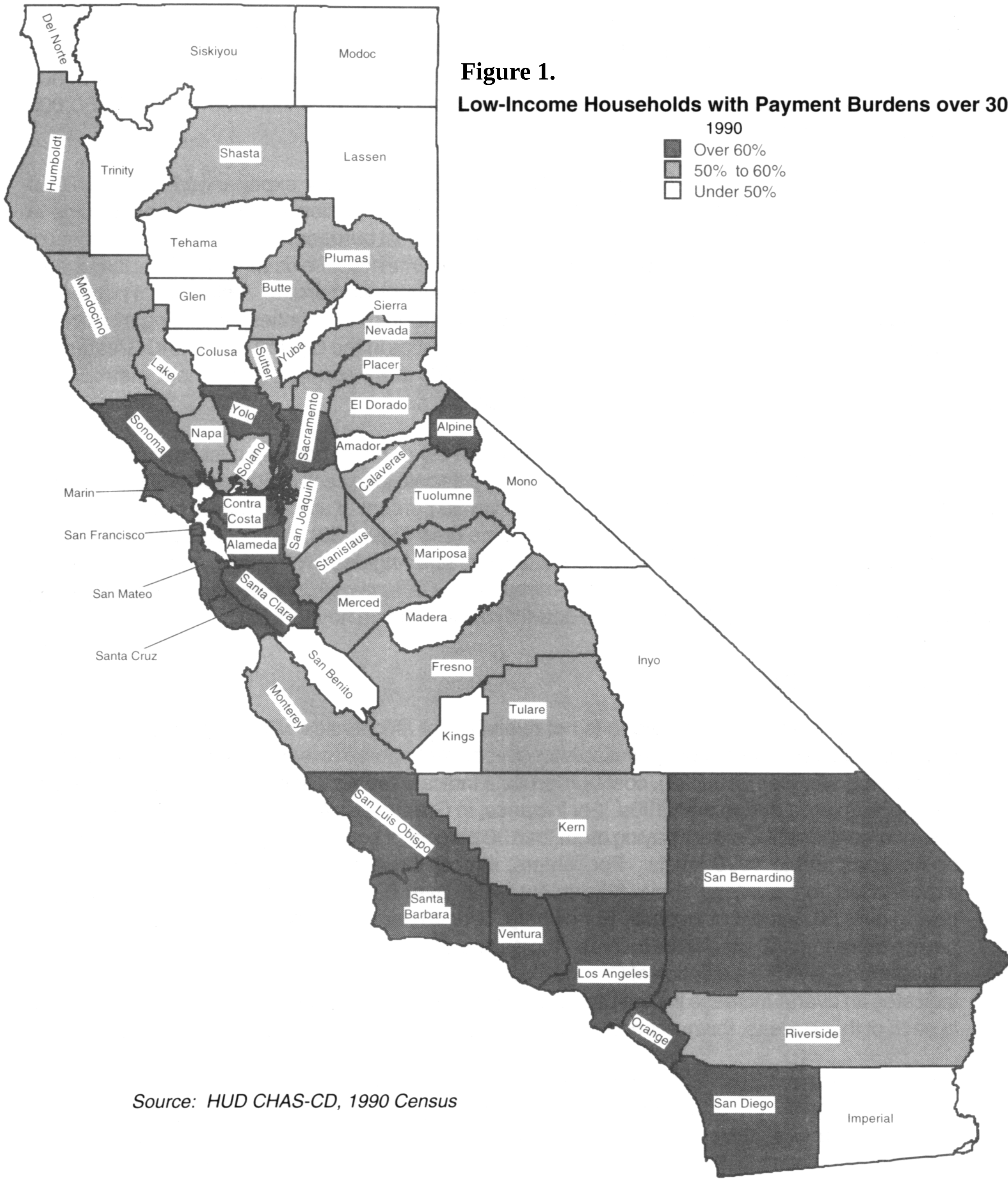
	Poor Renters		**All Renters**	
Los Angeles County	63,700	29.3%	223,400	14.7%
Orange County	6,300	27.9%	21,200	6.9%
Riverside-San Bernardino	6,500	15.1%	15,800	6.5%
San Diego	6,400	16.3%	19,800	5.3%
San Francisco-Oakland	11,000	14.4%	40,300	6.3%
San Jose	2,300	13.0%	10,800	5.2%
44-City Median		7.8%		3.3%

Source: *A Place to Call Home, The Low Income Housing Crisis In 44 Major Metropolitan Areas*, Center on Budget and Policy Priorities, 1992.

Not only is housing scarce for poor renters, but it is often unaffordable. Affordable housing is generally measured as housing costing no more than 30% of a household's income. Although this is a generally acknowledged criterion, it is still important to note that this measure glosses over the variation among households. Thus, 30% of income for households with very low income doesn't leave significant resources for other needs, while the same does not hold true for middle and upper middle income households.

Figure 1.

Low-Income Households with Payment Burdens over 30%



Source: *The State of California's Housing Markets, 1990–1997: Statewide Housing Plan Update, Phase II*, California Department of Housing and Community Development, 1998

Rent burdens for poor renter households for major metropolitan areas in California are higher than average for the nation. Los Angeles County leads with 95% of poor renter households paying more than 30% of their income for housing, and approximately 78% of households pay more than 50% of their income! In San Diego County, 93% pay more than 30% and 82% pay over 50% for housing. The figures are only marginally better in the Bay Area, especially in the San Jose Metropolitan Area. In San Francisco–Oakland, 92.5% pay over 30% and 80% pay over 50%.

Table 2. Rent Burden for Poor Renter Households

	HH Paying More Than 30% of Income for Housing		**HH Paying More Than 50% of Income for Housing**	
Los Angeles County	168,700	95.1%	137,400	77.5%
Orange County	16,500	91.7%	15,400	85.6%
Riverside-San Bernardino	32,500	84.2%	28,400	73.6%
San Diego	31,700	93.0%	28,100	82.4%
San Francisco-Oakland	62,900	92.5%	54,600	80.3%
San Jose	13,400	89.9%	11,400	76.5%
44-City Median		84.2%		66.8%

Source: *A Place to Call Home, The Low Income Housing Crisis In 44 Major Metropolitan Areas*, Center on Budget and Policy Priorities, 1992.

In the face of this need, federal programs are scarcely funded or are being dismantled. The State of California has no urban programs and no policy for affordable housing other than Low Income Housing Tax Credits. California's nonprofits are operating against great odds in funding uncertainties and often face political antagonism as well.

This research analyzes the state of the nonprofit housing sector in California with particular focus on understanding both California-wide trends and challenges as well as regional variations which have important implications for local, state, and federal policies addressing affordable housing.

The following research report contains four major parts: this part on California's nonprofit housing developers (hereafter nonprofits); a report on San Francisco Bay Area nonprofits; a report on Southern California nonprofits; and a report on rural nonprofits.

I. METHODOLOGY

California Study Method.
To examine how California's nonprofit housing developers function and how they are coping with funding and political uncertainties, a mail survey and elite interviews were conducted. The survey instrument covered nonprofit organizational characteristics (e.g., size, location), management (e.g., governance, allocation of resources), finance (e.g., funding resources, operating budgets), and community relations, including neighborhood opposition, and production (e.g., volume, type, costs).[1]

A significant portion of questions was pre-coded into simple, multiple-choice answers. Answers to each of the four open-ended questions were post-coded by two or more researchers to protect against bias. The survey was pre-tested by three Bay Area nonprofit housing developers and modified accordingly.

The survey universe comprises all of the nonprofit housing developers working in California — urban, suburban and rural. The universe list was compiled from member rosters of nonprofit housing associations, which together cover the entire state.[2] Lists of nonprofit developers from major cities and an additional association served as complementary checks on the main association lists. Telephone calls were made to each nonprofit housing developer to confirm that it was an active nonprofit housing developer. (The study excludes community development corporations that provide only services.)

Two hundred eleven active California nonprofit housing developers were identified. In order to ensure credible, statistical results, follow-up mailings and phone calls were used to ensure a high response rate — 70% overall, ranging from 68% in the Bay Area to 76% in rural California. To ensure that the high response sample is representative of the universe, discussions with California nonprofit housing experts and follow-up phone calls to non-respondents indicated that non-respondents are representative of the survey sample.

To analyze this data, simple frequencies were used to describe responses to the survey questions. A measure of productivity was set at 26 units, the cut-off annual production level of the top 25% producing nonprofit housing developers in the nation (Walker, 1993). Then simple cross tabulations were conducted to examine which nonprofit characteristics were associated with higher production.

California is not intended to represent the entire United States. Rather California's nonprofit housing developers' experience offers an extreme case. The state has extremely tight housing markets. In this regard, it tests what nonprofits can do in the most unpromising circumstances of high need, high cost, and scant support.

In this regard, California is showing what might lie ahead for more of the nation as more housing markets become tighter. Other markets, notably Boston, Newark, and Washington, D.C., are becoming pressed by

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[1] Full research findings are reported in California Policy Research Center, 2000.
[2] Experts identified nonprofits which were working in an association's jurisdiction but were not members of the association.

large increases in jobs compared to housing permits (Landis, 2000). California's nonprofits offer a very clear extreme case because the state has provided few resources for low-income housing. (In contrast, some states such as New York have long histories of providing support, and a number have housing funds (notably Florida) and programs supporting multifamily housing development (e.g., Texas) and preservation (e.g., Minnesota). See Stegman (1999) for a hundred program descriptions and contacts.) During the study period (1991–1997, 1991–1995 for the Bay Area), California offered only a modest program of low-income housing tax credits.[3] (The state does, however, require localities to spend 20% of their redevelopment tax increment financing revenues on low-income housing; this local source provides a good resource, used by 69% of the nonprofit housing developers.)

Several of the study findings substantiate other work — e.g., the importance of city support (Goetz, 1992), multi-source financing (Stegman, 1990), and networks of expert help (Keyes et al., 1996). In addition, the study findings show not only new material (e.g., changes in mission, target beneficiary, geographic service area and strategic plan; regional variations, community relations strategies, board membership, etc.) but also an empirically sound picture of nonprofit housing development that is both comprehensive and relatively fine-grained.

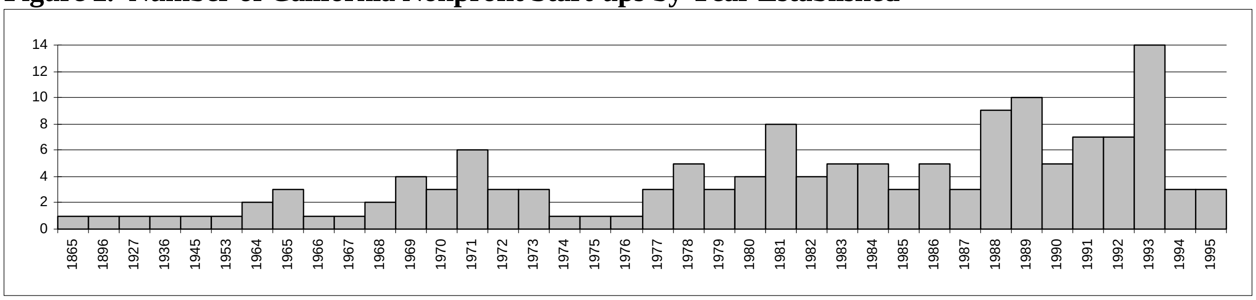
3 The new California budget includes substantial new funding for both homeownership and rental housing.

II. CHARACTERISTICS OF CALIFORNIA'S NONPROFIT HOUSING DEVELOPERS

California has an established, well articulated nonprofit housing development sector, which has a demonstrated track record of providing affordable housing. The sector is well established, with 211 nonprofit housing developers providing housing throughout the state.

Pattern of Growth.
Although the average age of California's nonprofit housing developers is 18 years, it misleadingly exaggerates their age, because a few outliers were established in the 19th century, in 1885 and 1896. The histogram, Figure 1, is much more helpful in showing both the age and growth of the nonprofit housing sector. Of the 143 nonprofits which reported the year they were established, 4% were established before 1960, 9% in the 1960s, 20% in the 1970s, 39% in the 1980s, and 27% in the 1990s. In other words two thirds of the nonprofits were established since 1980.

Figure 2. Number of California Nonprofit Start-ups by Year Established



Note: N = 143 Nonprofit Housing Developers
Source The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Geographic Service Area.
The geographic areas served by California's nonprofit housing developers range from a neighborhood to the nation, with 7 of 147 respondents (5%) serving statewide, 3 serving another state as well, and one serving nationwide. As could be expected, some counties are served by a large number of nonprofits: Los Angeles (21), Alameda (19), Contra Costa (15), San Francisco (14), Santa Clara (13) and San Diego (13). Six rural counties have none of the respondents serving their area. Most nonprofits (52%) have not changed their service area. Only 3% have contracted their service area.

Yet a substantial 45% have expanded their service area. The main reasons for expansion are opportunity/invited (51%), need (31%), and funding (18%). Other reasons, such as need for more sites, were offered by just one, two or three respondents.

The substantial number of nonprofits expanding their service area for opportunity/need/funding represents an important finding in two respects. First, it indicates nonprofits adjusting to funding stress. It may show nonprofits' flexibility and adaptability, and strategic behavior. Yet it also shows the first of many complications nonprofits must withstand in order to survive in conditions of scarce and uncertain funding.

Second, the expansion is seen by some nonprofits as invasion. In the past, particularly in rural areas, nonprofits had their distinct, exclusive geographic niches. To some extent, the custom of geographic niches was followed in cities, too, and is still the case in San Francisco, where the "invaders" have left it inviolate. Now nonprofits are attempting to survive and build their organizational base and capacity by diversifying and expanding. The tension in the nonprofit sector between community-based (and community-knowledgeable and community-responsive) nonprofit housing developers and the large, wide-serving nonprofits which act in some ways like for-profit housing developers arose in several of the interviews.

<u>Mission</u>.
Although most nonprofits are independent organizations, 22% have parent organizations. Of those, most (64%) have nonprofit parents. Interestingly, not a single nonprofit has a for-profit parent.

Despite anecdotal accounts about active Southern California churches establishing nonprofit organizations for housing, only 6 of the 147 respondents (4%) reported having a church parent organization: 3 in Oakland, 2 in Los Angeles, one in Santa Monica. Furthermore, funding from religious sources was minor; on the average, 1.3% of operating budgets came from religious sources.

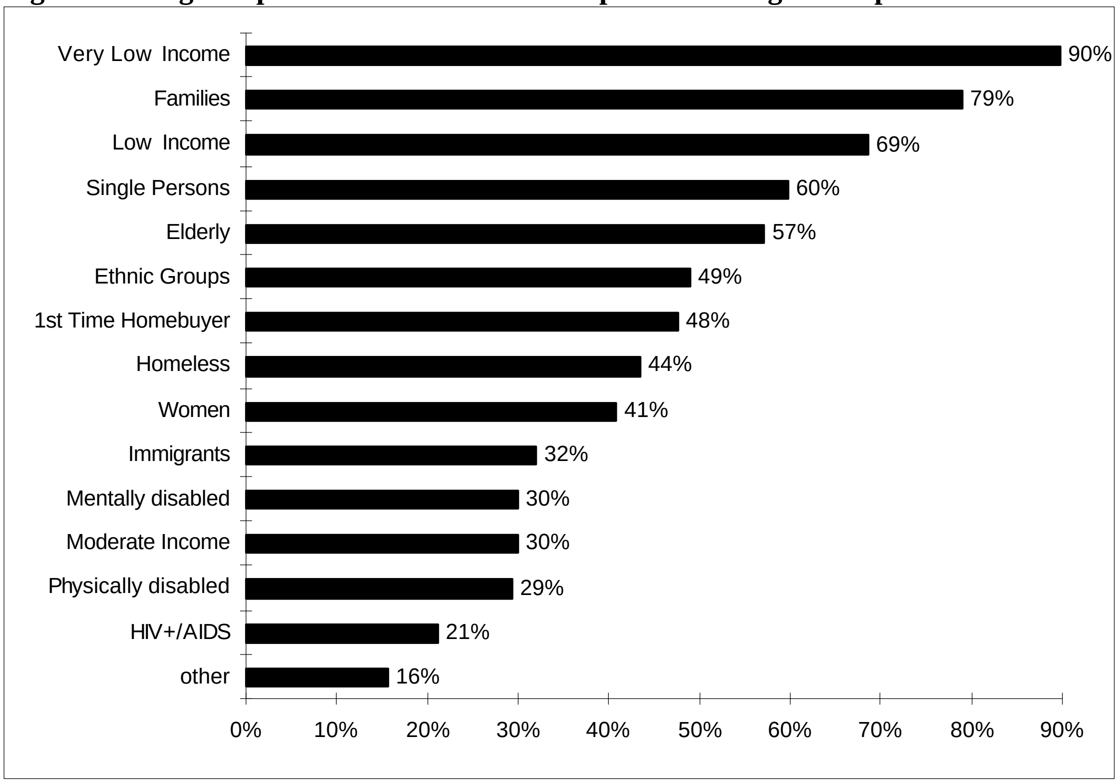
The mission of most (53%) nonprofit housing developers is housing. Others add or emphasize community or neighborhood development (18%), services (18%) or economic development (12%). Still others' missions emphasize aspects or types of housing: property management (6%), preservation (6%), rehabilitation (6%), or ownership (5%).

While most (65%) retain their same mission, 28% have changed their mission. Of those, nearly half changed/expanded their services (45%) or increased the range of housing types (43%) and 24% changed the population served. Interestingly, almost all categories of type of change of mission are increases or additions. Like the expansion in geographic area, this trend in expansion of mission (though less marked) also suggests attempts to survive and build their organizational base and capacity by diversifying and expanding.

<u>Target Populations</u>.
When asked to identify target populations, a number of respondents identified several, so the total exceeds 100%. The numbers that follow are the percent of respondents who included each group in its target population.

The reasons for changing target populations generally split in opposite directions. One group served a higher income population (100% and even 120% of median income) through home ownership programs, 7 of 30 reporting reasons for changing target populations. The other reason grouped around special needs, poorer populations (14/ 30). Many shifted to homeless (6/30) and mentally disabled (6/30). One reported "People homeless or at risk of homelessness — our constituents are getting poorer". Another reason, reported by three, was different immigrant population. Russians were mentioned by two.

Figure 3. Target Populations of California Nonprofit Housing Developers



Note: N = 147 Nonprofit Housing Developers
Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

III. NONPROFIT MANAGEMENT

To further understanding of nonprofit housing developers, it is important to learn how they make decisions and manage their work. Moreover such analysis begins to help clarify how they cope with political and financial constraints and uncertainties. This chapter on nonprofit management assesses nonprofits' boards, staff, staff and consultant functions, decision making, and management methods.

Board.

The average nonprofit board had 11.4 members, composed of the following: local business 23%, target area residents 21%, other 14%, housing professionals 12%, financial experts 11%, lawyers 9%, local government agency staff 5%, beneficiaries 3% and religious 3%. The relatively high percentage of target area residents seems strategic in terms of co-opting community opposition, discussed further in Chapter V.

Staff.

The average nonprofit has a little less than (7.9) eight paid employees working on housing development, 83% of whom work full-time. The size varies enormously from 1 to 145 (85 of whom are full-time). Understandably size also varies by region. The average size of paid staff in rural areas is 12, in San Francisco Bay Area 9.6, and in Southern California 5.5 persons.

Volunteers also help nonprofits, but not necessarily the way they may be celebrated in brochures or media stories. Most nonprofit housing developers report they have no volunteers. Of those that do report volunteers, most have one or two. Yet three nonprofits reported very large -- 200, 250, and 400 -- cadres of volunteers.

Of the 1,142 paid staff working on housing development, 42% have special degrees: business administration 9%, real estate development 9%, city planning 8%, other 8%, architecture 4%, public policy 4%.

Non-profit housing developers depend on professionally trained staff. Only 16 of 112 reporting (14%) have no full time staff with professional degrees. Of these 12 are producing less than 26 units per year. Yet one is a super producer, the second highest producer in the survey.

Although the data are rich in detail, analysis of organization's percentage of professionals associated with production proved futile, as most nonprofits have just one or two full time staff working on housing development. Some appeared to have 150% and 200% professionals of different types. For example a nonprofit with two staff members could have each with business administration degrees and real estate concentrations.

Analyzing the data by organizations having at least one professional by type of degree proved somewhat more fruitful. The percentage of nonprofit housing developers which have at least one staff member in the following professions are: real estate 44%, city planning 40%, business administration 40%, other 36%, architecture 28%, public policy 24%.

Table 3. Percentage of California Nonprofit Housing Developers with at Least One Staff with a Professional Degree by Production

	high producer	**low producer**
real estate	57%	43%
city planning	53%	39%
business	59%	33%
other	57%	36%
architecture	48%	23%
public policy	45%	18%

Note: N = **112** Nonprofit Housing Developers
High Production = > 26 per year; Low Production = < 26 units per year

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Table 3 shows the difference in professional staff between high producing (>26 units annual production) and low producing nonprofit housing developers.

These figures suggest a clear association between professionally trained staff and high production. Of course, other factors not included in the analysis could affect the association.

<u>Staff and Consultant Functions</u>.
This study addresses California's nonprofit housing developers. Accordingly the functions performed by the most developers concern housing development: construction supervision (90%), financial packaging (88%), acquisition and rehabilitation (87%), and new construction (85%). Moreover, the data set forth in Table 4 indicate that a majority of these developers participate in activities that are NOT directly associated with housing production, such as social services (67%), education/advocacy (65%), community organizing (64%) and counseling (63%).

The administration and management of affordable housing are becoming increasingly complex, which may explain the expansion of activities into non-housing activities. In addition, however, developers perform a wide range of support activities in-house. For example a large percentage of the nonprofit housing developers, 70%, do financial packaging in house.

Even so, financial packaging is so complex that 25% also use one or more consultants. Many organizations use consultants in other activities as well. For example 52% of the organizations use consultants for new construction.

Nonprofit developers increasingly take on activities to ensure their financial survival. Strikingly 63% of the developers engage in property management themselves. Some developers reported they undertake property management to raise revenue to offset budget shortfalls in other activities.

Table 4. California Nonprofit Housing Developers' Staff and Consultant Functions[1]

Function	% performed	In-House only	Consultant/ Contractor only	both In-House and Consultant/ Contractor
Development & Management				
New Construction	85%	30%	32%	20%
Acquisition & Rehabilitation	87%	40%	18%	26%
Acquisition Only	61%	47%	4%	6%
Construction Supervision	90%	40%	29%	18%
Commercial Development	31%	17%	6%	5%
Land Development	49%	27%	10%	8%
Property Management	92%	49%	23%	14%
Financing				
Financial Packaging	88%	45%	15%	25%
Loan Servicing	47%	22%	18%	4%
Asset Management	77%	59%	10%	5%
Client Counseling/Client Services				
Counsel Homeless	36%	24%	7%	2%
Homeowner/Tenant training/counseling	63%	42%	8%	8%
Social Services	67%	45%	10%	7%
Advocacy				
Community Reinvestment Act Advocacy	40%	31%	3%	4%
Education / Advocacy	65%	53%	3%	5%
Community Organizing	64%	55%	2%	4%

Note: N = 146 Nonprofit Housing Developers

[1] A few nonprofit housing developers also used subsidiaries or affiliates to perform these functions. The numbers are so small, they are not reported here, but in some cases affect the totals.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Decision Making.

Decision-making by California's nonprofit housing developers involves a variety of actors, most importantly the board and staff, as expected, but also including a significant portion of client population and community residents. For strategic planning nonprofits involve the following: board 92%, staff 91%, client population 30%, community residents 26%, business people 26%, government funding agencies 23%, technical assistance agencies 23%, non-government funding agencies, such as foundations 18%, lending institutions 14%.

The actors most involved in project selection are: staff 86%, board 71%, government funding agencies 39%, community residents 25%, client population 24%, lending institutions 21%. The actors most involved in evaluating nonprofits are: board 87%, staff 70%, government funding agencies 40%, client population 37%, community residents 28%, non-government funding agencies 27%, business people 23%, lending institutions 22%, technical assistance agencies 22%. The importance of community and funding agencies in nonprofit decision-making can hardly be over emphasized, especially considering the political and financial uncertainties nonprofits face.

Management Methods.

When asked how they keep up with new developments in affordable housing finance, only 1% said they used no method. The methods the others used ranked as follows: participate in nonprofit housing association 91%, industry newsletter 84%, attend local government meetings 83%, staff participation in community boards and committees 68%, participate in funding consortiums 31%, other 18%.

Nonprofits use other management tools, notably 81% report having a strategic plan. Since in most cases (67%) the plan is not required, one concludes that the nonprofits took the initiative. They use their strategic plan to target future projects (87%), allocate funds (55%), and allocate staff time (52%). A few (6%) do not use their strategic plan, and 10% use it for other purposes. Of the 102 nonprofits who reported changes in their strategic plan (69% of all respondents) half (50%) were motivated by financial cutbacks. Other reasons to change strategic plans include: changes in legislation (27%), other (25%), administrative constraints (21%).

Yet strategic planning plays a minor role in key nonprofit decision-making: project selection. Instead project selection is driven by opportunity and available funds. When asked, other than mission, to rank order most important factors driving project selection, opportunity ranked 1 by 51% of the respondents, and 2 by 23%, and available funds ranked 1 by 27% and 2 by 33%, whereas strategic plan ranked 1 by only 17% and 2 by only 17%, and was not ranked at all by 33%. Invitation "also ran" a weak factor driving project selection.

Most nonprofit housing developers make use of evaluation, another management tool. When evaluating projects most (84%) do so informally on an on-going basis; some (29%) conduct written evaluations as required by a funder, and some (19%) conduct written evaluations when a project is completed. Only 3% reported that they do no project evaluation. When evaluating themselves as an organization, most (68%) reported informal, on-going evaluation. Thirty percent conduct a written evaluation periodically, while 19% prepare written evaluations required by a funder. Only 4% have no organization evaluation.

Another aspect of project management concerns exploring or beginning projects, without completing it. When asked if they had initially explored a project without going on to predevelopment, 70% of those responding (96)[4] answered yes. Of those, 63 organizations offered reasons for not pursuing the projects. Reasons most frequently given are lack of funding (26), financial infeasibility (13), lack of political/community support (9), site problems (8), and unwilling or dishonest seller (4).

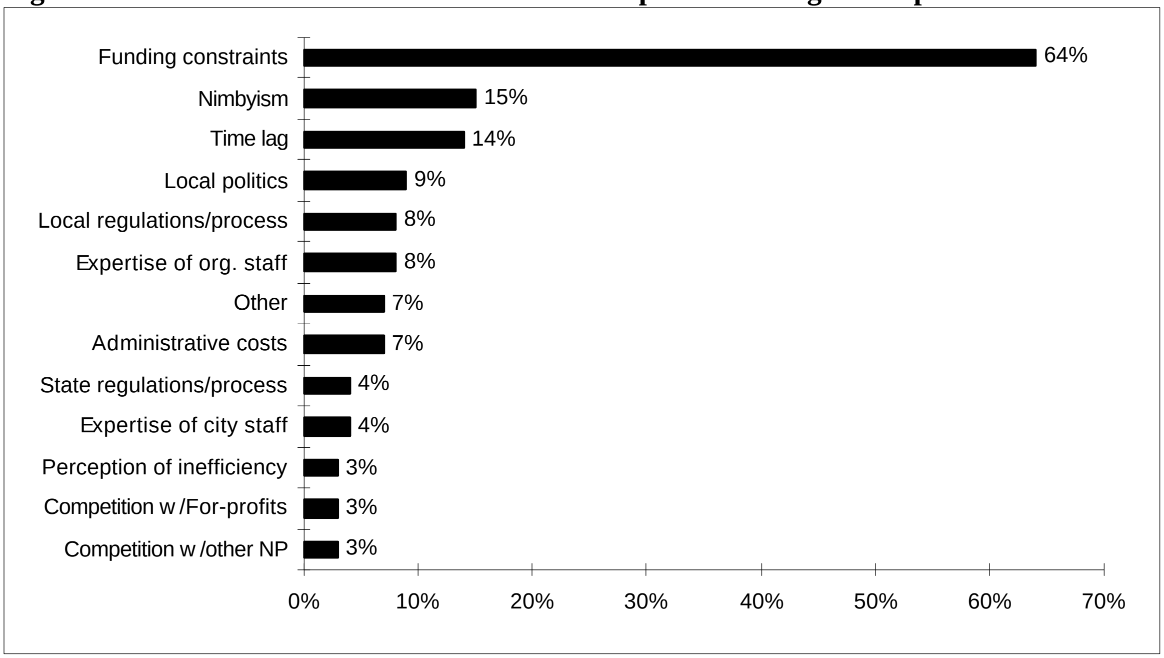
When asked if they had ever begun a project and then had to abandon it or scale it back, about equal numbers of nonprofit housing developers said no (47%) as said yes (45%). The reasons for abandoning or scaling back projects, in order of importance are: Not In My Back Yard (NIMBY) neighborhood opposition 40%, lost funding or financing 37%, other 33%, lack of support 21%, redesign/reduced scale 19%, and excessive costs 12%. Of those (9) who said they would do it differently next time, six said they would get prior neighborhood or political support.

[4] This question was asked of Southern California and rural nonprofits, but not Bay Area nonprofits.

IV. UNCERTAINTY IN FINANCE

Nonprofits' adaptive behaviors manifest the uncertainty and complexity of project finance, which is key to the nonprofit housing developer's survival. Nonprofit housing developers depend on developer fees and most (63%) engage in property management themselves to keep in operation.

Figure 4. Most Critical Barriers to California Nonprofit Housing Developers' Success



Note: N = 141 Nonprofit Housing Developers
Survey asked respondents to rank all variables 1 through 12 according to importance. The above graph displays the percentage of nonprofits ranking that variable as number one in importance. Many respondents gave equal value to several variables, therefore percentages do not total 100%.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

By far, the most significant barrier to housing development is funding constraints, ranked number one or number two barriers by 79% of the nonprofit housing developers. The next highest ranked is time lag, ranked number one or two most significant barrier by 37% of the respondents. (Other barriers ranked either number one or number two by at least 10% of the respondents are local process, 16%, and community opposition/NIMBY 16%).[5] (Figure 3, Most Critical Barriers to Nonprofit Housing Developers' Success,

[5] Although people spoke of increased competition, the survey results showed only 8% ranking competition with other nonprofits and only 5% ranking competition with for-profits as the top number one or two barrier to housing development.

shows only number one most critical barrier.) Political obstacles (to be discussed in the next main section) are minor thorns compared to the problem of funding constraints. See Figure 3.

<u>Financial Sources Used</u>.

Nonprofit housing developers continue to rely heavily on federal funding, even as it is disappearing. The federal programs reported being used by nonprofits in the last five years are: Community Development Block Grant (CDBG) 71%, HOME (block grant for affordable housing) 63%, Low Income Housing Tax Credit (LIHTC) 45%, Section 8 contracts 41%, McKinney Act 31% (homeless), other 27%, Section 202 (elderly) 18%, Section 811 (people with disabilities) 16%, Housing for People with Aids (HOPWA) 14%, and Rental Rehabilitation 14%.

In contrast to their reliance on federal programs, nonprofit use of state programs was modest. Of the 131 respondents to this question 50, or 38% reported using no state programs. Moreover, two supposedly state programs noted as used by 8% and 3% of the responding nonprofits, HOME and Community Development Block Grant, respectively, are not, in fact, state programs, but rather federal. (Portions of these federal programs are administered by the state for small cities.) The remaining state programs reported as used by nonprofits are other 24%, Rental Housing Construction Program 24%, California Housing Rehabilitation Program 11%, California Housing Finance Agency 8%, Low Income Housing Tax Credit 5%, Emergency Housing Assistance Program (EHAP) 4%, Housing and Community Development Predevelopment loan 3%, California State Housing Bonds 2%, and Emergency Shelter Grant program (ESG) 2%. Another six state programs were listed, each used by one nonprofit housing developer.

Local government programs provide useful resources for nonprofit developers operating in urban areas. Nonprofits reported using the following local programs: redevelopment funds 69%, housing trust fund 31%, density bonus 27%, land write down 24%, other 16%, none 13%.

<u>Complexity</u>.

This listing of programs used by California nonprofit housing developers begins to hint at the complexity of generating the financing necessary for developing affordable housing. The sheer numbers of programs points to a range of niches, as well as sources of funding. To further complicate that picture, some of these programs are no longer funded. Others have a bit of money at one point, and it is spent and more might not be available for some time.

Further, the various sources play a game of mutual leveraging. HUD's HOME block grant, for example, requires local matching funds. A city council may be happy to spend some (federal) CDBG money or local redevelopment funds if it sees it is leveraging other sources. Expert interviews in this study point to extreme projects with 10 and 12 funding sources, one with 22 sources. National studies (Abt 1992) find 7.8 sources are necessary. Each source has its own conditions, reports, and peculiarities, adding further complications.

Finally, one major source, Low Income Housing Tax Credits (LIHTC), provides additional technical complexity. In addition to finding investors and arranging for the syndication, applicants need technical know-how and knowledge of the tax rules. Typically a consultant helps them apply, find investors, negotiate a deal, run tax projections, go through closing and report back on audit and cost certification. Consultants may also advise the nonprofit sponsor on operating the partnership which will own the project. One nonprofit reported $100,000 legal fees incurred by one LIHTC project. The LIHTC is sufficiently complex that almost all nonprofits engage a consultant to do the deal.

Beyond complexity lies uncertainty. Fund availability is uncertain, so often nonprofits try to get site control before casting about for funding, and alter project purposes and clients to fund availability. Sometimes local government can help nonprofits be prepared in advance so they have competitive advantage when federal funding does become available. For example, one city provides loans with the condition they receive federal funding.

Time lags and delays stemming from this convoluted financing process can result in the loss of worthwhile projects. For example, one developer got HOME funds, but while waiting to get LIHTC, had HOME funds recaptured because they were about to expire. The LIHTC takes uncertainty up another notch by allocating the credits by a lottery.

Some projects, particularly small ones or those serving special needs populations which cannot attract investors, and particularly projects serving extremely low income residents, cannot get LIHTC equity or conventional bank equity. Two reasons, often connected, account for this problem. First such projects cannot support credit because the rents that must be charged are so low they do not cover operating costs. Consequently nothing is left over to service the debt. (They cannot charge more than 30% of the prospective tenant's income, for example of $175 per month General Assistance.) With no income available for debt service, public investment has to cover everything. The second problem is that some of these projects cannot attract investors, because either they are so small or the people they serve are too dubious for investors.

The special problems attending small projects which serve people with special needs are compounded in the following ways. It is difficult to underwrite projects with uncertain contract futures. For example they may have a three year contract, yet they are looking for 15 year loan need to restructure to sustain long term financing. They may be optimistic about operating costs and tenants may have declining ability to pay rent (e.g. income from general assistance or welfare may decrease with respect to operating expenses as they have over last 15 years). So a proposed project may look tenable today, but operating expenses could exceed rents in the future.

<u>Operating Budget</u>.

Nonprofit housing developers face uncertainties in their operating budgets as well. The average non-profit housing developer has an operating budget of $1,451,298. Budgets range from $5,000 (an organization operating from a post office box address) to $18,000,000 (a very large, long-established, multi-service organization). (See Table 3.)

Table 5. Sources of Funding for the Average Nonprofit's Operating Budget

Federal		25%
CDBG	36%	
Other (HOME, McKinney, Community Services)	64%	
Property Management		16%
Developer Fees		12%
Private Contributions		11%
Foundation Grant		9%
Other Non-Project		7%
City		7%
Redevelopment	54%	
Other	46%	
Other Project Sources		4%
County		4%
State		3%
Religious		1%

Note: N = 108 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development* Corporations, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

A closer analysis shows significant sources are generated by the nonprofits themselves:

Table 6. Percentage of the Average Nonprofit's Operating Budget Generated by the Nonprofit

Property Management	16%
Developer Fees	12%
Other Non-Project	7%
Other Project Sources	4%
total nonprofit:	39%

Note: N = 108 Nonprofit Housing Developers
Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development* Corporations, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Nearly 40% of the average nonprofit housing developer's budget is generated by the nonprofit itself.

This composite of non-profit funding sources for operating budgets presents an accurate overall picture of the relative contributions from different sources. However, the composite masks significant variations in nonprofit finance. In particular some organizations rely heavily or entirely on outside funding, whereas others rely on their own operations. In addition, reliance on themselves for generating operating budget varies significantly by region, most importantly between urban and rural. Half of rural nonprofits operating budgets come from their own their own sources, whereas only 36% of Southern California and 40% of San Francisco Bay Area nonprofits budgets are self-generated.

Analysis of those nonprofits which generate a significant proportion (>40%) of their operating budget compared with those which do not shows that those which do rely on their own funding have high production (averaging 10 more units per year, with a standard deviation of 102. ranging from 31 to 354 units per year). Those which generate a lower proportion of their operating budget tend to have lower housing production.

Similarly, and perhaps more pointedly making the association between production and self-reliance, of the 22 high producers (average annual production > 26 units), all generated substantial proportions (>40%) of their operating budget. Four reported generating all (100%) of their operating budget. The average of these high-producing non-profits generated 72% of its budget itself.

For the very high producers, those 13 nonprofits producing > 50 units per year, on the average, the association was about the same. All generated more than 40% of their budget, with the average very high producer generating 74% of its budget itself.

Others relied heavily on outside support. One organization received 100% of its operating funds from private contributions. Federal assistance continues to be a significant funding source, whereas other government is not.

Variations in outside support from private contributions and foundations are notable. While the average Southern California nonprofit housing developer received 15% of its operating budget from private contributions, its rural counterpart received less than one percent. Similarly, the urban nonprofits received 10% of their operating budgets from foundations, whereas the rural nonprofits received only 4%.

Conventional knowledge in nonprofit housing development circles attributes much city-source funding for urban nonprofits, especially from redevelopment funds. Redevelopment funds do play an important part in project funding. However the data show redevelopment funds are not very significant for supporting the nonprofits' operating budgets. The average rural non-profit receives 12% of its operating budget from a city, whereas the urban counterpart receives about 6% from a city. Sixty percent of these city resources are from redevelopment funds in rural and Bay Area nonprofits, and just 50% from redevelopment in Southern California.

Continued, apparently increased, reliance on federal funding and continued scant support from other government sources is disturbing given diminishing federal funding. On the other hand, continued strong support from their own operations is encouraging.

<u>Different Types of Nonprofit Housing Developers</u>.
The extent of desperation a nonprofit experiences with all this uncertainty varies by the type of nonprofit housing developer. Super producers, in particular, operate like for profit housing developers. The sector

also has a large number of established nonprofits which are able to survive with cities' help and with internally generated funds.

Other marginal nonprofits lack supports. They may be church groups which produce just one project. Or they may be client-based groups, whose primary concern is the clients' needs, which include housing. For example, battered women and people with AIDs need many kinds of support, including housing.

This study found established nonprofit housing developers form useful partnerships with service based or client-based nonprofits.

Competition and Collaboration.
Funding cutbacks and increasing uncertainty have fostered competition among nonprofit housing developers even though successfully addressing these conditions may require collaboration. When asked about the pressures that increased competition among nonprofit developers, 50% cited scarce funds. Of all the other possible pressures not one was cited by more than 8% of the respondents (limited number of sites). Even fewer respondents cited excessive number of nonprofits (6%), and changing regulations (5%).

When asked about barriers to collaboration, 20% noted limited resources and 12% increased competition. Other barriers included character/greed/ego 11%, difficulties in collaborative effectively, 9%, and competitive mindset/ survival instinct.

These findings fit with the study's larger conclusion that much of nonprofit housing developer behavior is driven by funding concerns. They need developer fees to survive. Incentives in the housing sector operate against partnerships between different housing non-profits since both partners want and need the developer fees.

City Support.
When asked what kinds of support are most crucial to their success 72% of the nonprofit housing developers said local government is the most crucial support. One said, “Local Governments! Without their political and monetary support, we would not be able to provide our services.” Another said, “Local government for financing at all stages of development...”

Local government programs provide useful resources for nonprofit developers operating in urban areas. Nonprofits reported using the following local programs: redevelopment funds 69%, housing trust fund 31%, density bonus 27%, land write down 24%, other 16%, none 13%. In addition cities allocate funds from crucial federal block grants, CDBG and HOME.

Some cities, especially in Northern California, which want affordable housing make proactive local policy to help a cadre of experienced nonprofit housing developers. For example one city worked with developers to help them get site control. Then when some federal money became available, their nonprofits were able to make feasible proposals in the short time available and received almost all the HUD money available. Similarly, another city helped their nonprofits with conditional loans, so they could apply to HUD showing they had local match and thus be advantaged in HUD’s allocation process. This city has a council of nonprofits, a long-standing association which meets regularly with the city to collaborate. This city has a general obligation bond for affordable housing. Still another city never has to turn away good quality applications because its redevelopment housing funds are abundant. These cities are committed to affordable housing and have established policy, resources, and close, long-term relationships with established nonprofits. They create havens for productive nonprofits in the midst of uncertainty.

In contrast, political leaders in major cities in Southern California are not making affordable housing a priority. Except for one city’s housing trust (now declining), and another city’s large amount of earthquake housing assistance (now depleted), the cities have few local policies or resources promoting affordable housing.

After local government the support institutions most crucial for nonprofit housing development are foundations 31%, other 28%, financial intermediaries 20%, banks/investors 12%, federal government/HUD 9%, schools/universities 9%, corporations 4%, churches 3%, state/Low Income Housing Tax Credit 2%, individuals 2%.

Most nonprofits had some relations with for-profit housing developers. Respondents said relations with for-profits came through the following connections: none 28% (when added to “not applicable” the percentage climbs to 34%), joint ventures/partnerships 26%, real estate associations 22%, informal network/personal contacts 16%, other 6%, Board of Directors 4%, and local government advisory committees 3%.

V. COPING WITH POLITICAL UNCERTAINTY & COMMUNITY RELATIONS

Community Relations.
Nonprofit housing developers have ambiguous and varying relations with the community, stemming from reasons ranging from historical to instrumental. The very meaning of "community" can carry ideological connotations. The dictionary (Webster Merriam 1956) defines community as a "body of people having common organization or interests or living in the same place under the same laws". Community generally refers to place-based organization, often implying grass roots participation of people in a poor neighborhood. When nonprofit housing developers refer to community-based organizations, they refer to such poor neighborhoods.

Often such community-based organizations originated in anti-poverty programs, notably Community Action and Model Cities programs that explicitly served and tried to empower poor neighborhoods. Later cities established Community Development Corporations (CDCs) for economic and community development of poor neighborhoods. Housing has been intertwined in the practice and thought of community development. Good quality affordable housing is believed to improve the quality of poor neighborhoods and the life chances for people living there.

Aside from such historical and mission-related reasons for close community relations, nonprofits need good relations for instrumental reasons. Indeed they must have a proportion of community residents of poor neighborhoods on their boards to qualify as Community Housing Development Organizations for receipt of federal HOME funds.

Moreover, nonprofit housing developers go to considerable effort to build community support for their housing projects. They prepare for community opposition before it occurs, most by community meetings, some by community advisory committees and other strategies. They use these and other strategies, including involving community in the design process as a project moves forward. Whether for mission or expediency, many nonprofits involve community in their on-going operations. Nonprofits involved community residents in strategic planning (26%), in project selection (25%) and in evaluating the nonprofits themselves (28%). Such participation seems to be a two-way street. In response to a question about keeping up with new developments in affordable housing finance, 68% said staff participate in community boards and committees.

Thus nonprofit involvement with community is substantial. Nonetheless it is controversial. The nonprofit which considers itself a community based organization sees itself as part of an urban social movement. Others see nonprofit housing developers as an industry, with community bases as a potential drag on efficiency or even NIMBY obstacles to success. The more competitive nonprofit housing developers are becoming the more this question of community-base becomes an issue. Does the community base provide insights and sensitivity to a neighborhood, in ways that make affordable housing more successful? Or is nonprofit housing production moving necessarily toward larger scale operations?

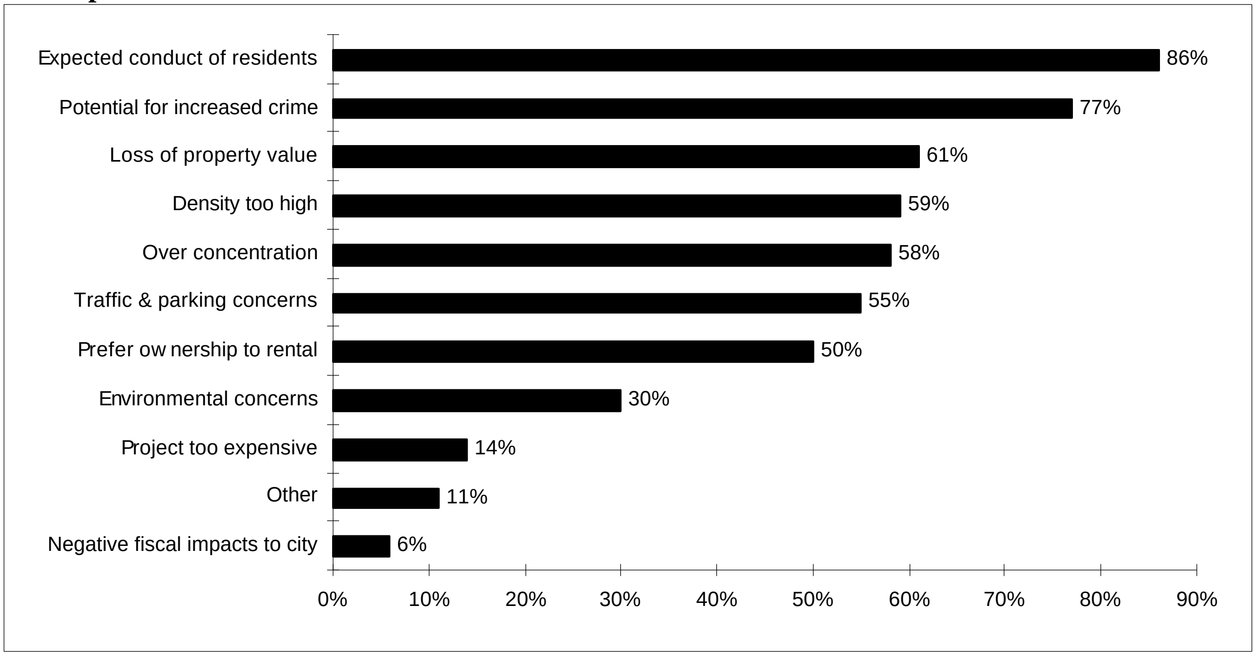
Community Opposition.

When asked the best ways to involve community in project development nonprofits offered a range of strategies loosely grouped as follows: communication — community meetings/hearings 30% and outreach/education/press releases 11%; active participation — involve in design process/workshop 22%, committees/advocacy groups 15%, lobbying/advocacy 3%; networking — have as member of board 8%, networking/joining associations 7%. Still others recommend inducements: services to encourage support 4%, and hire from local community (i.e. construction jobs) 2%. A minority, 5%, answered none, and another 4% answered not applicable. One respondent suggested delaying participation until project is operational.

Nonprofits decidedly (79%) plan and prepare for potential community opposition before it occurs. Of the 87 responses specifying methods more than half (55%) used community meetings. Other methods used are form local neighborhood advisory committee 17%, public education campaigns 13%, meetings with community members 10%, and enlist political support 4%.

The strategies the most nonprofits use most frequently to mitigate local opposition are community meetings and work with local organizations to build support. In the last year, they were used two or more times by 64% and 57% of respondents, respectively. Other strategies used by about 30% of respondents two or more times in the last year are public education campaigns and negotiated concessions, such as design changes. Other strategies such as mediation by third party, assert legal rights of residents or sponsor, and form local advisory committee were used less frequently.

Figure 5. Important Objections Raised Against Projects as Cited by California Nonprofit Housing Developers



Note: N = 66 Nonprofit Housing Developers
Figure indicates the percentage of organizations ranking the above objections important or very important.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Half of the respondents reported Not In My Back Yard (NIMBY) in the last year. Twenty-two percent had just one such conflict, while 22% reported several and 4% reported conflicts on all projects. Of the 66 nonprofits reporting results of NIMBY conflicts, the following percentages reported for each result: additional cost 62%, project delayed 58%, reduced units/modified design 38%, project blocked 23%, accepted burdensome conditions 21%, other 17%, and moved to different site 15%. For the 20 reporting length of NIMBY caused delay, the average delay was 11.45 months.

Of the objections raised against the projects, respondents ranked the following either important or very important: expected conduct of residents 86%, potential for increased crime 77%, loss in property value 61%, density too high 59%, over concentration 58%, traffic and parking 55%, prefer ownership 50%, and environmental concerns 30%. Project expense and negative fiscal impact on city are less relevant concerns in neighborhood opposition to affordable housing.

These findings on neighborhood objections to affordable housing have policy implications. The strategies nonprofit housing developers use and the concessions they make do not address the chief objections. Several endeavors, notably East Bay Housing Organization's Affordable Housing Education Campaign and San Francisco's Neighbors and Neighborhoods, Building Affordable Housing Together proactively promote anti-NIMBY understandings with displays showing affordable housing as a community asset. Pictures of happy, friendly looking people from diverse ethnic backgrounds no doubt are intended to diffuse fear of behavior of affordable housing residents. Yet the texts talk to attractive, neighborhood compatible design and sometimes additional resources, such as a community center, that affordable housing brings to the neighborhood. Similarly most strategies nonprofit housing developers use, such as community meetings and community involvement in design, and concessions nonprofit developers make, such as reduced density do not address objections about residents' conduct and fear of crime.

VI. PRODUCTION

Housing Production.[6]
California's housing production is substantial, especially in light of scarce, sporadic federal funding, and no state funding for urban programs beyond the Low Income Housing Tax Credit. The average annual production for a California non-profit housing developer is 45 units. This productivity (>25 per year) ranks in the top 25% of the nations non-profit housing developers, and is near the level (>50 units per year) of the top 10% (Walker, p. 376).

At the same time, this productivity is very uneven. While the average nonprofit produces 45 units per year, the median nonprofit produces only 15 units. A relatively small number of high producers carry the average far beyond that of the typical nonprofit. California has six nonprofits that produce more than 200 units per year, placing them in the top 1.7% of the nation's nonprofit housing developers.

Moreover, this extreme variation varies by geographic region. The super (>200 units per year) producers are urban, two in the San Francisco Bay Area, four in Southern California. In the Bay Area, the super producers are long established and during the study period just the two of them, produced 39% of all the units produced by the 34 nonprofit developers providing production data in the Bay Area. In contrast, all four of the Southern California nonprofits were young — established in 1991, 1992, and two in 1993. Their astounding productivity was concentrated in the 1996, 1997 years.

Yet the rural nonprofits are generally more productive. Of the 16 rural nonprofits for which production data are available, 11 or 69% are large (> 26 units per year) producers. In contrast, 38% of Bay Area nonprofits are large producers, and only 30% of Southern California nonprofits are large producers.

Distribution.
Distribution of housing assistance varies throughout the state according to a number of factors the study can document, such as need and location of nonprofit housing developers. Other factors, such as proactive local government support, are strongly suggested by the study. Other factors, such as neighborhood opposition may also be at work but tend to be too fine-grained and differentiated to be linked directly to county-scale distribution. Still other factors not directly included in the study (e.g. changes in the LIHTC administration) may influence the distribution of housing assistance.

Of the survey project data on 16069 units produced between 1991 and 1995, 21% are in Los Angeles County, 13% Santa Clara, 12% Alameda County, 11% San Francisco, 8% San Bernardino, 5% Orange, 5%

[6] As explained in the methodology section, the survey of San Francisco Bay Area Housing Developers was begun before the rest of the state and thus sought project data from 1991-1995. The survey of the rest of the state sought project data from 1991-1997. The data are presented separately in Appendix __. The analysis here is generally based on all the project data the survey has, 1991-1997. Therefor it is somewhat weighted toward the Southern California and rural housing production. Wherever distinctions are important they are made, e.g. on shift to rehabilitation and new construction. The analysis of distribution focuses on the 1991-1995 data subset to ensure accuracy.

Riverside, 4% Riverside, 4% San Diego. The remaining counties had less than 3% (Monterey) down to none reported (e.g., Kern).

Comparison of the 1991–1997 (Southern California and rural) and 1991-1995 (all state, including San Francisco Bay Area) reveals several distinctions worth noting. First, the type of housing shifted dramatically as depicted in the following table:

Table 7. Percentage of Units by Type of Project

	1991-1995	1996-1997
new construction	66%	41%
rehabilitation	32%	43%
other (acquisition)	2%	16%

Note: 1991 – 1995, N = 387 projects
1996 – 1997, N = 180 projects

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development* Corporations, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

The increase in rehabilitation and other (presumably acquisition) may be accounted for in part by the aftermath of the (Southern California) Northridge earthquake bringing financing for projects being completed in the 1996-1997 period.

Eliminating the more costly San Francisco Bay Area from the 1996–1997 figures and the substantial shift from new construction to rehabilitation account for the dramatic drop in average unit cost from $98,835 in the earlier period to only $59,150 in the later period.

Finer distinctions are worth noting:

Table 8. Average Unit Costs by Construction Type and Region, 1991–1995

	Average / unit cost Rehabilitation	Average / unit cost New Construction
Bay Area	$70,358	$128,141
Rural California	$54,181	$69,957
Southern California	$75,789	$91,599

Note: 1991 – 1995, N = 337 projects

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development* Corporations, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Affordability.

Throughout the state and in both time periods the non-profits predominantly served the low and very low income households. For all the project data in the survey 3% served above moderate income, 3% moderate income, 34% low income, 43% very low income, and 17% "other" (low and very low income reported together). In other words, 94% of all the units produced by nonprofit housing developers house the low and very low income.

Building Type.

As noted above the San Francisco Bay Area nonprofit housing developers are more likely to serve people with AIDS, people with mental disabilities, and the homeless than their counterparts in the rest of the state. Yet in the comparable period, 1991-1995, both Southern California and Bay Area nonprofit developers produced a substantial and comparable proportion of Single Room Occupancy units, 18% and 20% respectively. In contrast rural nonprofit housing developers produced only one single room occupancy project during this period, constituting just 1% of its production. Building types produced in 1991-1995 are set forth in the following Table 9.

Table 9. Percentage of Production by Building Type, 1991–1995

	Bay Area	**Southern CA**	**Rural California**
Shelter	0%	5%	0%
Single Room Occupancy	20%	18%	1%
Multi-Family	71%	74%	61%
Single Family	8%	1%	38%
Other	1%	1%	0%

Note: N = 381 projects

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996; The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Table 7 reveals another distinction between rural and urban affordable housing. Single family housing is a tiny proportion of urban housing, but a substantial proportion of rural affordable housing. Since in general most of rural housing is single family, that would seem appropriate. It might also be feasible in terms of costs, since presumably land prices are lower in rural areas.

Tenure.

Overall affordable housing production for both time periods is for rental housing, 90%. Home ownership increased somewhat in the 1996-1997 period to 12% from 7% in the 1991-1995 period. Rural housing has a significantly higher proportion of owner housing produced in the 1991-1995 period, 25%, compared to urban counterparts, only 6% in the San Francisco Bay Area and 1% in Southern California.

In sum, California's non-profit housing developers produced mainly new rental apartments for low and very low income households.

VII. RECOMMENDATIONS

Conclusions.
California's nonprofit sector is established, skilled, articulated and surprisingly productive. Although two-thirds have been established since 1980, almost three-quarters have at least eight years experience, and many, especially in rural areas and the San Francisco Bay Area, have long track records. Eighty-six percent of nonprofits have at least one staff member with professional training. The sector is well articulated, having an extensive network of support organizations and intermediaries, and specialization within the nonprofit housing developers as well. Ninety-four percent of the units they produce house the low and very low income.

Their track record on production is equally impressive. The average annual production for a California non-profit housing developer is 45 units. This productivity (>25 per year) ranks in the top 25% of the nations non-profit housing developers, and is near the level (>50 units per year) of the top 10% (Walker, p. 376). California has six non-profits which produce more than 200 units per year, placing them in the top 1.7% of the nation's non-profit housing developers.

This cadre of nonprofit housing developers constitutes an important asset for California. Its productivity in the face of scarce, sporadic federal funding and little support from the state shows dogged adaptability and resourcefulness. Yet the sector may be danger from constant threats to individual organizations' survival and the vulnerability of the sector as a whole.

Nonprofits may be savvy, sophisticated and flexible, but they function in a system that is extremely inefficient. Inefficiencies derive from funding uncertainties and mutual leveraging. Leveraging may appear entrepreneurial and beneficial from the individual funder's perspective. But from the perspective of the whole affordable housing sector, mutual leveraging creates inefficiencies in four ways. First, it forces nonprofit housing developers to search for multiple funding sources. The time frames and availability of many of these sources are short and erratic. Sometimes funding becomes available and needs to be spent very quickly or it will be lost. Consequently nonprofits must be prepared to produce proposals quickly or alter proposals which already have partial funding. Second, nonprofits must write applications for multiple sources. Third, mutual leveraging forces nonprofits to try to fit together different, and perhaps inconsistent, conditions and requirements of the multiple funders into a single project. Fourth, it requires them to report to each of the sources, probably in different terms and indicators. (For example LIHTC audit and cost certification are so technical and complex nonprofits engage consultants.)

In some cases the intent of the funder is to help the nonprofit piece together funding, as much as showing itself to be very productive by leveraging many housing units. Nonetheless, the fragmented, inefficient system creates senseless extra work, and work that is needlessly complicated, for the nonprofit. Oh, for the good old days when one simply applied and then received funding for the entire project from one source (HUD).

In the absence of federal or state policy, affordable housing is being driven by money. Answers to key questions return to money again and again: biggest barrier to successful housing development (79%), main reason for not developing project they had initially explored, most cited (by 45%) pressure that increased competition among nonprofit developers, and probable reason 63 % engage in property management themselves, and so on. One knowledgeable observer reports that "everyone is trying to get big to support themselves. LIHTC is attractive because of 15% developer fees." Another expert notes "the bigger project, the bigger the fees, and the more tax credit for the investors." Yet another expert said, “reliable funding would solve 90% of our problems.”

In sum, California's nonprofit housing developers are surprisingly effective in an inefficient system driven by money.

<u>Recommendations</u>

Recommendation 1. Reliable Source of Funding

California needs to establish a reliable source of funding for affordable housing. This recommendation derives from the survey findings and from almost every interview. With California's large, growing needs for affordable housing, and with an established affordable housing sector, capable of making good use of such a fund to address those needs, state funding is key. Reliable means stable and well funded.

The affordable housing system described above is uncertain, inefficient and wastefully complex. California needs a fund that brings certainty, efficiency and simplicity to bear. It needs a fund that makes the rest of the system easier.

Ideally, the fund could be used both as stand alone, without requiring matching other sources, and also as a piece together source to provide state match to federal or local programs requiring leverage.

It could be simple and flexible, with the only major condition being that housing be decent, affordable and eligible for low and moderate income, as defined in the California Health and Safety Code sections 50052.5 and 50053. Moreover it should remain affordable for the longest possible periods and be consistent with all other terms of any federal state, and/or local housing assistance program used.

The funds could also be used for operating budgets for any nonprofit housing developer (perhaps meeting HUD Community Housing Development Organization criteria) whose principal mission is the development of affordable housing and related services, and a proven track record of development and operation of such housing.

Recommendation 2. Funds for Experienced Nonprofits

The following recommendation may be more controversial. Funds should be limited to experienced nonprofit housing developers. The field of nonprofit housing developers is crowded, competitive and possibly dysfunctionally so. Interviews with key city officials suggest that some limit their dealings to known nonprofit developers, with good track records, and would not welcome newcomers, which in effect require training and experience the cities may not have the time or resources to invest in them. To respond to these conditions, and to avoid creating a resource that elicits new players or existing nonprofits in other fields shifting their focus "to feed at the trough of new money" we recommend that funds be available only to nonprofits with proven effective track records.

While this proposal appears to close entry and stifle advantages of market-like systems, new organizations could work as subcontractors of seasoned nonprofits. Indeed some quite successful non-profits began with joint ventures with more experienced nonprofits and are now helping smaller, newer organizations. Similarly well-established non-profits have helped service organizations or church groups do what will probably be their only housing project. Accordingly such organizations have no need to develop further expertise.

Recommendation 3. Consolidation of State Resources (One Stop Shopping)
The State, through the California Department of Housing and Community Development, administers HOME and CDBG programs for small cities and counties, as well as state-funded programs for farmworkers and owner-builder, first-time home buyers. Through the Tax Credit Allocation Committee it operates the Federal and State LIHTC. Through the California Debt Limit Allocation Committee, it authorizes bond financing for localities for affordable housing. Through the California Housing Finance Agency (CHFA), it provides financing for a variety of single family and multi-family housing development.

They can be linked in timing and in projects so that a proposal with some funding (HOME, bond, or CHFA) would be guaranteed LIHTC (assuming the project meets all criteria). These changes would reduce some of the uncertainty around LIHTC, and the danger of losing HOME funding while waiting for LIHTC. In addition, it would eliminate the waste of time and considerable money of others applying for LIHTC that they would not receive.

Recommendation 4. Fair Share Housing Allocation
To avoid the concentration of affordable housing and encourage locational choice for residents, California should enforce its fair share housing requirements. One operational way to do so would be to:

a) monitor cities' General Plans to make sure they include fair share plans (The state could remind them that state law requires their housing element to contain a way of addressing their fair share needs.);

b) monitor compliance with fair share policies and plans contained in their General Plans (The state could remind them that they may be sued at any time if they do not act in ways to meet their General Plan's stated fair share policies and plans.); and

c) provide an incentive to cities which meet their fair share of affordable housing. A very good incentive would be a CDBG bonus award. (It is remotely conceivable HUD could fund this through some special pilot demonstration program, but it is unlikely. Another path would be a direct California appropriation or a fair share housing fee levied on all housing sales or building permits. Bonus points for CDBG and HOME scoring for localities in substantive compliance with State Housing Element law are understood to be already in operation.)

Another incentive would be requiring compliance with housing element law as a condition for receiving transportation and infrastructure funds.

The study finds that knowledgeable people in the nonprofit sector are concerned that the LIHTC projects will not stay affordable and that their tenants will not be cared for. (These concerns arose in the context of for-profit developers linking with weak nonprofits, who have very little role. Then when the tax credit runs out and the for profit abandons the project, the weak nonprofit is left, unable to operate the project.) This concern, whether or not it is warranted, is itself a finding, and should be noted. The Tax Credit Allocation Committee has a monitoring and compliance system and its staff has recently been substantially increased.

THE CHALLENGE OF AFFORDABLE HOUSING IN 21st CENTURY CALIFORNIA: CONSTRAINTS AND OPPORTUNITES IN THE NONPROFIT HOUSING SECTOR

Part II: San Francisco Bay Area Nonprofit Housing Developers

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PART II
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BAY AREA HOUSING NEED

Finding housing in the San Francisco Bay Area is far more difficult than in the nation as a whole. While the 1996 national average rental vacancy rate was 7.8 percent and California's was 7.2 percent, [7] the rental housing market in the Bay Area was consistently below 5 percent. The 1996 rental vacancy rate was 3.1 percent in San Francisco and a meager 1.8 percent in San Jose.

Things are even worse for low income renters. In the San Francisco–Oakland Metropolitan Area the ratio of low income renters to low rent units is 2.7. In other words, there are 2.7 households waiting to rent every low rent unit. In the San Jose Metropolitan Area the ratio is even higher — 3.2 low income renters for every low rent unit. [8]

As one would expect, the burden created by this shortfall of housing units falls disproportionately upon poor households. When compared with non-poor households, poor households are much more likely to live in overcrowded conditions.[9] As shown in Table 1, in the San Francisco-Oakland Metropolitan Area, a poor renter is twice as likely as a non-poor renter to live in overcrowded conditions. In the San Jose Metropolitan Area, though figures are not as high as in San Francisco-Oakland, again poor renter households encounter overcrowded conditions more frequently than all renters.

Table 1. Households Living in Overcrowded Housing

	Poor Renters		All Renters	
San Francisco-Oakland	11,000	14.4%	40,300	6.3%
San Jose	2,300	13.0%	10,800	5.2%
44-City Median		7.8%		3.3%

Source: *A Place to Call Home, The Low Income Housing Crisis In 44 Major Metropolitan Areas*, Center on Budget and Policy Priorities, 1992.

Family dynamics and culture contribute to this housing crisis. For example, studies show that Latinos and poor immigrants tend to have larger families than the average middle-class household. However, larger rental units are scarcer than housing units as a whole. Therefore, Latinos and immigrant poor disproportionately experience overcrowding. [10]

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[7] U.S. Census Bureau, *Housing Vacancy Survey, Annual Statistics: 1996*, Table 3. Rental Vacancy Rates by State: 1986 to 1996. available from http://www.census.gov/hhes/www/housing/hvs/annual96/ann96t3.html

[8] Leonard, Paul A. and Edward B. Lazere. *A Place to Call Home, The Low Income Housing Crisis In 44 Major Metropolitan Areas.* Washington, D.C.: Center on Budget and Policy Priorities, 1992, p. 59.

[9] A housing unit is considered overcrowded if it has more than one person per room, Ibid., p. xvi.

[10] *Focus on the Future, San Jose 2020 General Plan*, Appendix C (San Jose: Department of Planning, Building and Code Enforcement, 1994), p.11. (http://www.ci.san-jose.ca.us/planning/gp/appendc.html).

In addition, low income families experience a higher rent burden. As shown in Table 2, in both the San Francisco-Oakland and San Jose metropolitan areas, approximately 90% of poor renter households pay more than 30% of their income for housing; over three-fourths of poor renter households pay over 50% of their household income for housing. For these households, housing is clearly unaffordable.

The shortfall of affordable rental housing units is the result of a lengthy historical trend. The supply of unsubsidized, private market, low rent housing units declined 63.3% in the San Francisco-Oakland Metropolitan Area between 1975 and 1989.[11] In the city of San Jose, overcrowding more than doubled to 14.9% over the last 10 years. Most overcrowded units are rental units.

Table 2. Rent Burden for Poor Renter Households

	HH Paying More Than 30% of Income for Housing		**HH Paying More Than 50% of Income for Housing**	
San Francisco-Oakland	62,900	92.5%	54,600	80.3%
San Jose	13,400	89.9%	11,400	76.5%
44-City Median		84.2%		66.8%

Source: *A Place to Call Home, The Low Income Housing Crisis In 44 Major Metropolitan Areas,* Center on Budget and Policy Priorities, 1992.

[11] Units for which rent and utility costs equal less than 30 percent of a $10,000 income, or less than $250 a month are defined as low rent units.

NONPROFIT ORGANIZATIONS' CHARACTERISTICS

Number.

Despite unfavorable political and economic circumstances, the number of nonprofit housing developers operating in the San Francisco Bay Area grew from 52 in 1988, to 66 in 1994, to 72 in 1996.[12] However, this apparent growth disguises considerable volatility in nonprofit start-ups, mergers, and dissolutions. For example, comparing developer lists from 1988 and 1994 surveys, it becomes apparent that between 1988 and 1994, thirteen organizations ceased to be engaged in the development of affordable housing.[13] Thus the net increase during that period reflects 27, rather than 14, start-ups.

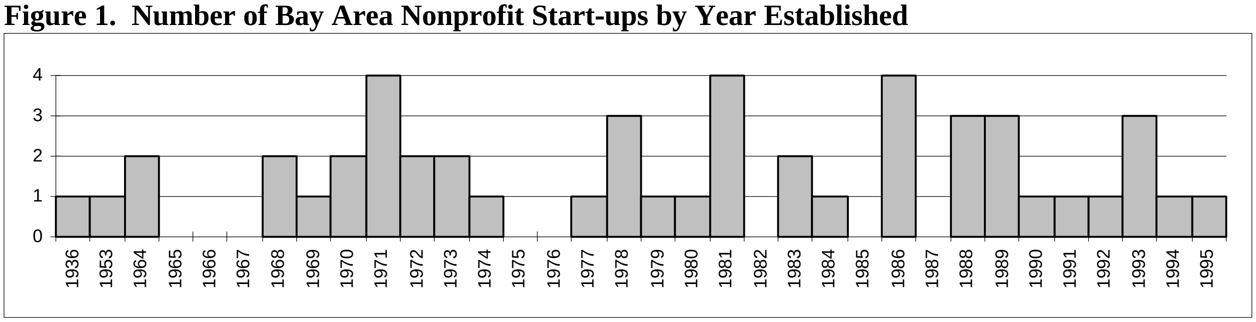
Size.

Unsurprisingly, there is considerable diversity in the nature of the organizations which are involved in the development of affordable housing. The organizational structures range from one to two persons operating out of a room in a small city to a full time staff of 100. The typical nonprofit had 9.6 staff members. Some are sophisticated organizations professionally staffed and catering to markets across California, and in one case across the United States.

Age.

As Figure 1 shows, half the organizations responding to the current survey were established between 1980-1995, with eight new organizations established between 1990-1995. The average nonprofit has been operation 19 years. In contrast to findings from earlier studies (Pamuk, 1989; Morris, 1994), this study finds no association between age of organization and productivity. Perhaps the current crop of new nonprofits are more productive than earlier start-ups because they are off-shoots of more experienced nonprofits or because they are benefiting from established support institutions and intermediaries.

Figure 1. Number of Bay Area Nonprofit Start-ups by Year Established



Note: N = 49 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

[12] Morris, *Survey of San Francisco Bay Area Nonprofit Housing Development Community*, 1994.
[13] This could be due to merger, dissolution, or change in mission.

Location.

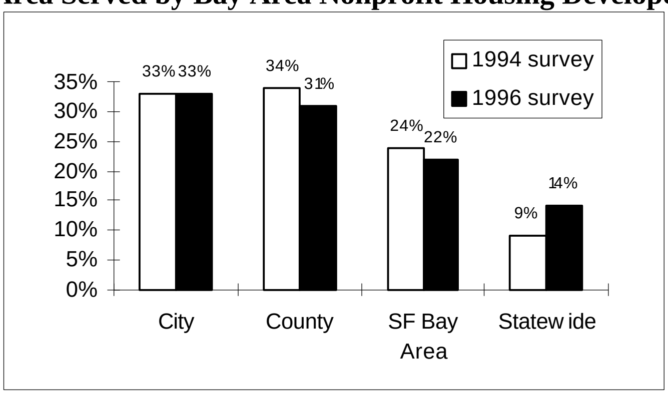
The majority of developers responding to the survey are located in the San Francisco Bay Area's largest cities. Seventy-two percent of all nonprofit housing developers in the Bay Area are located within four cities, with Oakland leading at 28%, San Francisco second with 24%, Berkeley with 12% followed by San Jose's 10%.

Geographic Area Served.

Not surprisingly, the location of organizations reflects the geographic area they serve, with some areas such as Alameda County receiving a lion's share (served by 39% of all respondents). Other counties served by a large percentage of Bay Area housing developers include San Francisco, 29%, Contra Costa, 27%, and Santa Clara, 24%. In part, this concentration reflects a myriad of factors including sociopolitical environment, housing need and opportunity, funding, availability of land and neighborhood opposition.

A significant number of nonprofits (45% of respondents) are expanding into new geographic areas, 41% of whom are responding to opportunity, and 21% of whom expanded for funding. Only 18% indicated that the expanded geographic scope reflected need, either as perceived by the nonprofits or as indicated by community demand. It is interesting to note that those organizations which cited community need operate mostly in the South Bay and San Francisco. Regardless of motivation, significantly more nonprofits are catering to a multi-region/statewide area in 1996 than in 1994 (Figure 2).

Figure 2. Geographic Area Served by Bay Area Nonprofit Housing Developers, 1994 vs. 1996



Note: 1994 survey, N=46 Nonprofit Housing Developers; 1996 survey, N=49 Nonprofit Housing Developers
The 1996 survey question is slightly different from the 1994 survey question. The 1994 survey asked organization to identify their geographic scope of development operations as city, county, San Francisco Bay Area, or statewide. The 1996 survey asked organizations to identify specific geographic areas they serve. For 1996 data, organizations operating in 2 or more counties were classified as serving the San Francisco Bay Area while those operating in counties outside the 9-County San Francisco Bay Area were classified as statewide.

Sources: Morris, *Survey of San Francisco Bay Area Nonprofit Housing Development Community*, 1994; The Berkeley Housing Group *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

Mission.

Of the 44 organizations which responded to the questions regarding their mission a 60% majority indicated that they had not changed their mission since the organization's inception. In the remaining 17 nonprofits which indicated a change in mission, the strongest trend is toward the expansion of housing types and choices. The second strongest trend is toward adding activities such as social services, economic development, and community building. Those which develop housing for a specific clientele, including the very low income, homeless, elderly, HIV/AIDS, and immigrants, are increasingly adding social services and community building as part of their program.

Target Populations.

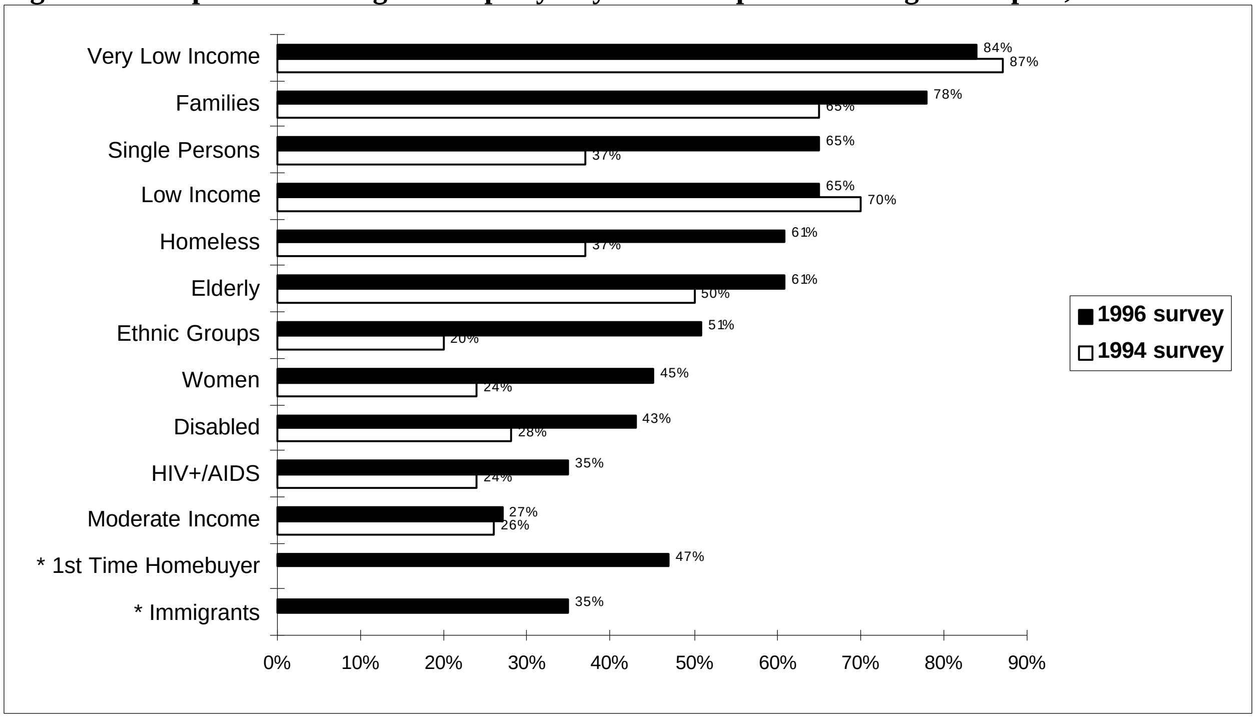
Nonprofit housing developers attempt to serve many different target populations, ranging from first-time home buyers, to families, the elderly, immigrants, women, the homeless, and the physically or mentally disadvantaged. The vast majority of organizations cater to several populations. Eighty-four percent of the respondents indicated their target populations included very low income; 65% target low income; 27% target moderate income. As Figure 3 shows, these numbers have shifted only slightly from the responses to the 1994 survey in the direction of moderate income.

Seventy-eight percent of respondents serve families; 65% target single persons, 61% target the elderly, another 61% the homeless. A few organizations are highly specialized, restricting their activities to very specific target groups, such as limited English speaking households, under-employed adults, high-risk youth, or single parents.

Most respondents (82%) reported that they had not altered their target population within the last five years. Of the nine organizations (18%) that indicated a difference, one-third indicated that the change was motivated by fluctuations in funding, while another one-third stated that the organization was responding to community needs. For example, due to the changing structure of immigration, one organization found itself expanding its target population to include Russians, Fijians, and Africans in addition to their traditional South East Asian clientele. Two nonprofits indicated the addition of first-time home buyers. Two organizations added special needs populations such as homeless, HIV/AIDS, and the mentally and developmentally disabled.

Developer's claims notwithstanding, the current study shows significant changes in target populations compared to 1994. As Figure 3 shows, notably more organizations are serving women, the homeless, ethnic groups, and single persons. Furthermore, just under one-half of all organizations are now targeting first-time homebuyers. This change has resulted from a combination of funding opportunities, needs, demands, and efforts at community building and empowerment.

Figure 3. Comparison of Target Groups by Bay Area Nonprofit Housing Developers, 1994 vs. 1996



Note: For 1994 survey, N=46 Nonprofit Housing Developers; for 1996 survey, N=49 Nonprofit Housing Developers
* 1994 survey did not have 1st Time Homebuyers and Immigrant categories.

Sources: Morris, *Survey of San Francisco Bay Area Nonprofit Housing Development Community*, 1994; The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

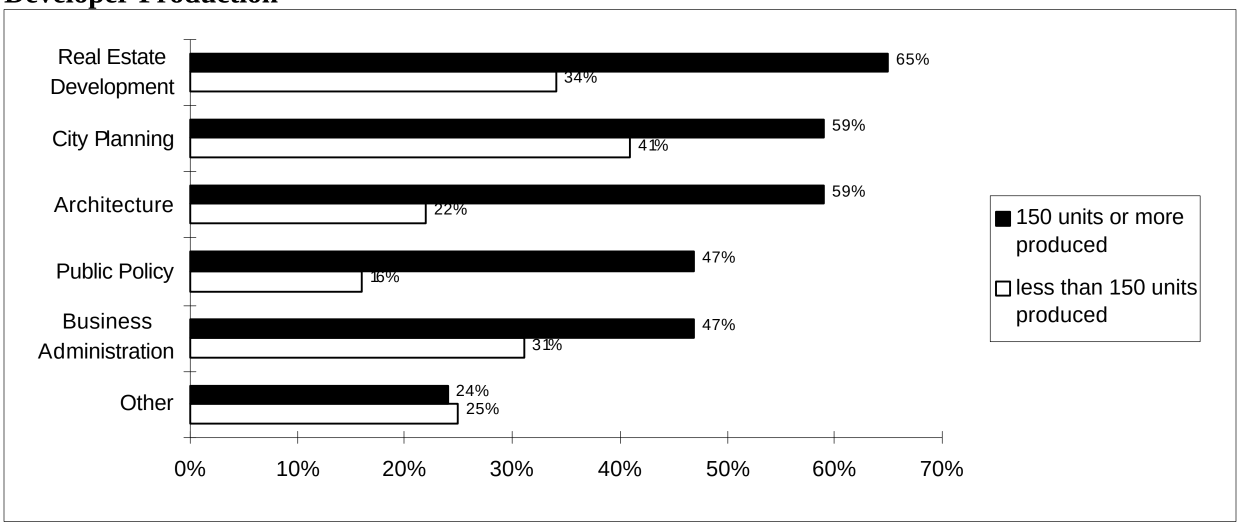
MANAGEMENT

Staff.

The average nonprofit has a paid staff of 9.6 persons, 86% of whom work full-time. This staff size is essentially the same as in prior surveys. However, the proportion of full-time paid staff has increased. The majority of the nonprofits reported no volunteers and of those which had volunteers, most had just one or two volunteers. One organization, however, reported 150 volunteers.

Thirty-seven percent of the paid staff have special degrees/program certificates or concentrations of study particular to housing development. As shown in Figure 4, more higher-production organizations than lower-production organizations have staff holding specialized degrees in almost every concentration of study.[14]

Figure 4. Housing Development Staff Holding Special Degrees by Bay Area Nonprofit Housing Developer Production



Note: N=49 Nonprofit Housing Developers
*Figure shows percent of Organizations with staff holding one or more degree in each category.
**Number of units produced calculated between 1991-1995; 150 units is the approximate average.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

A majority of organizations with higher production had one or more persons on their staffs with a degree in real estate development, city planning, and architecture. Forty-seven percent of higher production organizations also had at least one staff member with a degree in public policy and 47% had a staff member with a degree in business administration. In addition to bringing qualifications and expertise in

[14] This association des not mean that professional training causes high production. Other factors we did not measure may contribute to high production. For example, successful track record working with city may be associated with high production.

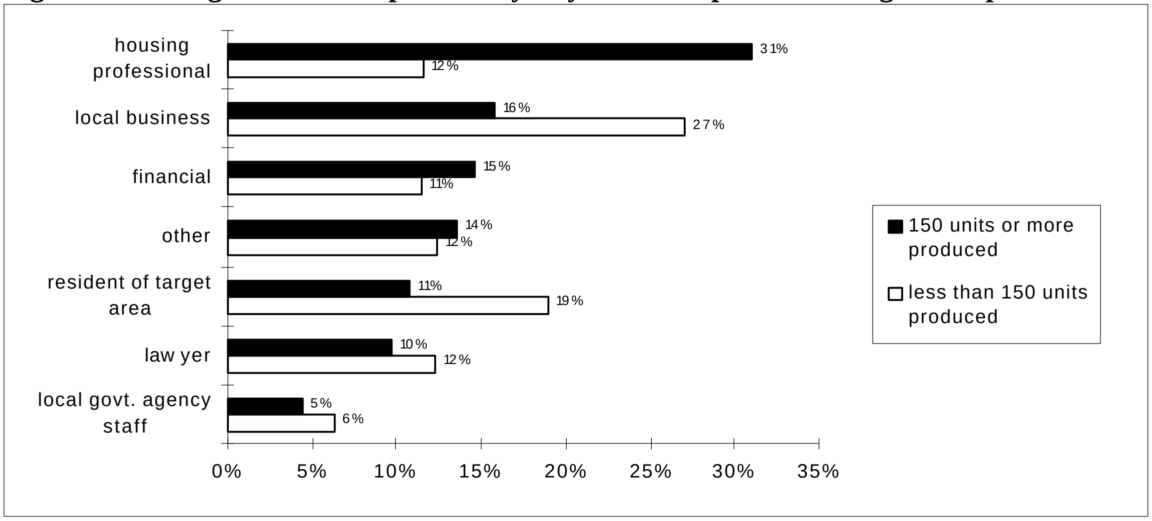
fields related to housing development, staff with these degrees might have special training or skills that would be helpful in strategic planning.

Board of Directors.

The average board of directors for nonprofit housing developers comprises ten members, two each local business (22%), residents of the target area (21%), and housing professionals (17%), one lawyer (11%), one financial (13%) and one other professional (10%). Local government (6%), beneficiaries (2%), and religious/clergy (2%) are not represented significantly on the boards.

When board of directors is analyzed by housing production, an interesting pattern emerges. Figure 5 compares Board composition of Bay Area nonprofit housing developers by average annual housing unit production between 1991-1995. Data indicate that developers producing more units have almost three times as many housing professionals on their Board as compared to those organizations with less production. This suggests that the expertise and technical knowledge of the housing professionals gave the more productive organizations the advantage in terms of project selection, funding, and navigation through the development process.

Figure 5. Average Board Composition by Bay Area Nonprofit Housing Developer Production



Note: N = 43 Nonprofit Housing Developers

*Percentage of Residents of target area may be undercounted. In order to eliminate double counting organizations were asked to categorize board members only in one category.

**Number of units produced calculated between 1991-1995.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

However, a corollary to the larger number of housing professionals on the higher production boards is the larger number of community board members on the lower production boards. This suggests that lower housing production may be associated with a board less dominated by housing professionals, and therefore more likely to devote assets and energy to non-housing projects. Further research will be necessary to clarify this issue.

Activities.

This study is Bay Area nonprofit housing developers. Accordingly the functions performed by the most developers concern housing development: financial packaging (90%), construction supervision (88%), new construction (84%), and acquisition and rehabilitation (84%). Moreover, data set forth in Table 3 indicates that a majority of these developers are participating in activities not directly associated with the production of housing units, such as counseling (65%), education/advocacy (63%), and community organizing (67%).

Table 3. Nonprofit Housing Developers' Staff and Consultant Functions[1]

			Consultant/	both In-House
Development & Management				
New Construction	84%	24%	33%	24%
Acquisition & Rehabilitation	84%	39%	12%	29%
Acquisition Only	63%	45%	4%	6%
Construction Supervision	88%	37%	18%	27%
Commercial Development	37%	16%	6%	14%
Land Development	51%	31%	8%	10%
Property Management	86%	47%	18%	12%
Financing				
Financial Packaging	90%	39%	8%	43%
Loan Servicing	47%	29%	12%	6%
Asset Management	73%	55%	6%	10%
Client Counseling/Client Services				
Counsel Homeless	43%	22%	12%	2%
Homeowner/Tenant	65%	37%	10%	12%
Social Services	65%	30%	10%	8%
Advocacy				
Community Reinvestment Act	39%	31%	4%	4%
Education / Advocacy	63%	49%	4%	4%
Community Organizing	67%	55%	4%	8%

Note: N = 49 Nonprofit Housing Developers

1 A few nonprofit housing developers also used subsidiaries or affiliates to perform these functions. The numbers are so small, they are not reported here, but in some cases affect the totals.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

The administration and management of affordable housing organizations are becoming increasingly complex. Partly this may be explained by the expansion of activities into unfamiliar non-housing areas. In addition, however, the developers are performing a wide range of complex support activities in-house. For example, financial packaging is performed inhouse by a large percentage (90%) of the organizations.

Even so, financial packaging is so complex that 21 (51%) of these organizations also used one or more consultants. Consultants are used by many organizations in other activities as well. For example, in over 50% of the organizations, consultants are used in new construction projects.

Finally, nonprofit developers are increasingly burdened by activities related to financial survival. Strikingly 86% of the developers engage in property management. For example, three developers indicated that they have undertaken property management projects as a means to raise revenue to offset budget shortfalls in other activities.

Decision Making.

Decision making in nonprofit housing developers is fairly complex, and involves a significant number and variety of actors. The key decision makers, predictably, are the board of directors and the professional staff. While both are significantly involved in strategic planning, board members are relatively more involved in evaluation of the organization and staff more in strategic planning and project selection.

Ninety-six percent of respondents report that staff are involved in strategic planning, and 86% state that board members also. When planning informally, 96% of respondents report that the staff participates, with 67% indicating that board members participate; 29% state that clients participate. When conducting formal strategic planning, 98% indicate the board participates, 89% staff, and 9% clients.

The next most important participants in the decision-making process are government officials who become involved in project selection and review of the organization's financial and project effectiveness. Many organizations indicate that consultants are hired to assist in planning and decision making. In those cases, 97% of respondents indicate that their own staff participates with the consultants; 55% state that board members take part, and 21% say that clients are involved.

In addition to the 21% client participation in consultant studies, approximately one-third of the nonprofit housing developers report including client population and community residents in strategic planning and evaluation of the organization. This high level of client and community participation in decision-making is one of the most surprising findings of this study.

Assessing the Environment.

For HDCs, assessing the external environment requires constant attention to new developments in housing finance. Methods most widely used by Bay Area nonprofits to keep abreast of these developments were participation in nonprofit housing associations (96%), industry newsletters (90%), attendance at local government meetings (82%), and staff participation on community boards and committees (76%).

Seventy-two percent of respondents used four or more methods to keep up with new developments, indicating most organizations are proactive in anticipating changes in affordable housing finance. The methods cited also allow organizations to keep abreast of new developments and activities in which other nonprofits may be engaged.

Evaluation.

Performance evaluation allows an organization to see where it is going and give the organization the opportunity to change course if needed. Survey participants were asked how the organization evaluates its projects, and how it evaluates the organization itself.

Forty-eight percent of respondents have some form of written project evaluation. Twenty-three percent report that written evaluations of projects are required by their funding agencies. Other respondents indicate performing written evaluations upon completion of projects or on a pre-set schedule (e.g., every two years). Interestingly, 87% of the respondents state that they perform informal evaluation of ongoing projects. One may speculate that the gap between informal and formal evaluation results from the time and expense involved in formal written evaluations.

Table 4. Organizational Evaluation: Bay Area Nonprofit Housing Developers

Method of Organizational Evaluation	# of Organizations	% of Organizations
informal evaluation ongoing	30	64%
written, required by funder	10	21%
written, performed periodically	18	38%
annual retreats w/Board & staff	2	4%
Board driven	1	2%
Funder based recent study	1	2%
no evaluation	0	0%

Note: N = 47 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

Table 4 displays respondents' statistics for organizational evaluation. Sixty-four percent stated that they perform some type of on-going, informal organizational evaluation. Periodic written, formal evaluation of the organizations, was performed by only 37% of the respondents. Twenty percent of the organizations reported doing a formal written evaluation required by a funding agency. As with evaluation of projects, it appears that most organizations do informal evaluation but most do not perform written evaluations.

Strategic Planning.

As shown in Table 5, the top three uses of the strategic plan are to target future projects, allocate staff time, and allocate funds. All of these uses are project-related, which indicates that Bay Area nonprofit housing developers are using strategic planning mainly for short term assessments on a project by project basis, rather than utilizing a strategic plan as a long-term planning device setting the organizational vision and direction.

Table 5. Use of Strategic Plan by Bay Area Nonprofit Housing Developers

Use of Strategic Plan	# of Organizations	% of Organizations
targeting of future projects	37	82%
allocation of staff time	27	60%
allocation of funds	26	58%
in early stages of plan development	5	11%
building community coherence	1	2%
evaluation of organizational goals	1	2%
targeting future direction of organization	1	2%
do not use strategic plan	3	7%

Note: N = 45 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

Organizations changed their strategic plan, for the following reasons: financial cut backs (56%), legislative change (44%), technical expertise constraints (15%), administrative constraints (13%), and service needs, diversification, new opportunities or other (21%).

When asked what factors (other than mission) were most important in project selection, respondents rated opportunity most important and available funds second; the strategic plan was a distant third. A few organizations stated that they had selected projects based on invitation, but only one respondent cited need as a factor.

FINANCE

Operating Budget.
The average nonprofit reporting on operating budget (N = 37) had an annual 1995 operating budget of $1,022,576. (Note that the outlier, BRIDGE, is not included in this analysis.) The budgets ranged from a low of $6,650 to $4,300,000. Interestingly, size of operating budget is not associated with production. In other words, some low overhead organizations have high production, and vice versa. Funding sources for the average nonprofit's operating budget are as follows (N = 28):

Federal		26%
CDBG	52%	
Other (HOME, McKinney, Community Services)	48%	
Property Management		15%
Developer Fees		12%
Foundation Grant		11%
Other Non-Project		8%
Private Contributions		8%
Other Project Sources		5%
City		8%
Redevelopment	60%	
Other	40%	
County		4%
Religious		2%
State		1%

A closer analysis shows significant sources are generated by the nonprofits, themselves:

Property Management	15%
Developer Fees	12%
Other Non-Project	8%
Other Project Sources	5%
total nonprofit:	40%

Of those reporting specific "Other Non-Project Sources," three mentioned income/interest on investment, and two others reported program/consulting fees. Forty percent of the average nonprofit housing developer's operating budget is generated by the nonprofit itself.

This composite of nonprofit funding sources for operating budgets presents an accurate overall picture of the relative contributions from different sources. However, the composite masks significant variations in nonprofit finance. In particular, some organizations rely heavily or entirely on outside funding, whereas others rely on their own operations. For example, those reporting use of property management to obtain funding often relied substantially on that source (e.g. 99.5%, 65%, 64% of operating budget). Of the 11 nonprofits reporting that source, 6 had 40% or more of their budgets supported by property management.

Others relied heavily on outside support. One organization received 100% of its operating funds from private contributions. Federal assistance continues to be a significant funding source, whereas other levels of government are not. In the case of county support, when the outlier (which had 67% of its budget from county) is omitted, the average support fell from 4% to less than 1%. It is important to note that 86% of those reporting (24/28) reported zero state support for operating budget.

Although the general pattern has not changed substantially from the earlier 1993–1994 study (Morris), comparisons are nonetheless interesting:

	1993/94	**1995**
Federal	15%	26%
Development Fees	21%	12%
Property Management	13%	15%
non-project sources	13%	8%
other project sources	N/A	5%
Foundations	9%	11%
Private Contributions	5%	8%
City	8%	8%
County	N/A	4%
State	1%	1%
Religious	0%	2%

Continued, apparently increased, reliance on federal funding and continued scant support from other government sources is disturbing given diminishing federal funding. The decline in development fees and nonproject sources may also cause concern.

<u>Project Funding.</u>
Bay Area nonprofit housing developers relied on a range of programs to fund projects over the last 5 years.[15] The most prominent federal programs cited are Community Development Block Grant (CDBG) (71%), HOME (55%), Section 8 contracts (51%), Low Income Housing Tax Credits (47%) and

[15] The percentage in this and the following two paragraphs total more than 100% since many organizations use multiple funding sources.

McKinney Act Homeless Assistance funds (39%). Figures indicate the continued reliance on a variety of federal programs.

Seventeen percent of those surveyed indicated they have not received any state funding in the last 5 years. The most frequently used state programs for project funding include the Rental Housing Construction Program (RHCP) (46%), California Housing Rehabilitation Program (CHRP) (24%), and California Housing Finance Agency (CHFA) loans (12%).

Local programs, especially redevelopment, are important for project funding. The most frequently used programs are: redevelopment funds (73%), housing trust funds (38%), land write down (27%) and density bonus incentives (22%).

Nonprofit housing developers continue to rely significantly on federal funding for both operating expenses and project financing. With the disappearance of some federal support, other sources will have to be identified and developed.

LINKAGES WITH OTHER ORGANIZATIONS AND COMMUNITY RELATIONS

Most of the respondents (77%) are independent. Of the 23% with parent organizations, most had nonprofit parent organizations. None had for-profit parent organizations.

Even so, most nonprofit housing developers have some form of relationship with for-profit housing developers. Thirty percent reported joint ventures and partnerships; smaller percentages mentioned connection through building associations (11%) and board members and personal contacts (21%). Thirty-four percent reported no connection or very little connection.

When asked what kinds of support were crucial to their success, 80% said local government was the support institution most crucial for their success. One said, "Local Governments! Without their political and monetary support, we would not be able to provide our services."Another said, "Local government for financing at all stages of development." Forty-four percent called foundations crucial for their success, and 13% noted financial intermediaries and consultants. Only one of 45 respondents mentioned support organizations such as a law center.

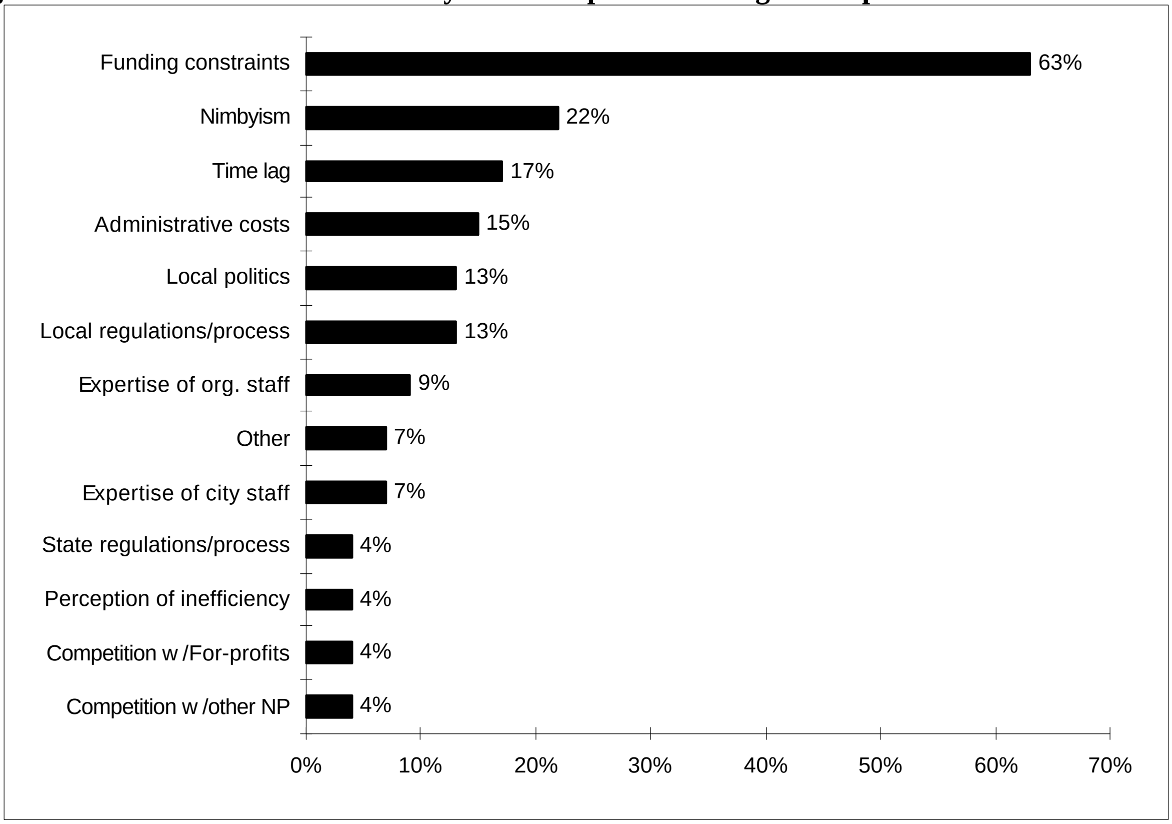
Barriers to Success.

Nonprofits face numerous challenges in producing affordable housing. Most important among these are funding constraints, neighborhood resistance, commonly known as "Not-in-my-Backyard," or NIMBY, time lags, local regulations and processes, administrative costs and local politics (see Figure 6). Sixty-three percent of respondents ranked funding constraints as the number one critical barrier to success, while 22% ranked NIMBYism as number one. Notably, such factors as lack of appropriate sites, government bureaucracy, and conflicting regulations were not considered to be critical barriers to success for almost all the nonprofit developers.

Community Relations.

Forty-four percent of respondents reported their most effective means of involving community in project development. Of these, 39% specifically mentioned involving community in the design process, workshops or focus groups, two specifying that the architect work with the community. Another 27% said community meetings or hearings are most effective. Four organizations emphasized early participation. Two involved community in tenant selection and another two used community as advocates for the project.

Figure 6. Most Critical Barriers to Bay Area Nonprofit Housing Developers' Success



Note: N=46 Nonprofit Housing Developers
Survey asked respondents to rank all variables 1 through 12 according to importance. The above graph displays the percentage of nonprofits ranking that variable as number one in importance. Many respondents gave equal importance to several variables, therefore percentages do not total 100%.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

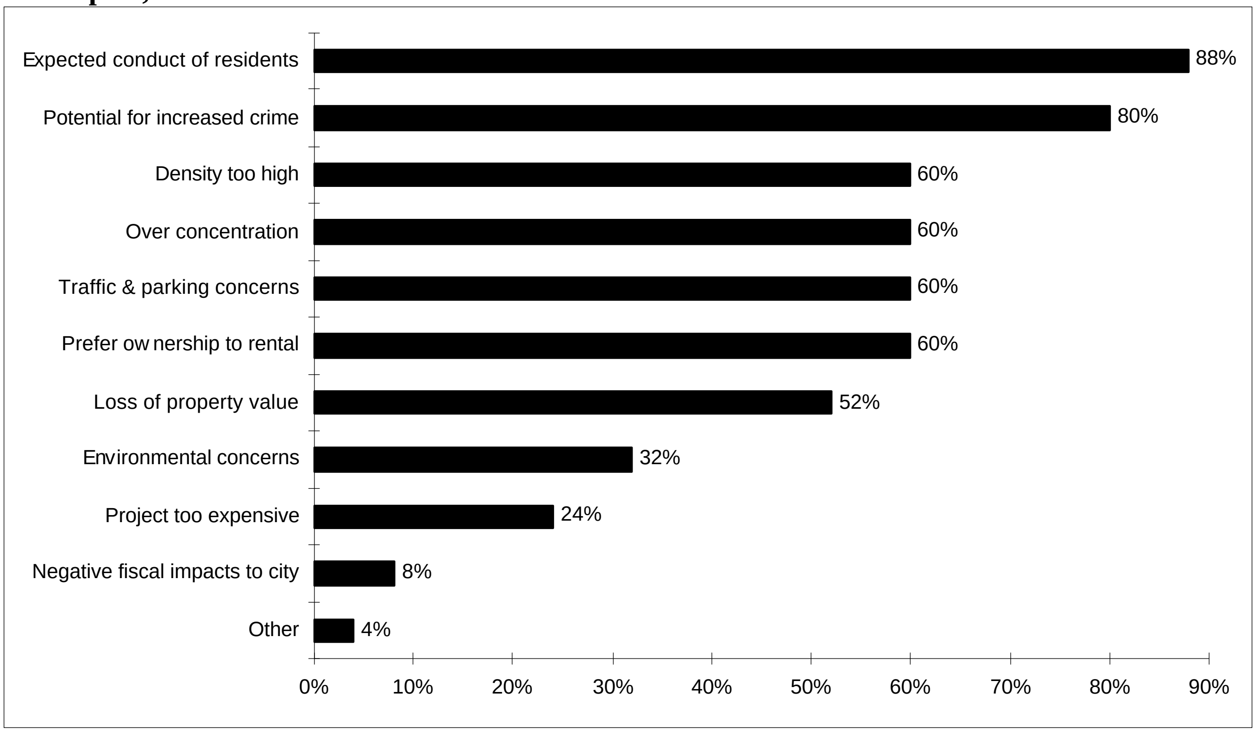
<u>NIMBY.</u>

Thirty-six percent of the respondents reported having had to abandon or scale back a housing construction project. Of those who offered comments, ten mentioned NIMBY and local government opposition, and four mentioned finance issues.

NIMBY conflict or the "housing graveyard", as one developer referred to it, significantly constrains housing development. Fifty-nine percent of respondents reported encountering NIMBY conflicts in 1995. Of these, over half (14 organizations) indicated having NIMBY conflicts in several projects, while 7% indicated NIMBYism was a problem in all their projects in 1995.

The reasons for local opposition and NIMBYism have not changed much over the years. Eighty-eight percent of all organizations experiencing NIMBY conflict in 1995 indicated that the expected conduct of residents was an important or very important objection raised against their project. In conjunction with this, the potential for increased crime was another significant factor cited by 80% of respondents. As Figure 7 demonstrates, NIMBY-ism continues to be motivated by other concerns as well, such as traffic and high density.

Figure 7. Important Objections Raised Against Projects as Cited by Bay Area Nonprofit Housing Developers, 1996



Note: N=25 Nonprofit Housing Developers

* Only one respondent mentioned race, as a written in answer. All other responses were pre-coded choices. Figure indicates the percentage of organizations ranking the above objections important or very important.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of San Francisco Bay Area Nonprofit Housing Development Corporations*, 1996.

Almost all of the developers who responded (84%) assert that they prepare for potential local opposition before it appears. Their most frequently used strategy is community meetings (46%). Forming local neighborhood advisory committees (24%) and conducting public education campaigns (22%) are also very important strategies. Five percent also reported enlisting local politicians' support. Interestingly only one organization hired public relations consultants or community organizers as a strategy to plan for potential opposition.

Similar strategies were used in mitigating opposition after it arose. Seventy percent used community meetings two or more times in the last year; 59% worked with local organizations; 48% conducted public education campaigns. In addition 34% negotiated concessions two or more times in the last year.

The costs of NIMBY battles are substantial. They include direct costs due to lost opportunities, delays in projects, cutbacks, lost time, costs of NIMBY counter-strategies, and the loss of community goodwill. Sometimes the cost of NIMBY oppositon results in the complete abandonment of development in a particular area. Of sixteen organizations which reported ever having to abandon or scale back a housing construction project, over half cited NIMBYism as a significant factor. Of those 27 reporting a NIMBY conflict in 1995, 60% indicated that their most significant conflict had resulted in project delays ranging from one month to over two years, with an average delay of 11.9 months. Half of the organizations had to reduce units or modify design and 58% incurred additional costs. Nine organizations estimated additional costs, ranging from $10,000 to $216,000 with an average of approximately $100,000 for their most significant conflicts in 1995. In 31% of the cases, the project was altogether blocked.

The forty-one percent which reported no NIMBY conflicts in 1995 did not differ significantly from those that did in terms of projects. Both groups planned for potential opposition before it occurred and used similar strategies. However comments by some organizations suggest that there may be behavioral differences between the two groups. One organization which experienced NIMBY advised "avoid[ing] 'community meetings'", and another stated "it (community meetings, public education) just allows them more planning time to oppose us." In contrast a nonprofit housing developer which had not experienced NIMBY in 1995 valued "community meetings with interested parties speaking up about program and design desires early in design work" and specifically advised "having a small group of individuals who are particularly invested in the project work with an architect we hired to specifically develop the community."

Competition.

Funding cutbacks and increasing uncertainty have fostered competition among nonprofit housing developers even though successfully addressing underlying trends may require collaboration. In ranking barriers to collaboration, 23% cited scarce resources; another 26% cited incompatibility, mistrust, no incentive and 10% “turfism.” When asked about the pressures that increased competition among nonprofit developers, 50% felt that shrinking and limited funds was a primary factor. Fourteen percent also noted the increased number of nonprofits, excess capacity, and "turf" protection as additional factors responsible for increased competition between nonprofits. Limited number of sites and decreased opportunities are considered important pressures increasing competition by another 11%.

PRODUCTION

Nature of projects.
The 34 Bay Area nonprofit housing developers who provided project data produced 7,317 units of housing in 162 projects between 1991–1995. Thirtysix of these projects are joint ventures. Sixty-one percent are new construction, 37% are rehabilitation, 3% percent are acquisition.

Location.
The projects are concentrated in three counties: Alameda (32%), San Francisco (23%), and Santa Clara (21%). The remaining projects are located in the other counties descending from most, San Mateo (9%), Contra Costa (4%), Marin (4%), Napa (4%), Sonoma (2%), to least, Solano (1%),

Costs.
Project costs vary in predictable ways. The average new construction cost per unit, $128,141 is significantly higher than the average rehabilitation cost per unit, $70,358. The average new construction cost per unit in outlying counties (e.g., Solano), is $116,053, a figure significantly lower than the average for all counties. New construction cost in San Francisco and other high cost areas average $154,667.

Beneficiaries.
Bay Area nonprofit housing developers continue to target the very poor. Of the 6,658 units for which affordability information is available, 58% are for very low income. Another 33% are for low income. Thus 91% of all the units produced by Bay Area nonprofit housing developers serve low income populations. The remaining units (7%) for moderate and above moderate income are provided by just one of the responding developers[16].

Building Type.
For the 151 projects with building type data 12% are Single Room Occupancy (SRO) or shelter, 60% multi-family apartments, 18% single family, and 10% other. All of the SRO hotel units are located in the urban counties. The majority (55%) of all SRO/shelter projects are located in San Francisco. The few single family projects are scattered throughout the Bay Area, although neither San Francisco nor Marin has any.

Tenure.
For the 153 projects in the five year period reported with tenure information, the nonprofits produced 6,940 units, including one 6 unit co-op project. Of the total 3% were ownership, 97% rental.

Institutional Support.
Information on critical institutional support is available for 162 projects. This information further substantiates the findings on the open ended question about institutional support. It is perhaps more

[16] One percent is “other” and 1% is lost due to rounding.

objective as it is quantified and tied to particular projects. Ninety-two percent noted local government as critical to the project. Fifty-seven percent noted financial intermediaries and another 37% noted foundations. Other institutions mentioned as critical to the project are social services (22%), churches (19%), schools/universities (7%), special needs (9%) and environmental (2%).

Notably, the survey finds signs of increased productivity. Omitting units produced by BRIDGE from all the totals (due to the outlier characteristics of the organization) and comparing production in this survey to the previous surveys shows continued increase (though not at the same rate as the previous survey).

Survey Time Frame	Average Yearly Unit Production/Organization
1980-88	16
1988-94	29
1991-95	33

The average Bay Area Nonprofit housing developer produced more than twice as many units as the counterpart nonprofit in the Washington, D.C. area in the same time period (Pamuk and Savron, 1998 forthcoming). This annual production places the average Bay Area nonprofit housing developer in the 25% top producing nonprofit housing developers in the nation (Walker, 1993). At 373 units per year, BRIDGE produces in the top national category of >200 units per year -- only 1.7% of all nonprofit housing developers achieve this level of production (Walker, 1993). When BRIDGE is included in the Bay Area housing developers (rather than being excluded as an outlier) the average Bay area nonprofit housing developer produces 43 units per year.

CONCLUSIONS

Bay Area nonprofit affordable housing developers operate in a context of high land costs, high construction costs, declining funding and often ambivalent or waning political support. Nevertheless, Bay Area developers have managed to maintain or increase production of housing units, expand into new areas of service, and focus their attention on very low and low income households.

As a whole, the Bay Area Nonprofit housing development sector is mature, professional, adaptive and sophisticated. But the sector experiences many inefficiencies induced by piecing together multiple sources of financing with different requirements and conditions, scrambling for scarce resources, and expanding the client-base, service area, and services simply to keep the organization alive. Even these efforts are insufficient, and a substantial number of organizations could not survive without that portion of their operating budget supported by property management fees and other self-generated sources.

With a reliable source of funding for projects (which would yield developer fees) or a reliable source of operating funds, the nonprofit sector could be more stable and efficient. In those conditions energy and expertise could be concentrated more on production, management, and service and less on organizational survival.

Individual nonprofit housing developers can learn from the study to recruit and retain professional staff and board members with housing expertise. Working closely with local government is obviously another crucial factor for success.

In sum Bay Area nonprofit housing developers can be proud of their achievements, but expect to struggle with difficulties until more reliable funding can be established.

THE CHALLENGE OF AFFORDABLE HOUSING IN 21st CENTURY CALIFORNIA: CONSTRAINTS AND OPPORTUNITES IN THE NONPROFIT HOUSING SECTOR

Part III: Southern California Nonprofit Housing Developers

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I. The Nonprofit Housing Sector in Southern California: Facts and Figures

Southern California, as other parts of the State, is facing substantial housing challenges as we approach the 21st century. While some of the dilemmas are common to those found elsewhere, others are the product of the specific history and culture of Southern California. Recognizing that the housing sector, in general, and the nonprofit housing sector, in particular, varies across the State, this study set out to document, analyze, and explain these differences and incorporate these into refined policy at State level.

Some unique problems were encountered in the survey of this region. As will be discussed, nonprofits in Southern California tended to be newer and smaller organizations. As such, they often had less staff and were under more time pressure than larger organizations. It was difficult therefore to elicit their participation. Thus, the survey period was extended to improve the response rate. By the close of the study, we had achieved a remarkable response rate of 70% for all of California and 69% for the Southern California region in particular. This number is probably somewhat higher as there are indications that some of the organizations we were unable to contact in fact no longer exist or have not been active in housing development over the past five years.

The Growth of Nonprofits in Southern California

The majority of nonprofits in the State are located in Southern California. Out of the 211 nonprofits identified in the State as a whole, 54% are located in Southern California, not including those organizations serving the rural areas. This is not surprising given that four of the top five counties in terms of population are in Southern California. Thus, Los Angeles County, at number 1, is estimated to have a 1997 population of 9,488,200, San Diego, at number 2, has 2,724,400, Orange County, number 3, has 2,659,300 and San Bernardino, placing 5th has a population of 1,587,400.[17] Furthermore, three of the largest cities in the State are in Southern California, namely, Los Angeles, San Diego, and Long Beach. Moreover, even though Southern California has earned the reputation of a far-flung region of cities and towns, in fact the majority of the region's nonprofits are concentrated geographically in the County of Los Angeles with 64% of responding nonprofits located in this County. San Diego captured the majority of the rest, with 17% of total organizations.

Southern California organizations are relatively young. Southern California seems to have lagged the rest of the State of California in the number of nonprofits established until about the late 1980s when it started to surpass the overall rate of growth of the rest of the State.[18] As Figure 1 demonstrates, the rate of

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[17] Department of Finance. California Counties Ranked by 1-1-97 Total Population. http://www.dof.ca.gov

[18] In fact, in 1985, when the Southern California Association of Governments surveyed nonprofit housing organizations, it identified less than 50 such organizations, not all of who were housing developers. Only a handful of these housing organizations are still active as housing developers and were part of our universe for this study. Thus there has been considerable progress in the growth of nonprofits and their capacity building.

Even though this earlier survey provides only scant information, as only 14 locally based nonprofit housing development corporations were included in the survey. The majority, (10) were based in Los Angeles County, with another two in Orange County and one each in Ventura and Riverside County. The majority of these still exists and is in fact among the most experienced and sophisticated nonprofits in Southern California today. The Community Corporation of Santa Monica, the Los growth of nonprofits in Southern California has been rather steady, with only 1 or 2 organizations established per year prior to the eighties decade. From 1981, the rate of establishment increases with 16 organizations formed between 1981-1987, 22% of the total responding organizations. However, the most active period of nonprofit emergence is the five-year period, 1988-1993 when 46% of the responding organizations were founded! This period is remarkable and we can infer the increased activity due to a number of factors.

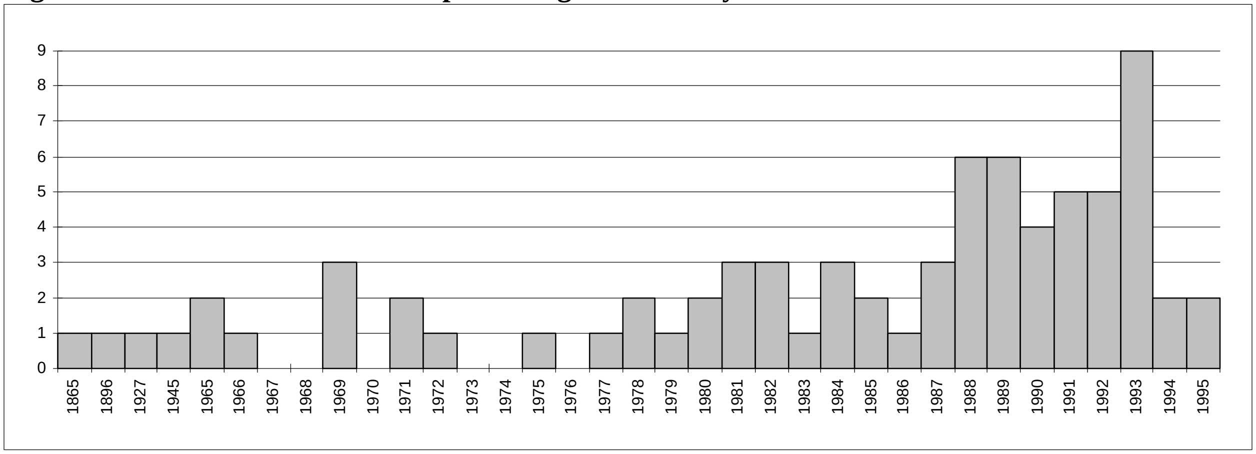
A significant factor is the Tax Reform Act of 1986 which set up the Low Income Housing Tax Credit Program (LIHTC), followed closely in the following year by the similar State Tax Credit Program. These programs signaled a significant resource for the production of affordable housing, and, coupled with the rising need, encouraged the formation of nonprofits. Of course, other factors contributed and it would certainly be remiss not to mention the impact of the Los Angeles Riots of 1992, especially in the immediate aftermath, as cities, state, and federal governments woke up to the dangerous consequences of neglected needs and tensions in an increasingly fragmented society.

Initially, the state tax credits were not geographically based and Los Angeles, and other Southern California counties did not receive a share they believed to be "fair" in terms of population or need criteria. In 1996, however, the State Tax Credit Allocation Committee revised the rules to create greater equity in the distribution of tax credits. Thus, it established allocation caps based on the geographic distribution of households with worst case housing needs. Since housing needs data indicated that 51.7% of rent burdened households live in Los Angeles, Orange, and San Diego Counties, these would receive a greater allotment of tax credits. Thus, whereas in 1995, credit awarded to these three counties amounted to only 20.6% of all credits, by 1996, it had increased to 50.7%. This shift came at a cost to other cities and counties, most notably San Francisco.

The average year of establishment is 1985, if we ignore the organizations established prior to 1945 as they are outliers. The median year of establishment is 1988 — which means that half of all the respondent organizations were established in the last ten years and thus demonstrates that the majority of Southern California organizations are younger than their rural or Northern California counterparts.

Angeles Community Design Center, the Watts Labor Action Committee, the Coachella Valley Housing Coalition are a few that are still quite active today.

Figure 1. Southern California Nonprofit Organizations by Year Established



Note: N = 79 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Only one-fourth of respondent organizations indicated they had a parent organization. Even though there is a perception among active members in the nonprofit housing industry that religious subsidiaries are growing, in fact, only 5, or 25% indicated their parent organization was a religious institution. The majority, 50%, indicated a nonprofit parent organization.

The geographic areas these nonprofits serve are more spread out with all counties being served but again the majority of nonprofits serve Los Angeles County and San Diego. In fact, a significant portion of need and demand is concentrated in the cities of these two counties — as aforementioned housing needs data indicates that 51.7% of rent burdened households live in Los Angeles, Orange, and San Diego Counties.

Almost half, 42%, of the nonprofits responding to the survey indicated that they had expanded the area served. Of these, over three-quarters cited an invitation, funding or other opportunity as driving their decision to expand. This strengthens anecdotal observation that indicate nonprofits' decisions in terms of areas served, clientele, projects pursued are, increasingly, and by necessity, being motivated by funding, availability of sites, or particularly helpful or moneyed city agencies and departments. That is not to say that need was not a driving force, since 41% of respondents also cited need. However, it is clear that a combination of need plus facilitating factors enabling nonprofits to operate in a particular environment is the driving force behind who gets served where.

In any case, it is important to note that organizations in Southern California are in general of a more recent vintage than their northern or rural counterparts. This may explain, in part, why, on average they are smaller and less experienced organizations.

Mission.

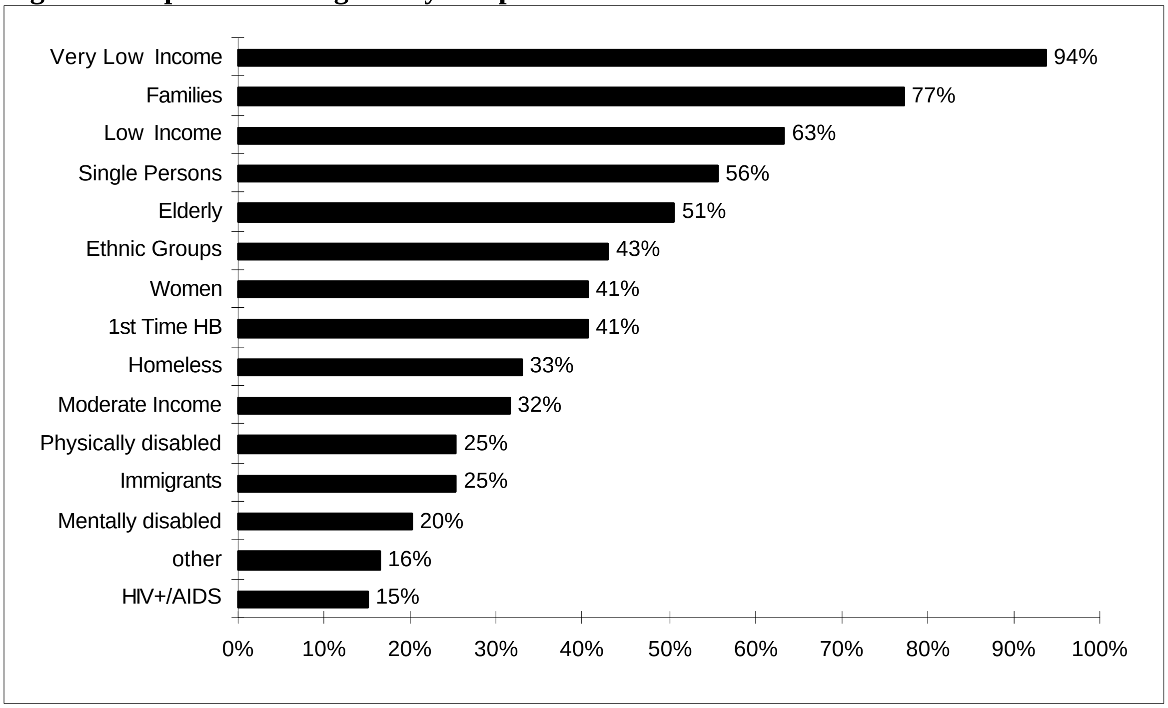
The majority of organizations, 79%, have housing as a primary mission. Services provision was also important, being a mission for 32% of all respondents. Most organizations have not changed their mission since their inception. For the less than a quarter of organizations that have changed their mission, 50% cited a change to increase the range of housing choices available, 50% expanded services, while 28% changed the populations they served.[19] Missions of more recent organizations as well as revised missions of older organizations tend to reflect a growing emphasis or interest in incorporating economic development or community/neighborhood development goals as indicated by a quarter of organizations each.[20]

The expansion of services and population served is reflected in Figure 2. As is commonly acknowledged, California is becoming an increasingly diverse society. Nonprofits are thus taking on a wider range of clientele populations diverse in income, ethnicity, age, culture, and disabilities. To meet the increasing need, each organization serves multiple populations. What is clear, is that low income households and families remain a priority as an overwhelmingly majority, 95% of respondents, serve Very Low Income Households while families are served by 78% of organizations. It is interesting to note those elderly and single persons; two groups targeted by the state (e.g. low income tax credit program) are not as high on the priority list.

[19] Note that organizations could indicate several reasons for a change in their mission and therefore the percentages do not total 100% as many organizations indicated more than one motivation.

[20] Note that organizations could indicate several components of their missions and therefore the percentages do not total 100% as many organizations indicated more than one element.

Figure 2. Populations Targeted by Nonprofits



Note: N = 79 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Nonprofit Management

Capacity building of nonprofit organizations is an important issue in the industry. There is a widespread concern for attracting and maintaining a highly qualified and motivated staff, and for building in-house expertise and capacity to take on larger projects in an effort to improve production levels, reduce costs, and improve affordability. The sector has still a way to go to meet these goals. Of the total number of employees reported by Southern California organizations, 70% are volunteers! Only 23% are full-time and another 7% part-time.[21] The average nonprofit has 5.5 paid staff members. The majority of employees working on housing development have degrees in business administration, real estate development, city planning, public policy, or architecture.

The incorporation of various expertise and experiences in staff and board composition is important for capacity building, especially for the smaller organizations. Organizations in Southern California are fairly young and small and thus it is not surprising that they rely on subcontractors and consultants for a variety of activities. Over half of responding organizations indicated that they use consultants for new construction, slightly higher than the 42% who indicated that it is done by in-house staff. Acquisition and rehabilitation activities are done though a combination of in-house staff and consultants, with 62% indicating the former, and 45% using consultants. Consultants are also prominent in property

[21] Total number of employees equaled 1434. N=?

management, loan servicing, and financial packaging. Reliance on consultants for financial packaging and loan servicing is double the rate for Northern California – again reflecting the nature of younger, less experienced smaller organizations. However, for activities involving advocacy or support services including counseling homeless, community organizing, or social services, the consultants play a very minor role. (Table 1) It is also noteworthy that over half of Southern California organizations undertake social services in-house, more so than in Northern California. Additionally, although there is discussion of the expansion of nonprofits into wider range of activities related to economic, commercial, or community development, this is not borne out by this data. The majority of organizations (71%) were not involved in commercial development and hardly any indicated other activities related to economic or community development other than community organizing, education/advocacy or counseling.[22]

Table 1. Organizational Activities and Division of Labor

Function	In-House	Subsidiary/	Contractor/
Development & Management			
New Construction	43%	5%	51%
Acquisition & Rehabilitation	63%	4%	47%
Acquisition Only	52%	4%	13%
Construction Supervision	52%	3%	49%
Commercial Development	20%	4%	9%
Land Development	23%	3%	19%
Property Management	62%	6%	42%
Financing			
Financial Packaging	63%	5%	34%
Loan Servicing	19%	5%	27%
Asset Management	62%	4%	16%
Client Counseling/Client Services			
Counsel Homeless	30%	3%	5%
Homeowner/Tenant	47%	5%	13%
Social Services	58%	10%	11%
Advocacy			
Community Reinvestment Act	33%	5%	8%
Education / Advocacy	61%	6%	8%
Community Organizing	59%	2%	3%

Note: N = 79 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

[22] The question listed a number of activities for which each respondent would indicate whether in-house, subsidiary, or consultants. Economic or community development activities were not on the list and would only show up in the other category and if the organization chose to explain.

Table 2. Level and Method of Organizational Evaluation

Method of Organizational Evaluation	# of Organizations	% of Organizations
infromal evaluation ongoing	55	70%
written, required by funder	16	20%
written, performed periodically	20	25%
other	6	8%
no evaluation	4	5%

Note: N = 79 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

The process for evaluation of the organization and the projects is largely informal. 81% have ongoing informal evaluation of projects. Less than a third of organizations do have written evaluations but funders require these. Even a lower number of organizations evaluate their organizations with only 68% having an on-going informal evaluation. Interestingly, more organizations have written evaluations of their organization that are not required by funder than written evaluations of projects.

Table 3. Level of Utilization of Strategic Plan

Use of Strategic Plan	# of Organizations	% of Organizations
targeting of future projects	63	91%
allocation of funds	39	57%
allocation of staff time	33	48%
other	3	4%
do not use strategic plan	3	4%

Note: N = 69 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Despite the constraints on these organizations, or perhaps in response to them, a surprising number of organizations have a strategic plan — 82% of respondents, though for only 37% is it a requirement. Furthermore, it is clear that the strategic plan is being utilized for guiding future development of organizations. While 45% use the plan to allocate staff time, 91% use it for targeting of future projects, and 57% use it for allocation of funds. It is also clear that for many the strategic plan is not a static object but one that is dynamic as indicated by changes in the strategic plan. For those organizations that indicated changes in the Strategic Plan, the primary motivation was financial cutbacks. Changes in legislation and administrative constraints were secondary motivations. Thus once again, financing is a key force in an organization's activity and direction.

Just as important in the capacity building of nonprofits, are their organizational processes for decision-making and setting the direction for organizational development. Nonprofits, by nature of their activities, and their neighborhood or community based approach, bring together a number of key players in the community. The role of each varies. The boards of these nonprofits play an extremely important role in decision-making in strategic planning, project selection, and evaluation, as does the staff. The involvement of other groups varies by the activity. In strategic planning, in addition to the Board and Staff, business people play an active role, with about a third of organizations indicating their involvement. The client population and community residents, on the other hand, are more involved in project selection and especially evaluation. Government staff is also quite active in evaluation but also in project selection – a natural vehicle for early input by government on feasibility of different options.

Table 4. Participants in Decision Making Processes

	Strategic Planning	Project Selection	Evaluation of the Organization
Staff	87%	82%	67%
Board of Directors	95%	71%	87%
Client Population	29%	18%	42%
Community Residents	24%	28%	32%
Business People	31%	17%	28%
Government Funding Agencies	23%	35%	42%
Lending Institutions	13%	18%	22%
Nongovernment Funders	17%	13%	27%
Technical Assistance Agencies	19%	21%	21%

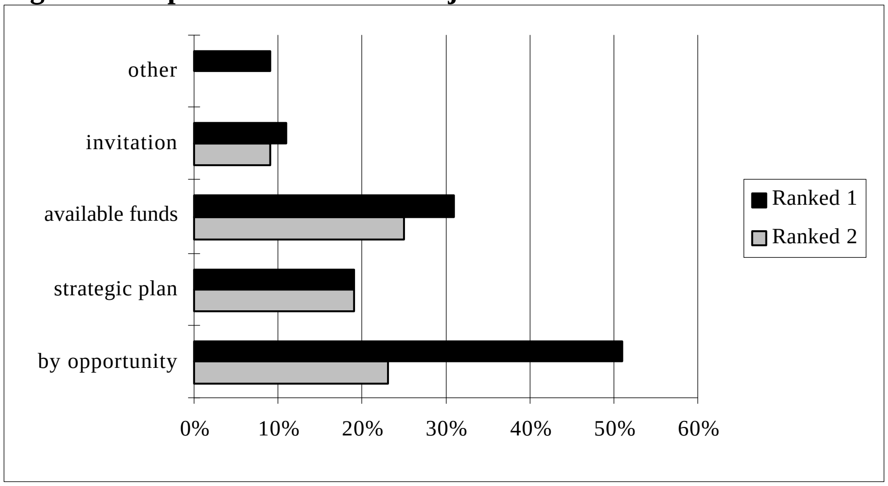
Note: N = 78 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Surprisingly, lending institutions play a minor role in project selection, with only 18% of organizations indicated their involvement. Slightly over a fifth of nonprofits do involve lending institutions in evaluation but this is probably more an indication of the routine process of loan approval, servicing, and supervision.

The top two factors driving project selection are opportunity and availability of funds. 51% of respondents rated opportunity as the number one driving force in project selection, and another 23% ranked it in second place. Availability of funds was ranked number 1 by 31% and another 25% ranked it in second place.

Figure 3. Important Factors in Project Selection



Note: N = 77 Nonprofit Housing Developers

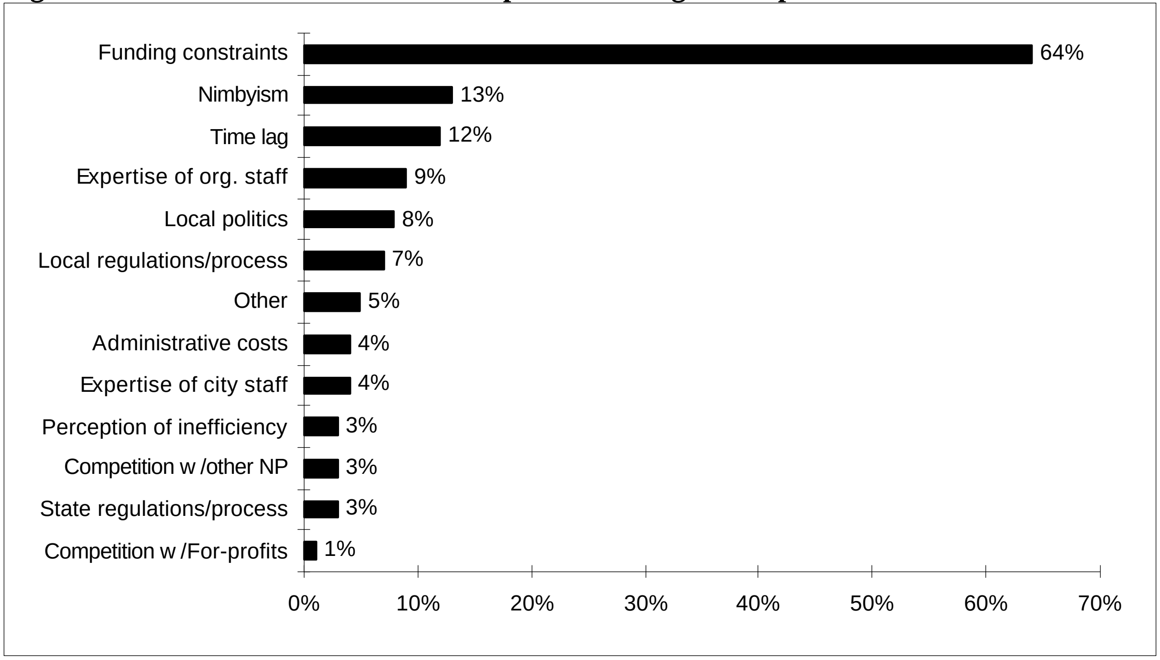
Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Coping with Political Uncertainty

Nonprofits have to confront challenges on a number of fronts. Although financing is the major front, another significant arena is community acceptance. Due to the lingering misconceptions of nonprofits , of their clientele, of the impacts on property values neighborhood climate, many communities are still reluctant to allow nonprofits to "intrude" in their neighborhoods and communities. Both nonprofits and communities are growing more sophisticated in their awareness of the issues and the tools at their disposal to voice and lobby for their position. For the nonprofits, many have come to realize that building support in the community and finding allies at an early stage can make all the difference. Community meetings and hearings are the single most important vehicle for involving the community and raising awareness about the project. A third of organizations utilized this method. Another vehicle was the establishment of committees and advocacy groups. This is a legacy of a number of programs, including redevelopment, as state law requires the establishment of these committees to give input to the redevelopment agency in its plans. Even after the adoption of plans, many of these committees of citizens have continued to meet and act as representatives of the community. Other mechanisms to incorporate participation involved outreach and education programs.

NIMBYism is difficult to gauge and monitor. Although anecdotally, there is widespread knowledge of its existence, actual evidence of the barriers and costs it imposes on affordable housing development is more difficult to substantiate. When asked about barriers in housing development, NIMBYism ranked far behind funding constraints. For only a minority, 13%, NIMBY was ranked number one as a barrier to development.

Figure 4. Most Critical Barriers to Nonprofit Housing Developers' Success



Note: N = 76 Nonprofit Housing Developers
Survey asked respondents to rank all variables 1 through 12 according to importance. The above graph displays the percentage of nonprofits ranking that variable as number one in importance. Many respondents gave equal importance to several variables, therefore percentages do not total 100%.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

This is not to lessen the impact of NIMBYism, which is substantial, but it is also obvious that two factors are at play. One, organizations are probably anticipating opposition in certain geographic areas and communities and thus pre-empting trouble by not pursuing projects there.

NIMBYism has been around for a while now, and nonprofits are developing an increasing array of tools to appease communities and mitigate potential opposition. 73% of organizations plan for potential opposition before it appears.

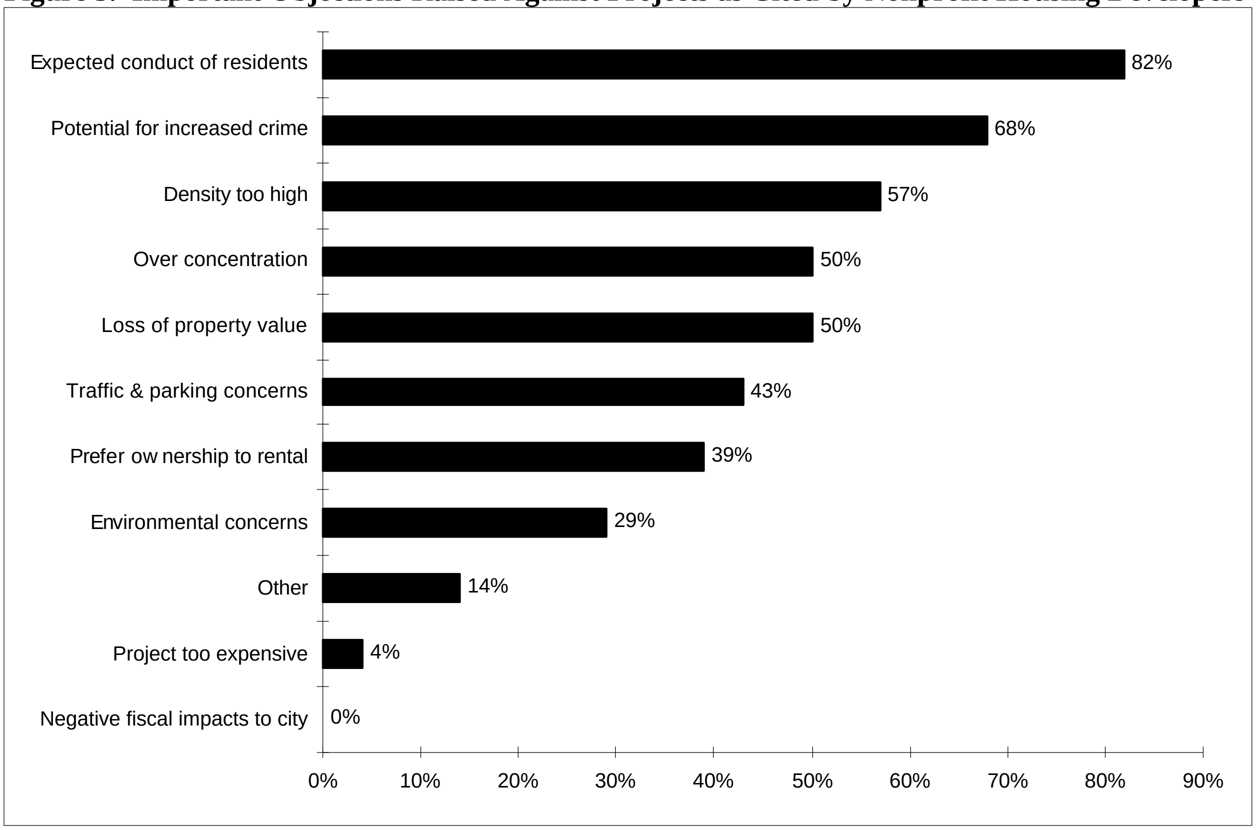
The repertoire of tools includes community meetings, public education campaigns, working with local groups, negotiating concessions, mediation with third parties, and establishing local advisory commissions.

Community meetings, press and education campaigns, involvement of residents, consultation with community leaders, and the like. One of the most widely used strategies is the holding of community meetings or hearings, used by 30% of organizations. Residents are involved through design process, workshops, focus groups, and representation in boards, jobs in construction.

Of 23 organizations reporting that they have had to abandon or scale back a project, NIMBYism was cited as the number one reason (39%) followed by lost funding (30%).

When asked to cite the objections raised against projects (Figure 7), an overwhelming number of developers, 82%, cited expected conduct of residents as being an important or very important objection. Other important objections cited are the potential for increased crime, high density, over concentration, traffic and parking concerns, preference for ownership to rental, loss of property values, and environmental concerns.

Figure 5. Important Objections Raised Against Projects as Cited by Nonprofit Housing Developers



Note: N = 28 Nonprofit Housing Developers
*Figure indicates the percentage of organizations ranking the above objections important or very important

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Uncertainty in Financing

It is not an exaggeration to say that the number one issue for nonprofits and the one factor driving almost all aspects of nonprofit establishment, targeting, capacity building, and ultimate success or failure is financing.

Nonprofits have to contend with the constant search for operating funds. There is less available grants and government funding for this need and increasingly nonprofits are having to turn to other sources. As Table 5 demonstrates, nonprofits are turning to foundations, private sector firms, religious donations, as well as federal, state, and city sources. They are also turning more and more to develper fees, and property management as ways to supplement their operating budget or even provide the sole means of support. However, despite this apparent diversification, federal programs continue to be an important source for 64% of organizations. Although the contribution to the operating budget ranges from 0% to 100%, on average, federal programs contribute 24% to an organization's operating budget.

Table 5. Average Sources of Funding for Operating Budget

Federal		24%
CDBG	37%	
Other (HOME, McKinney, Community Services)	63%	
Property Management		16%
Private Contributions		15%
Developer Fees		11%
Foundation Grant		10%
County		5%
City		5%
Redevelopment	49%	
Other	51%	
Other Non-Project		5%
Other Project Sources		4%
State		4%
Religious		1%

Note: N = 65 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Looking more closely, Table 6 shows percentages of contribution to Operating Budget by federal, state, county and city sources. It is important to note that 6% of organizations depend on Federal programs for 75% to 100% of their operating budget, and another 42% depend on these for 20 to 74% of their operating budget! It is no exaggeration to say that Federal program cutbacks and reprogramming of funds have critical impact on the lifeline of nonprofit housing producers. Reliance on State funding is considerably less, with less than one-fifth (17%) using any State programs for their operating budgets. For those using such funds, the contribution was usually under 20%.[23] More important than the State were local funds –

[23] In identifying the source of funds for their operating budget, several organizations misidentified the government level responsible for the program. Thus, CDBG, HOME funds were often identified as local because they are administered through the city. In the process of data cleaning, the funds were reallocated to appropriate catogories.

both county and city government programs. Although only 21.5% of respondent organizations use County funds, 43% use County funds for 20% to 92% of their operating budget. Thirty-five percent of organizations use City sources in their operating budget, and of these, 35% use City funds for 20 to 75% of their operating budget.

Table 6. Government Sources of Operating Budgets

Contribution to Operating Budget	**Federal**		**State**		**County**		**City**	
	# of org.	% of total	# of org.	% of total	# of org.	% of total	# of org.	% of total
0%	21	32.3%	54	83.1%	51	78.5%	42	64.6%
0-19%	13	20.0%	8	12.3%	8	12.3%	15	23.1%
20-49%	16	24.6%	2	3.1%	4	6.2%	7	10.8%
50-74%	11	16.9%	0	0.0%	1	1.5%	1	1.5%
75-100%	4	6.2%	1	1.5%	1	1.5%	0	0.0%

Note: N = 65 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Slightly over half of the organizations reporting sources of their operating income use property management as a source. The proportion of property management in the total operating budget ranges from a dismal .4% to 100%.

Even though financing has always been an issue, it is also clear that the level of multi-sourcing and fragmentation has reached a new level.

Table 7. Number and Percentage of Nonprofits using Federal Programs for Project Funding

Federal Program	No. of Organizations	Percent of Total
CDBG	55	70%
HOME	48	61%
LIHTC	30	38%
Section 8 Contracts	28	35%
McKinney Act Homeless	21	27%
Section 811	9	11%
HOPWA	8	10%
Section 202	8	10%
Rental Rehab	5	6%
Other	18	23%
None	7	9%

Note: N = 79 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

There are some surprising findings when we look closely at the financing support of organizations. Federal funding continues to be the key financing mechanism for a majority of organizations. Even though CDBG money has relatively dwindled, it is still the number one source, having been used by 70% of organizations in the past five years. Another major program used is HOME (61%). Low Income Housing Tax Credit is not as utilized, having been utilized by only 38% and that is probably a function of the aforementioned geographic bias and the increased competition for these funds.

State programs used in the last five years are numerous but perhaps the most important finding is that over half of the respondents (56%) have not used a single state program in the last five years! In fact, state programs are hardly used. The single most utilized program is the Rental Housing Construction Program (RHCP) with only 11%. Six percent (i.e., only 4 organizations) utilized the State tax credit program! This figure seems to be a little low and may be a function of misidentification or reporting by respondents.[24]

Local government programs and assistance, just in terms of utilization (i.e. not in percent of overall financing or absolute numbers) seem to be more critical for nonprofits surveyed. Redevelopment funds were the single most utilized source, drawn on by 61%. This points to the importance of this tool for raising funds for housing, but also as an important source of city funding, given the constraints of Proposition 13. Also some California cities are now facing urban problems faced fifty years ago by Eastern cities, namely the aging and dilapidation of the housing stock.

[24] This could merely be a misidentification on the part of respondents who lumped the Federal low income housing tax credit with the State program.

Density programs were the next popular, at 24%, followed by land write-downs and housing trust funds, each utilized by one fifth of organizations responding to this question. The Housing Trust Fund is important to the nonprofit organizations operating in San Diego and its environs.

Nevertheless, it is understandable why local government is cited as being the most critical support institution. Given the importance of local government in locating appropriate sites, facilitating the permit and building process, providing guarantees for financial assistance, and the like, it is no surprise. The other critical supports cited were foundations, cited by a quarter of organizations, and financial intermediaries, at 22%. Surprisingly, even though there seems to be a widespread belief in the importance of churches and religious organizations for many of these nonprofits, in fact only one organization identified them as critical institutions. This may be explained by the fact that many church based organizations were established specifically for individual projects and then are dismantled or fold without further support. Therefore, our survey, which focuses on organizations active in the last five years, would not account for organizations, which may have existed at one time or another. Schools and universities were only cited by 11% or 8 organizations, and may point out an arena for future policy action directed at encouraging more collaborations.

Barriers in Housing Development.
As financing is the linchpin for successful project development, it is consequently the primary barrier for development. As noted earlier, funding constraints are overwhelmingly the most critical challenge for nonprofit housing.

One of the more recent developments in the nonprofit sector is the increasing number of collaborations with for-profit organizations. A fifth of the 72 organizations responding to this question indicated that they have pursued either joint ventures or partnerships with for-profits. A third of responding organizations have connections with real estate associations. It is definitely a growing phenomenon although not necessarily one welcomed by all. Joint ventures can be beneficial to both parties and are sometimes quite necessary to the survival of the organization or the success of the projects. However, there is also the fear that these partnerships, if not thought out carefully, can hinder the capacity building of smaller nonprofit organizations, or even worse can threaten their future survival.

Housing Production[25]

Costs.
Average new construction cost in Southern California is a little over $90,000. Average rehabilitation costs fell from $75,000 to $44,000 while the volume increased. Presumably the large volume of earthquake repairs in the later period were less costly than substantial rehabilitation of the earlier period.

Building Type.
Despite the fact that there seems to be an ideological shift in favor of single family housing, in fact the production of affordable single family is negligible. The majority of affordable housing is multi-family both condominiums and apartments. In Los Angeles county, between 1991-1995, only eight single-

[25] Table 7, Production Data, presents data for the following discussion. Extremely detailed data can be found in Appendix __.

family projects were built by respondents to the survey and the total units produced by these projects were only 31 units! In contrast, multi-family units numbered 2,129 for the same period. The trend seems to be continuing as in the period 1996-1997, as only 5 single-family housing units were built but 4,464 units of multi-family. Another interesting finding is the construction of shelter housing in 1996-1997 of 309 units. Of these, 286 units were built in 1997 alone. SROs are also being added to the stock despite the changing tides in Los Angeles and the call for a moratorium on SROs in the city. Between 1991-1995, 1,322 units in 20 projects were built, rehabilitated or acquired in the county. In 1996-1997, 5 projects were added to the inventory by nonprofit organizations.

Single family production of housing seems to be largely confined to the rural regions of the state. The majority of projects in the cities continue to be multi-family structures. This is as true in Los Angeles County as other counties including Orange, San Bernardino, San Diego. In San Diego, no single family housing built during period 1991-1995, and only 16 units in 1996-1997.

In all of Southern California during 1991-1995, the nonprofits produced 74% multi-family, 18% SRO, 5% shelter, and only 1% new construction. As shown in Table 7, Production Data, in the 1996-1997 period, multi-family production increased to 90% of all units, while SRO production fell to 5%.

<u>Production Activity</u>.

Despite the numerous hurdles that nonprofits face, they nevertheless manage to produce a substantial number of units. Between 1991-1995, 45 organizations reported producing 7,726 units in 141 projects. Two-thirds were new construction; one-third were rehab. Production levels are increasing as evidenced by the production levels for 1996 – 1997. The average yearly productions rose from 34 units per organization for 1991-1995 to 83 units per organization for 1996-1997. For 1996-1997, for 50 reporting organizations, a total of 8,327 units were built in 134 projects. However, new construction accounted for a smaller share (51%) while rehab units fell slightly to 27% of the total units produced. Interestingly, other units, namely acquisition, accounted for a greater share (23% for a total of 1,337 units). (Table 7).

Table 8. Production Data

	1991 - 1995		1996 - 1997	
	units	*%*	*units*	*%*
Units by Type				
Total # projects	141		134	
Total units	7,726		8,327	
Total known units	6,205		5,872	
New Construction units	4,105	66%	2,974	51%
Rehab units	2,068	33%	1,561	27%
Other units	32	1%	1,337	23%
Unit Costs				
NC Avg. Cost/unit	$91,599		$92,374	
Rehab Avg. Cost/unit	$75,789		$44,000	
Unit Affordability				
Above Moderate Income	208	4%	0	0%
MI - Moderate Income	132	2%	415	7%
LI - Low Income	1,475	26%	2,510	42%
VLI - Very Low Income	3,058	53%	2,072	35%
Other	850	15%	975	16%
Building Type				
Shelter		5%		4%
SRO - Single Room Occupancy		18%		5%
MF - Apt. or Condo		74%		90%
SF – Single Family		1%		1%
Other		1%		0%
Tenure				
Own		1%		11%
Co-op		0%		0%
Rent		98%		88%
Other		0%		2%

Note: N = 45 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Several factors explain this increased production. An important factor to keep in mind is the time lag between when projects are commissioned and their actual completion date. In Southern California, the aftermath of the 1994 Northridge earthquake brought forth important financing for rehabilitation and new construction and these units are just coming on line. Furthermore, increased funding made available by changes in the Tax Credit Financing, and the growing sophistication of nonprofits also played their part.

For the units produced between 1991-1995, the bare majority of units, 53% were for very low income households and an additional 26% for low income households. For 1996-1997, only 35% of units were for the very low income households, while the majority 42% were directed at low income households. The share of moderate income also rose from 2% to 7%.

Looking more closely at the production data reveals some interesting findings on tenure, beneficiaries, and locations of projects by county.

Although the proportion appears to be declining, the overwhelming majority of units produced in Southern California are still rental units. For production data between 1991-1995, 98% of all units were rental units; for 1996-1997, their share is 88%. The gap is being picked up by an increase in single family homes, from less than 1% for 1991-1995, to 11% of total units produced by Southern California nonprofits during 1996-1997.

Production data also indicates a slight shift in the beneficiaries of affordable housing produced by these nonprofits. Families increasingly receive the lion's share of affordable housing produced. Between 1991-1995, 44% of units went to families; for 1996-1997, the figure is 57%. The elderly continue to be significant beneficiaries, 28% in the early ninties, 25% in the latter period. Special needs persons benefitted less proportionally, capturing 10% less in 1996-1997 (for a total of 18% of units).

The County of Los Angeles captures the majority of units produced – 53% for 1991-1997. Four other counties, Orange, Riverside, San Bernardino, and San Diego capture another 41%. As aforementioned this data supports the fact that needs are concentrated in the counties with the largest cities, but also the fact that tax credits are now geographically apportioned to reflect need.

<u>Conclusions</u>.

In sum, Southern California nonprofit housing developers are young; 46% of those responding originated between 1988 and 1993. The average nonprofit has 5.5 paid staff; a few have large cadres of volunteers. Most rely on consultants and subcontractors for many activities. Their process of evaluating the organization and projects tends to be informal. However 82% have a strategic plan, which is used to allocate staff and target projects. Yet project selection is driven by opportunity and available funding.

By far the most significant barrier[26] to nonprofit success is funding. Nonprofits scramble for operating funds by diversifying and turning to property management for support. Still federal programs continue to be important for 64% of the organizations' operating budget. Project funds also depend on federal programs, especially CDBG. Local government is considered nonprofits' most crucial support.

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[26] Even though NIMBY ranks relatively low as a barrier, 73% of nonprofits plan for potential opposition before it occurs with community meetings and related activities.

Although relatively young and small, Southern California nonprofit housing developers' average annual production places them in the top 25% of nonprofits nationally (Walker 1993). In the 1990s Southern California spawned four super producers (> 200 units per year), which perform at the top 1.7% nationally. All the nonprofits produce multifamily rental units for low and very low income residents. Most are families, with a substantial, smaller proportion elderly, and a smaller proportion peoople with special needs. The majority of units reported in all of southern California are in Los Angeles County.

THE CHALLENGE OF AFFORDABLE HOUSING IN 21st CENTURY CALIFORNIA: CONSTRAINTS AND OPPORTUNITES IN THE NONPROFIT HOUSING SECTOR

Part IV: Rural Nonprofit Housing Developers

Robert Weiner, Ph.D.
Principal Author

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Analysis of Rural Housing Nonprofits

Profile of California Rural Housing Nonprofits.

While the popular image of California is of a highly populated state dominated by large conurbations fanning out from Los Angeles, San Diego, San Francisco, and other central cities, in fact, the state retains a significant rural population residing in vast open spaces. Even employing the most restrictive definition of "rural"[27], that used by the U.S. Bureau of the Census, reveals a total population greater than in many of the sparsely settled, rural states in the west, occupying an area greater than many of the urban, industrial states in the east and midwest.

Nonprofit housing development corporations have served rural parts of California for many years. During this time, government housing programs have adopted a variety of different, sometimes changing, often incompatible definitions of rural that are more generous than the Census definition, but which have complicated the ability of developers to leverage multiple funding sources. For example, a development considered rural under California's Federal/State Low Income Housing Tax Credit Program may not qualify for funds for rural communities under some housing programs of the U.S. Department of Agriculture (USDA). The State-administered HUD Small Cities Community Development Block Grant Program operates in Census-designated "nonmetropolitan (nonmetro)" areas[28], which typically contain but are not synonymous with rural areas.

Today, there is still no agreement on a single definition of rural. Therefore, for purposes of this study, a rural housing nonprofit is defined as an organization that has traditionally developed housing in nonmetro areas, and in areas defined as rural for targeted assistance by government housing programs. In other words, at its core, the organization is rural in origin and mission. As the state has grown and funding resources have changed, some of these nonprofits are increasingly operating in non-traditional areas that are urban and metropolitan in character. Nonetheless, they remain committed to serving rural areas and populations typically associated with non-urban occupations and life-styles.

Nineteen rural housing nonprofits responded to the survey. They operated in 43 of California's 58 counties, ranging from the Oregon border in the north, the Nevada and Arizona borders in the east, the Pacific Ocean in the west, and the Coachella Valley in the south. Given the demographics of the state, it is not surprising that nearly all of these organizations are located in and serve areas north of the Tehachapi

[27] Generally, the Census defines rural as either open country or places of less than 2,500 residents.

[28] Generally, the Census defines nonmetropolitan as counties outside of Metropolitan Statistical Areas.

Mountains, in rural coastal and interior counties. Most (68%) worked in a multi-county area, the largest operating in 14 Northern California counties.

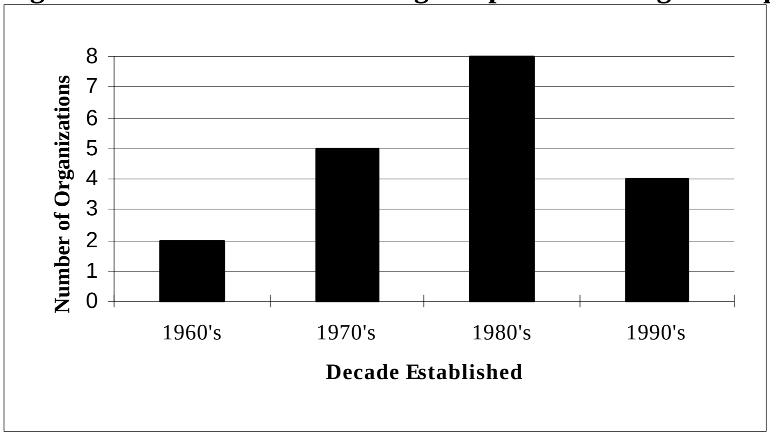
Service areas, however, have changed over time. Since inception, just over half (53%) of the organizations had expanded their geographical service areas; 47% still operated in the same area. Among those expanding, half did so because of specific development opportunities that arose in communities inadequately served by any nonprofit housing developers. Other reasons for expanding were to meet growing housing needs, and a desire to enlarge the organization's asset base and increase revenues. The older the organization the more likely it had experienced expansion. None of the organizations reduced the size of its service area.

In California, as in other states, the rural housing sector predates the emergence of a comparable urban sector. While rural nonprofits are about as old as their counterparts in urban and suburban areas, they differ in that nearly all originated as development organizations and, thus, tend to have been in the production business longer. They are also less likely to have a parent organization. Veteran developers such as Self-Help Enterprises and Rural California Housing Corporation, operating in the state's huge Central Valley, have provided housing assistance since the 1960s. Initially, these organizations, and others which followed, formed in response to farmworker struggles and opportunities for self-help housing development in poor rural communities made possible by the provision of federal Office of Economic Opportunity and USDA grants and loans for land acquisition and preparation, construction supervision, and permanent take-out financing.

The average age of the 19 nonprofits in the survey was 17 years. As indicated in Figure 1, the greatest percentage (42%) emerged during the 1980s. Another 31% were formed in the 1960s and 1970s. Just 21% were formed in the 1990s, none since 1993. Only one (6%) of the nonprofits had a parent organization — a local economic development corporation — compared to 22% statewide.

All rural housing nonprofits had missions to improve the living conditions of lower-income rural families through provision of decent, low-cost housing. Several couched their missions in terms of service to a specific, targeted income group (e.g., low or very low-income families), or special needs population, such as the elderly, disabled, and homeless. Others focused on activities, such as construction, rehabilitation, and management of rental housing, provision of homeownership opportunities, promotion of environmentally responsible models of housing, and housing advocacy and research. Some emphasized the provision of housing support activities, such as services to help residents achieve economic self-suffficiency and integrate into larger communities, or development of community facilities like sewer and water systems. One respondent located its housing component within an over-arching mission of training community leaders, building community institutions, generating community-based economic development, and gaining resident control of housing.

Figure 1: Decades Rural Housing Nonprofit Housing Developers Were Established



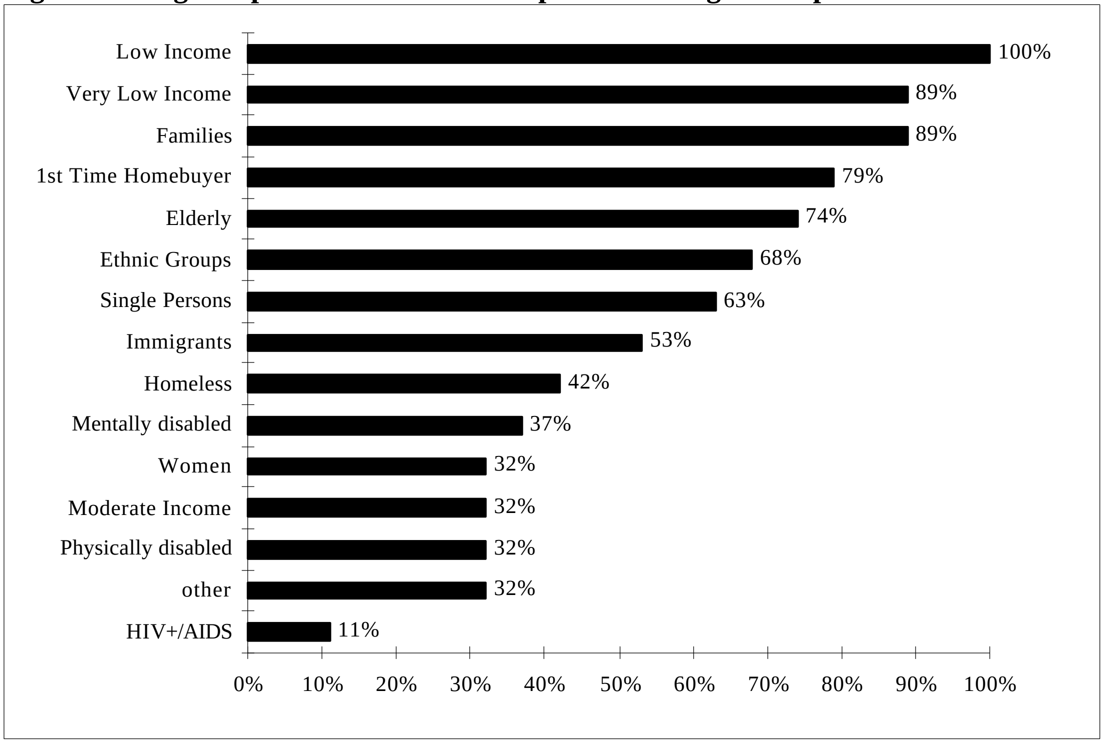
Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Most respondents adhered to the same organizational missions as at inception. However, a significant number (37%) had revised their missions to meet changing priorities or demands. Among those with mission changes, 57% indicated their purpose was no longer limited to meeting the basic shelter requirements of needy families through housing development. Instead, they now sought to expand their services function to incorporate all of a family's needs through provision of "services enriched" housing. Some were now acting as "community builders" to help strengthen and revitalize whole neighborhoods and communities within which the housing was located (activities usually associated with CDCs rather than HDCs). Several organizations were originally formed to advocate for affordable housing, to house a single population (e.g., farmworkers) or geographical community, or to perform a specific housing activity, such as rehabilitating owner-occupied, single-family homes.

Rural housing nonprofits serve a variety of populations (Figure 2). In terms of income targeting, all sought to meet the needs of low-income people, and all but two targeted the very low income. One-third served moderate-income people. Families were the household type targeted by most, followed by elderly households who were served by three-quarters. Single persons were targeted by about two-thirds and immigrants by half. Generally, rural developers are less likely than urban groups to have originated for the specific purpose of housing the mentally and physically disabled, the homeless, women, and people with HIV/AIDS. While these populations are served, in most cases, reported benefits are probably incidental rather than the result of special targeting. People with special needs are present in rural communities, but tend to be unorganized and unrepresented by powerful advocacy groups that can publicize the problem and achieve community acceptance.

Figure 2: Target Populations of Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Two target populations most distinguish rural housing developers from their urban and suburban counterparts: first-time homebuyers and farmworkers. Over three-quarters (79%) targeted first-time homebuyers. This is because many of these organizations originated for the purpose of, and continue to dedicate considerable staff resources to, stimulating homeownership through the self-help method of construction. With funding from USDA, the State of California, and private lenders, rural nonprofits have developed over 10,000 low-cost homes, the "sweat-equity" or dollar value of the labor committed by families serving as their downpayment. California, in fact, boasts the largest-volume self-help housing providers in the country, and traditionally has consumed up to 20% of all federal dollars made available for this purpose.

Moreover, since many rural housing developers operate in agricultural regions of the state, typically high percentages of beneficiaries are current or former farmworkers. Several USDA and State of California programs specifically target farmworkers, providing both permanent and migrant labor housing. Others, like the self-help housing program, are not limited to any one occupational group, but serve a large number of farmworker families because of their high incidence of low incomes and residential location in rural areas.

Most respondents (79%) had not changed the target population they served within the last five years. Among those reporting changes, the new populations served included the homeless, the mentally disabled, immigrants, non-farmworker families, and the very low income.

Nonprofit Management.

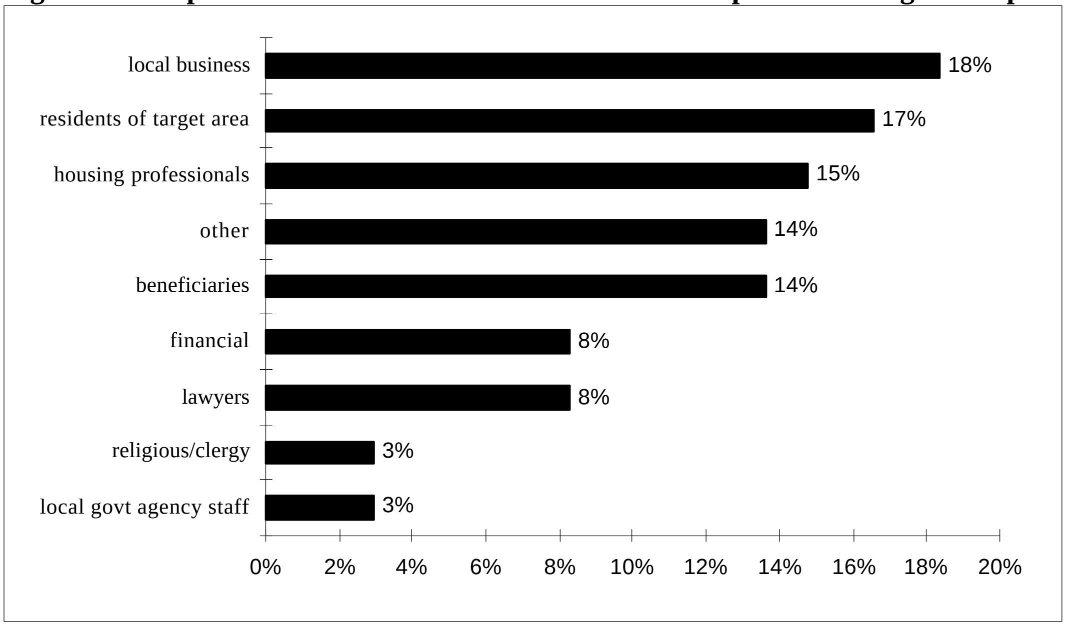
Current management structures and capacities vary greatly from organization to organization as reflected in the number and backgrounds of board members and professional staff, the ability to perform functions in-house with existing personnel, and the kinds of strategic planning and evaluative processes used to make important decisions. Several common trends, however, are emerging in organizational management.

The average organization had nine directors on its governing board. Board sizes ranged from 6 to 13. Figure 3 shows that the largest percentage of directors (18%) was business people. Revealingly, residents of target areas accounted for the second largest percentage. Together with program beneficiaries, nearly one-third of nonprofits' boards consisted of "non-professionals" from neighborhoods and projects. This would be consistent with the efforts of many nonprofit developers to reconfigure boards in the 1990s by adding low-income people and residents of low-income neighborhoods in order to qualify as Community Housing Development Organizations (CHDOs) for receipt of federal HOME Investment Partnership funds. Housing professionals accounted for 15% of directors. Other directors were lawyers, teachers, housing advocates, elected officials, social service providers, and retirees. The very small percentage of directors who were local government agency staff or clergy suggests that few rural nonprofits were the creation of, or are currently controlled by, local governments and religious institutions.

Organizations had an average of 12 paid development staff; 11 full-time and one part-time. There was a wide range, however, in the number of employees that could be supported. Most organizations were of relatively modest or small size. One-fifth (21%) supported no full-time development staff, and over half (58%) supported four or fewer. The largest organization, on the other hand, reported 65 development staff, while the second reported 34. Only two organizations indicated they used volunteers to perform development activities. The majority of staff had degrees, certifications, or study concentrations in the areas of business administration, real estate development, and planning (Figure 4). Other backgrounds included architecture, construction, real estate brokering and appraisal, accounting finance and economics, law, and public policy.

The staffing patterns of rural housing developers---the functions they performed in-house, via subsidiaries, or out-sourced to contractors and consultants---were conditioned by several factors. These factors included organizations' missions and management philosophies, judgments about the capabilities and best uses of existing personnel, and abilities to financially attract and retain professional staff.

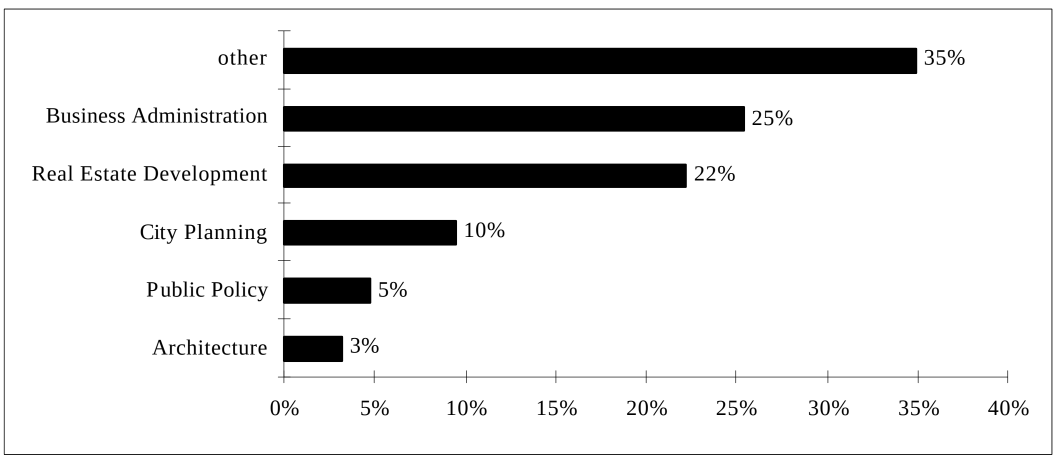
Figure 3: Composition of Board of Directors of Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Figure 4: Academic Backgrounds of Development Staff of Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

In recent years, many rural housing nonprofits have sought to diversify their staff competencies and create new management structures (Table 1). Increasingly, as funding resources and organizational capabilities have increased, many of the functions related to affordable housing provision have been performed in-house by employees of the development organization. The majority used staff to perform the following functions (in order of frequency): new construction, financial packaging, land development, asset management, acquisition/rehabilitation, property management, acquisition only, construction supervision, homeowner/tenant training and counselling, and education/advocacy. About half the organizations committed staff to advocacy work with private lenders under the Community Reinvestment Act or to organizing work in local communities. Staff in one-third were responsible for directly delivering social services to residents. Only three organizations developed commercial property, and two counselled the homeless.

Table 1: Organizational Tasks of Rural Nonprofit Housing Developers

Functions	In-House	Subsidiary/Affiliate	Contractor/Consultant
Development & Management			
New Construction	84%	5%	47%
Acquisition & Rehabilitation	68%	0%	37%
Acquisition Only	63%	0%	0%
Construction Supervision	63%	5%	42%
Commercial Development	16%	0%	5%
Land Development	74%	5%	16%
Property Management	68%	5%	32%
Financing			
Financial Packaging	74%	0%	47%
Loan Servicing	26%	0%	16%
Asset Management	74%	0%	11%
Client Counseling/Client Services			
Counsel Homeless	11%	0%	5%
Homeowner/Tenant Counseling	63%	0%	16%
Social Services	37%	0%	21%
Advocacy			
Comm. Reinvestment Act Advocacy	53%	0%	11%
Education/Advocacy	63%	0%	11%
Community Organizing	47%	0%	5%

Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Out-sourcing to private contractors and consultants, however, was still a common way to perform functions that required specialized skills or tasks for which there was inadequate in-house capability. It also freed existing staff to undertake other essential functions. For example, some developers "subbed" out some of their packaging of complex loan and grant applications to financial consultants, while packaging other funding requests themselves. The most commonly out-sourced functions (in order of frequency) were new construction and financial packaging, construction supervision, acquisition/rehabilitation, property management, and social services. Few staff functions were devolved to subsidiary corporations of the development organization, either because such entities did not exist or they lacked capability.

Nonprofit developers involve a variety of actors in strategic planning, project selection, and organizational evaluation (Table 2). Strategic planning, shaping the long-range vision of the organization, was overwhelmingly a board and staff responsibility. Nearly all organizations involved their board directors and employees in planning decisions, followed by technical assistance providers. A third involved their clients. Likewise, project selection was principally a staff- and board-driven decision. Government agencies and clients, as well as community residents were consulted. Organizational evaluation was performed by the boards of all the organizations; three-quarters involved their staff. Technical assistance providers and government agencies were involved in evaluations by one-third. Business people and non-government funders (e.g., private foundations) were the least likely actors to be included in the above processes.

Table 2: Participants in Strategic Decision-Making by Rural Nonprofit Housing Developers

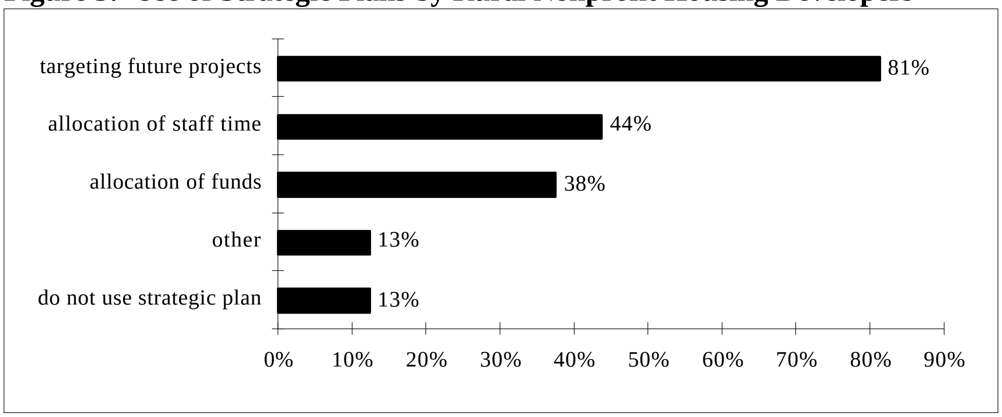
Participants	Strategic Planning	Project Selection	Evaluation of the Organization
Staff	95%	100%	74%
Board of Directors	100%	79%	100%
Client Population	32%	47%	21%
Community Residents	16%	32%	11%
Business People	16%	16%	11%
Government Funding Agencies	26%	47%	32%
Lending Institutions	21%	26%	16%
Nongovernment Funders (e.g. Foundations)	21%	16%	11%
Technical Assistance Agenices (e.g. legal, financial, etc.)	42%	26%	37%

Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Having a strategic vision is singularly important for nonprofit developers at a time when competition for scarce funds and sites is greater than ever. Threequarters (76%) of rural organizations reported that they had strategic plans, only three (17%) of which were a requirement of a funding source. Strategic planning is voluntary and primarily used as a tool to target future projects, allocate staff time, and allocate funds (Figure 5). Over half (58%) of the respondents indicated they had made changes in their strategic plans. The most common motivations were to accommodate new development opportunities, and to achieve greater operating and management efficiencies in light of financial cutbacks and administrative constraints (Figure 6).

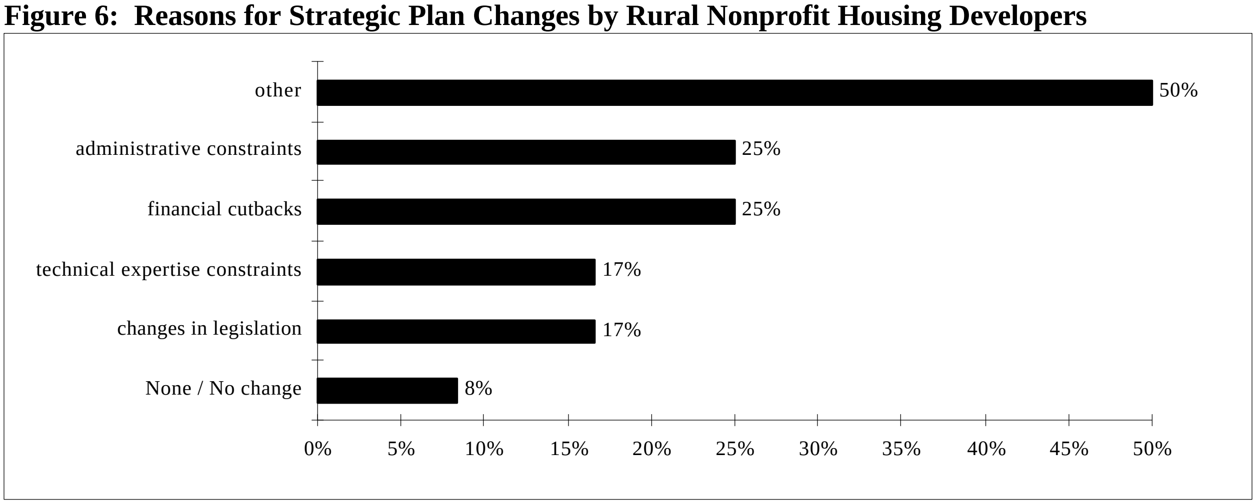
Figure 5: Use of Strategic Plans by Rural Nonprofit Housing Developers



Note: N = 16 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Figure 6: Reasons for Strategic Plan Changes by Rural Nonprofit Housing Developers



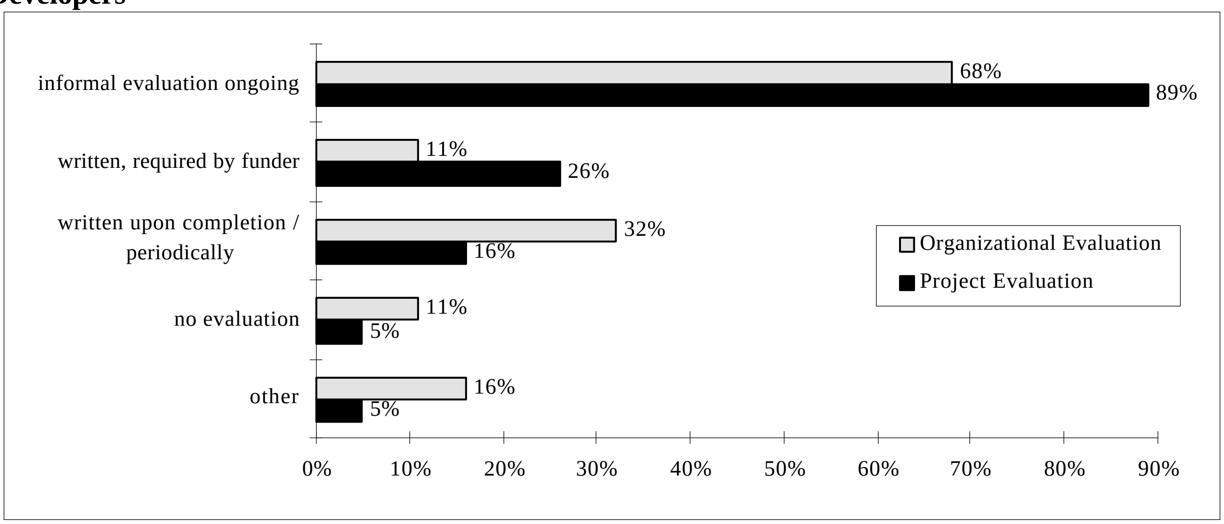
Note: N = 12 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

In practice, however, few respondents pointed to the existence of a strategic plan as the controlling factor in recent decisions to undertake projects. Almost two-thirds indicated that project selection was driven mostly by opportunity. Availability of funds was the second most important factor and invitation was the third. "Invitation" refers to nonprofits' responses to specific appeals to meet an affordable housing need in an unserved community, or to participate as a joint venture partner in a new development.

The evaluative processes used by rural nonprofits, both to evaluate existing projects and their own organizations, were primarily ad hoc in nature (Figure 7). The great majority engaged in some form of self-evaluation. For most, on-going, informal review was how they judged the strengths and weaknesses of individual projects and their organizations. One-quarter stated they performed written evaluations of projects as required by a funding agency. One-third performed written evaluations of their organizations on a periodic basis. These occurred as part of annual audits by external auditors, performance reviews by boards of directors during regular and annual meetings, and strategic plan updates.

Figure 7: Project and Organizational Evaluation Processes Used by Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

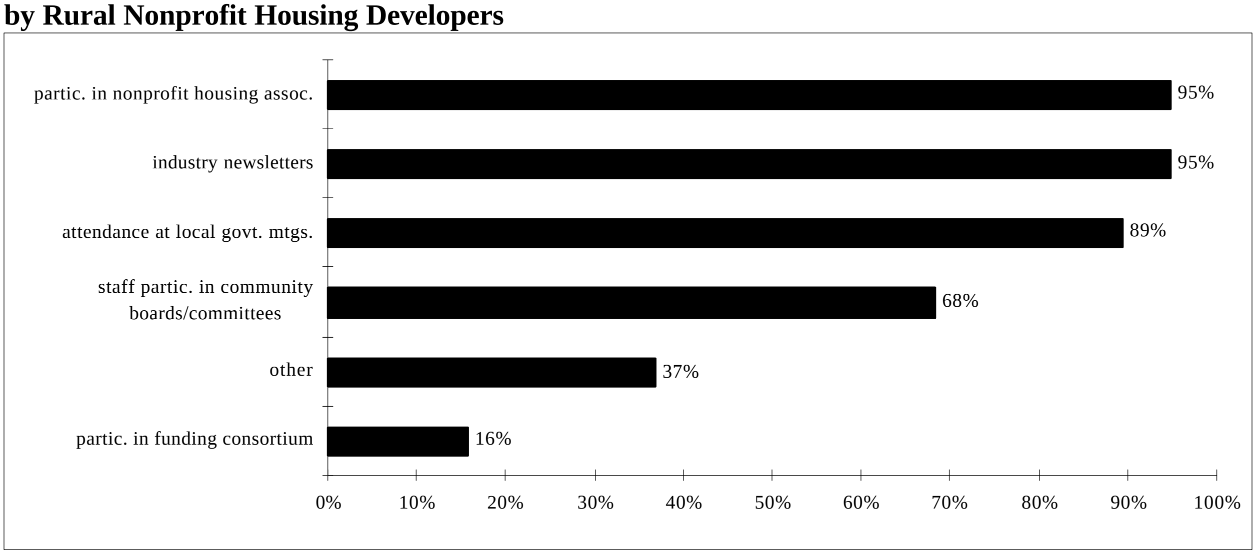
Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

The path of development is littered with "landmines," false starts and stops that often result in project delays, modifications, and, in some cases, abandonment at great cost in staff time and organizational resources. During the last year, nearly all organizations (94%) had explored the feasibility of projects without proceeding to pre-development, in some cases, up to 10 different projects. Major reasons cited for not proceeding were financial infeasibility, insufficient funding, poor sites, inability to gain or retain site control, lack of political support, community opposition, unreasonable selling prices, and owner unwillingness to sell.

Three-quarters (74%) of nonprofit developers had, at one time or another, proceeded into the predevelopment stage only to scale back or abandon projects later on. Respondents reported up to five projects that were so affected. Most often, reductions had to be made in project size and density to achieve community acceptance, as well as to achieve financial feasibility as market changes and financing shortfalls occurred. Sometimes these conditions forced organizations to abandon projects altogether. In one case, for example, a homeless/SRO project with over $6 million in funds committed died because of the refusal of local elected officials to grant a use permit. In other cases, projects failed when developers with effective site control and local approvals could not secure sufficient financing. Changes in local markets, in the motivations of owners to sell, and in the composition of city councils were all factors that could halt development.

Finally, keeping up with new developments in affordable housing finance is a challenge for nonprofit developers as funding and policy priorities often change, and financing program administrators set new rules and procedures. As indicated in Figure 8, organizations operating in rural areas, particularly isolated areas, are especially dependent on communications with colleagues and printed material. Participation in a nonprofit housing trade association, receipt of newsletters, attendance at local government meetings, and involvement on local community boards and committees were the main ways rural developers stayed up to date. Continuing education and training and networking at conferences were other ways they gained information.

Figure 8: Means for Gaining Information on Affordable Housing Finance by Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Uncertainty in Finance.

No single subject consumes the attentions and energies of nonprofit housing developers, rural or urban, more than the financing to run their organizations and make affordable housing deals work. Rural housing development organizations, like their urban and suburban counterparts, represent the gamut, from veteran groups with long histories and large budgets and asset bases, to nascent groups with small budgets and few, if any, assets. The average nonprofit reported an annual operating budget of $1,239,845. Operating budgets ranged from a low of $25,000 to a high of $3.5 million. About half (53%) of the organizations had budgets in excess of $1 million.

By far, the federal government is the largest funder in rural housing development. Unlike urban and suburban cities with significant, locally-generated housing funds, such as redevelopment agency tax increments, rural developers are highly dependent on non-local funders. Table 3 reveals that federal funds accounted for one-third of nonprofits' most recent operating budgets, ranging from a low of 4% to a high of 75%. Dollar amounts ranged from a low of $8,000 to a high of $1.2 million. State-administered Small Cities Community Development Block Grants (CDBG) - HUD monies passed through states to nonmetro localities - constituted a significant percentage of some budgets, but were the main source of federal funds for only one organization. More than half indicated that over 50% of their federal funds came from other HUD programs (listed below), as well as programs operated by USDA, DOL (Department of Labor), and other agencies.

Table 3: Funding Sources for Most Recent Operating Budgets of Rural Nonprofit Housing Developers

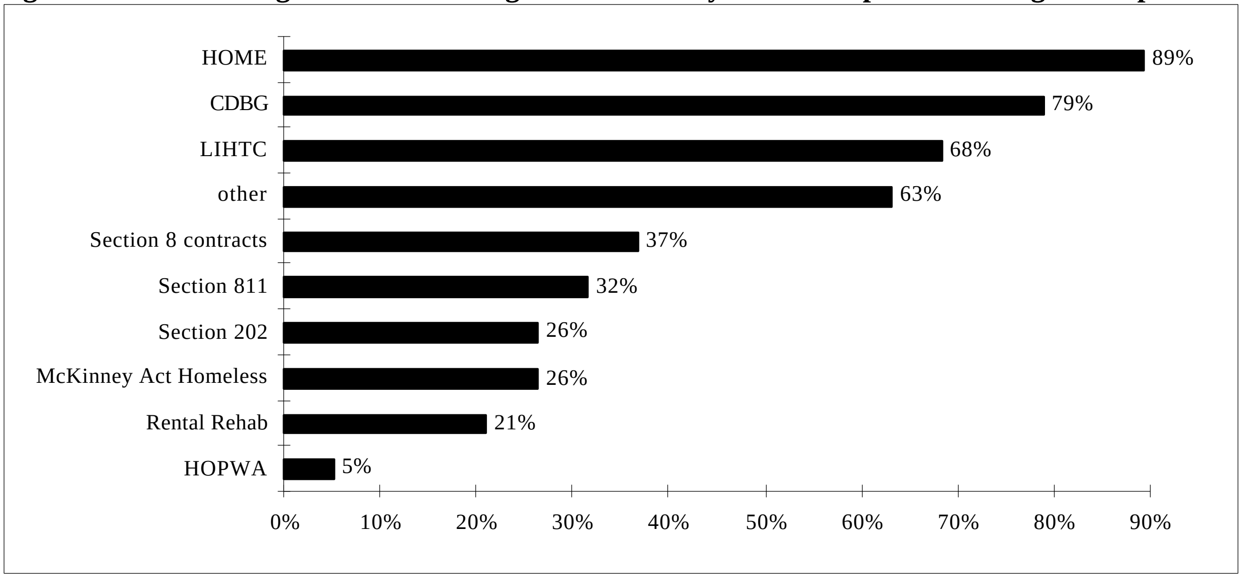
Federal		33.1%
CDBG	20.9%	
Other (HOME, McKinney, Community Services)	79.1%	
Property Management		17.0%
Developer Fees		14.6%
Other Non-Project Sources		10.8%
Other Project Sources		7.4%
City		7.0%
Redevelopment	60.7%	
Other	39.3%	
Foundation Grant		3.6%
State		3.4%
County		2.2%
Private Contributions		0.8%
Religous Donations		0.1%

Note: N = 15 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

The federal programs used by the greatest number of rural developers during the past five years were the HOME, CDBG, and Low-Income Housing Tax Credit programs (Figure 9). Only about one-third relied on HUD Section 8 rent subsidies. HUD special-needs housing programs were also relatively undersubscribed: one-third developed housing for the disabled under the Section 811 Program; one-fifth developed housing for the elderly under the Section 202 program or participated in the McKinney homeless programs; and only one organization used Housing Opportunities for People with AIDS (HOPWA) funds. Other HUD funding programs cited were Title VI Preservation, Self-Help Homeownership Opportunity Program (SHOP), and housing counseling. It should be noted, however, that program subscription rates, while good indicators of the popularity of individual programs, do not necessarily equate with the most important programs in budget terms.

Figure 9: Federal Programs Used During Past 5 Years by Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Nearly two-thirds (63%) used other federal financing sources outside of HUD and the LIHTC. While rural housing developers account for a minority of HUD and LIHTC funds committed, USDA housing funds, on the other hand, are targeted to developers operating in rural towns and places. The one exception is farm labor housing, which can be developed in non-rural areas. The majority utilized a variety of programs offered by the Rural Housing Service (RHS) of the USDA Rural Development, formerly the Farmers Home Administration (FmHA). These programs included: Section 514/516 farm labor housing; Section 502/523 single-family homeownership and self-help construction supervision; Section 504 housing rehabilitation; and loans and grants for related community facilities. Other sources of funds cited were the Federal Home Loan Bank (FHLB) System Affordable Housing Program (AHP), and federal Head Start and child care programs. (Note: While the FHLB is a government-sponsored enterprise (GSE), supported and regulated by the federal government, AHP funds are actually non-federal and private in nature.)

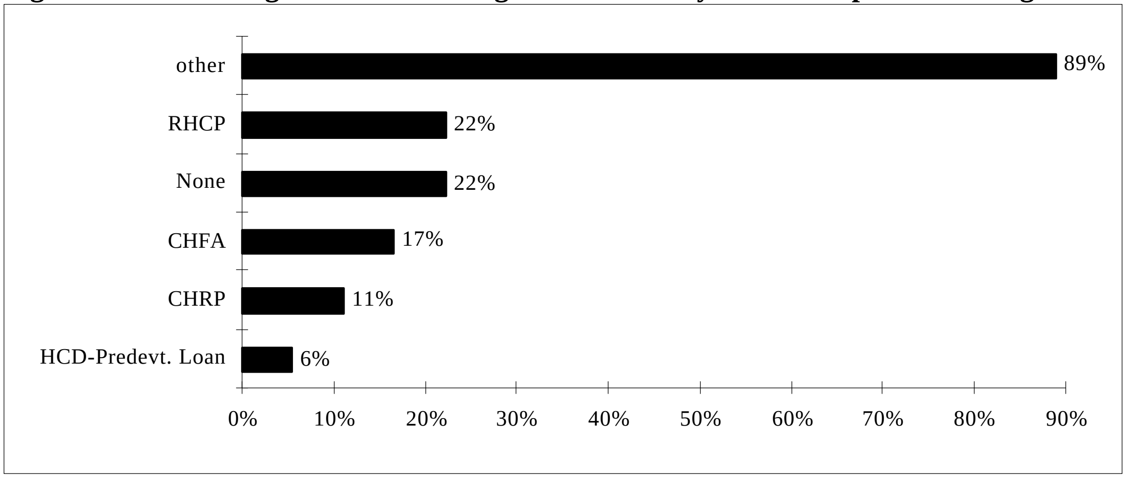
State housing program funds were of much lesser importance than federal funds in budget terms (Table 3). These funds accounted for 3.4% of organizations' most recent annual budgets, and in no case accounted for more than 20%. (Note: It is probable that state LIHTCs, which are typically used in combination with federal tax credits, were reported as federal funds. On the other hand, federal HOME and CDBG monies passed from the State to small cities and counties, or received directly from HUD by larger localities, were mis-characterized by several nonprofits as state or, in some cases, local funds.) State funds, as a share of total organizational budgets, have declined steadily since the 1980s and early 1990s as General Fund appropriations for most existing programs have ended, and state housing bond funds, last approved by California voters in 1990, have been spent.

In terms of program subscription, two-thirds (67%) of rural developers had used at least one state program during the last five years (Figure 10). Cited most frequently were two programs of the California Department of Housing and Community Development (HCD): California Self-Help Housing and Farmworker Housing Grants. This reflects the fact that the Legislature, since 1997, has budgeted $2 million for self-help, the first new money for this program since the 1980s. Also approved in 1998 was $4.5 million for farmworker housing grants. These funds are used primarily by rural housing nonprofits in combination with USDA self-help and farmworker housing grants and loans. Other programs used were HCD's Rental Housing Construction Program, California Housing Rehabilitation Program, and Urban/Rural Predevelopment Loan Program, and programs of the California Housing Finance Agency.

Local government program funds (not including HOME and CDBG) also accounted for small shares of organizations' budgets relative to funds from federal sources (Table 3). All but one rural housing developer had benefited from local government supports for affordable housing, whether they were in the form of direct loans or grants, land dedications, fee waivers, zoning variances and exemptions, or other concessions. Figure 11 indicates that redevelopment agency low-income housing set-aside funds were employed by the greatest number. Density bonus programs were used by nearly half, while about two-fifths received monies from a housing trust fund and one-third benefited from land write-downs.

Generally, private funds constituted only small percentages of operating budgets (Table 3). Two-fifths (42%) reported the use of foundation monies, ranging from 1% to 30% of annual operating budgets. One-fifth (21%) received private contributions. The amounts, however, were relatively minor. Four organizations were granted over $45,000 by private foundations (one received $325,000), but most foundation and donor contributions were $10,000 or less. Just one of the respondents reported funds from religious institutions.

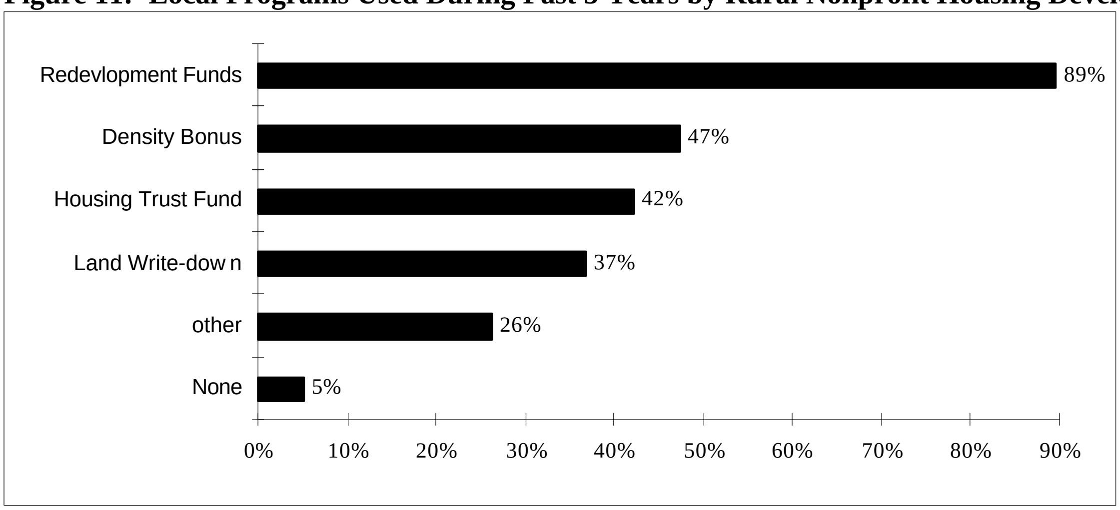
Figure 10: State Programs Used During Past 5 Years by Rural Nonprofit Housing Developers



Note: N = 18 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Figure 11: Local Programs Used During Past 5 Years by Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Project-specific revenue from management fees, on the other hand, has become an increasing source of income for many nonprofits, comprising 17% of organizations' budgets (Table 3). Three-quarters (74%) of the organizations reported property management revenue (net of operating costs), ranging from 1% to 85% of operating budgets and from $15,525 to $824,000 in dollar terms. Average income from management was about $268,000. Five to 10 years ago, only a handful of rural housing operators would have counted any income from management. As the asset bases of these nonprofits have increased and other sources of recurring income have dried up, the lure of management income from current assets and acquisitions of other properties has grown, leading to the formation of management subsidiaries or incorporation of management functions into development corporations.

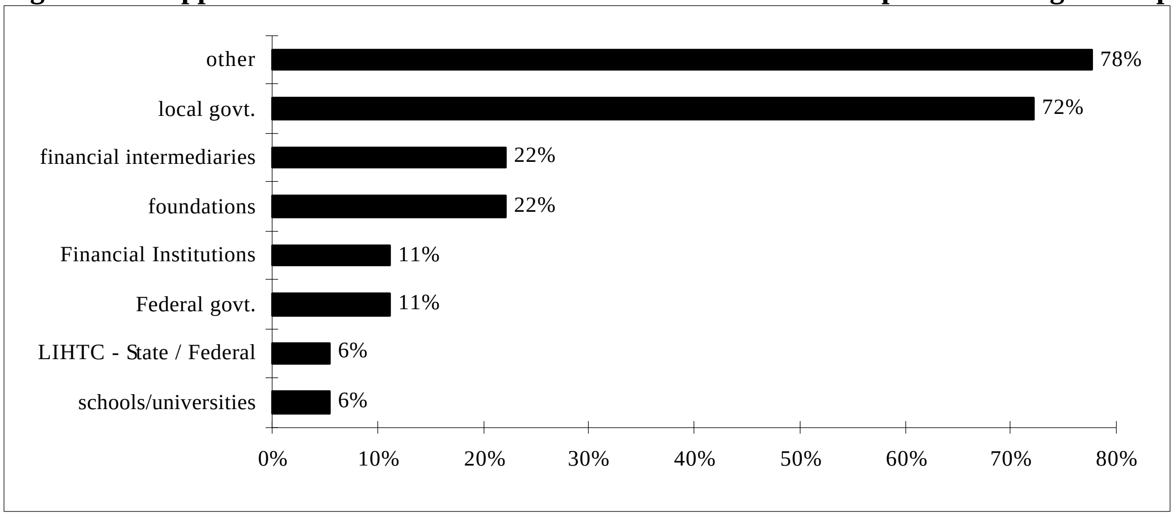
The other project-generated source of income of significance is developer fees (Table 3). More than half (58%) of nonprofit developers indicated that these fees — paid out of project financing as compensation for coordinating and executing new developments — figured in their most recent operating budgets. They accounted for 6% to 80% of total organizational budgets — as little as $41,000 and as much as $600,000. Developer fees have become the "life-blood" of many nonprofit developers in the absence of operating support from public and private sources. The constant pressure to develop in order to generate fees has contributed, in part, to competitive tensions among development organizations in rural communities and elsewhere in the state.

Despite a long history of collegiality among nonprofit developers in rural California, and within the nonprofit housing sector as a whole, competitive pressures are on the rise. The major source of competition, cited by one-third (34%), stems from the fact that funding resources are limited and shrinking. Deep budget cuts in some federal, state, and local financing programs, and funding levels that have not kept pace with demand, have compelled developers to expand into new geographical service areas, often competing within the same jurisdictions. This is compounded by the "excessive" number of organizations vying for these funds, including profit-motivated entities. Several respondents noted the lack of reasonably priced, appropriately zoned, buildable sites for development as another major area of competition. One respondent bemoaned the growing "professionalization" of nonprofit development staff; that the urge to develop as a way to sustain organizations has blurred the original social mission of nonprofit housing.

Many of these same pressures create barriers that hinder collaborative efforts between nonprofit developers. Profound concerns about preserving and protecting existing revenue bases and ensuring the financial future of organizations, reductions in income from sharing of development fees, insecurities felt by weaker nonprofits in relation to the more experienced developers, lack of trust, strong egos, and huge geographical distances all work against collaboration. Rural housing nonprofits have traditionally operated unchallenged in large service areas where there was little need nor occassion to collaborate with other development organizations. USDA, in fact, required organizations providing self-help construction supervision to operate in exclusive areas. Generally, the territorial primacy of organizations within these areas also became accepted for other kinds of development. In recent years, veteran developers have collaborated on specific projects with more locally-based start-up or lower-capacity organizations.

The support institution most crucial to the success of rural housing development is local government (Figure 12). Nearly three-quarters (72%) cited the need for local government backing. This derives, undoubtedly, from the pivotal, "make-or-break" role rural local governments play in terms of mobilizing political support, granting land use approvals and concessions, providing infrastructure (e.g., sewer and water hook-ups), and availing pass-through or locally-generated funds. One-fifth (22%) cited nonprofit intermediaries and private foundations as keys to their success. Other support institutions needed to successfully develop affordable housing are federal and state government housing finance agencies, private lenders (e.g., banks and savings and loans), private investors, and technical assistance providers. Noticeable was that virtually none mentioned schools/universities, churches, and private corporations.

Figure 12: Support Institutions Most Critical to Success of Rural Nonprofit Housing Developers

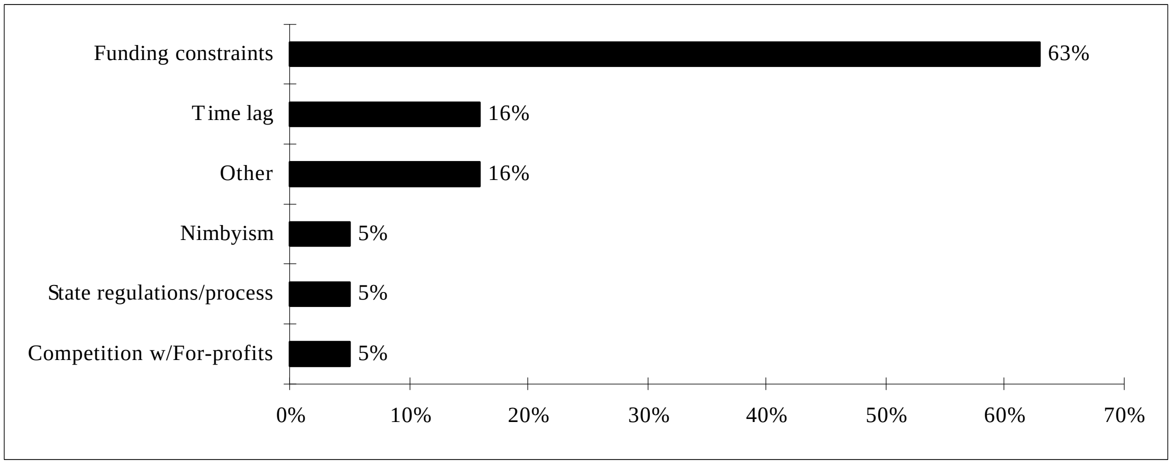


Note: N = 18 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Figure 13 lists barriers to development in rank order. Funding is the single greatest constraint to development. Two-thirds of nonprofits ranked insufficient funding resources as the major obstacle they faced; another 16% ranked it as the second most important obstacle. Of significance, but lower rank, were time lags in funding (ranked 1st or 2nd by 37%). Also cited as constraints were administrative costs, the expertise of the organization and local government staff, competition with for-profit developers and other nonprofits, local politics and community opposition (NIMBY attitudes), state and local regulations and processing and approval requirements, scarcity of land, and a general perception that nonprofit developers are inefficient.

Figure 13: Barriers to Development by Rural Nonprofit Housing Developers



Note: N = 19 Nonprofit Housing Developers
Survey asked respondents to rank all variables according to importance. The above graph displays the percentage of nonprofits ranking that variable as number one in importance. Many respondents gave equal importance to several variables therefore percentages do not total 100%.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Most rural housing nonprofits have had some relationship, either formal or informal, with the for-profit development community. One-third (35%) have joint-ventured with for-profits, serving as general or co-managing general partners in new multifamily rental housing developments, purchasing properties from for-profit owners, and engaging in other business transactions. Some (18%) served on the boards or were members of state and local building trades associations that primarily represent profit-motivated developers.

Finally, affordable housing developers in rural areas involved community residents in the project development process in a variety of ways. Most sought to engage community and neighborhood residents before commencing projects in order to garner political support and isolate the opposition. Community meetings and hearings were used by almost half (47%) to generate support. Door-to-door canvassing, press releases in newspapers, and networking with community groups were other ways to outreach and gain acceptance. Housing and tenant advocacy groups were sometimes enlisted to mobilize grassroots attendance at city council meetings. Some developers periodically polled current residents of their projects to determine what they liked or disliked about their units, and collaborated with residents' associations in project redevelopment. These assessments were used to make improvements in future developments.

Coping with Political Uncertainty.
Affordable housing development is a complex, time-consuming enterprise. Even if developers did not need to secure multiple local government approvals, to layer multiple subsidy sources in order to achieve the most affordable housing, and to satisfy the different rules and paperwork requirements of multiple

funders, there would still be the difficult, sometimes insurmountable task of overcoming local opposition. NIMBY (Not-In-My-Back-Yard) attitudes stemming from racial and ethnic stereotypes, concerns about impacts on existing property owners, and fears that urban problems will be transported to the country often confront development organizations working in rural areas traditionally resistent to government and change.

With experience of past NIMBY struggles, the great majority of nonprofits plan for potential local opposition before it appears (Table 4). Holding community meetings and working with local groups to build support were the two most common strategies to mitigate opposition; about two-thirds had used these methods at least twice during the last year. Nearly half had negotiated concessions (e.g., in design or uses) two or more times; over one-third had undertaken public education campaigns; and one-quarter had asserted the legal rights of tenants to live in the community and/or the sponsor's legal right to build. Organizations also met with local elected and agency officials and citizen advisory committees, generated newspaper articles and educational materials about the benefits of existing projects, and conducted door-to-door canvassing efforts in order to gain acceptance.

Table 4: Strategies Used to Mitigate Local Opposition During Past Year by Rural Nonprofit Housing Developers

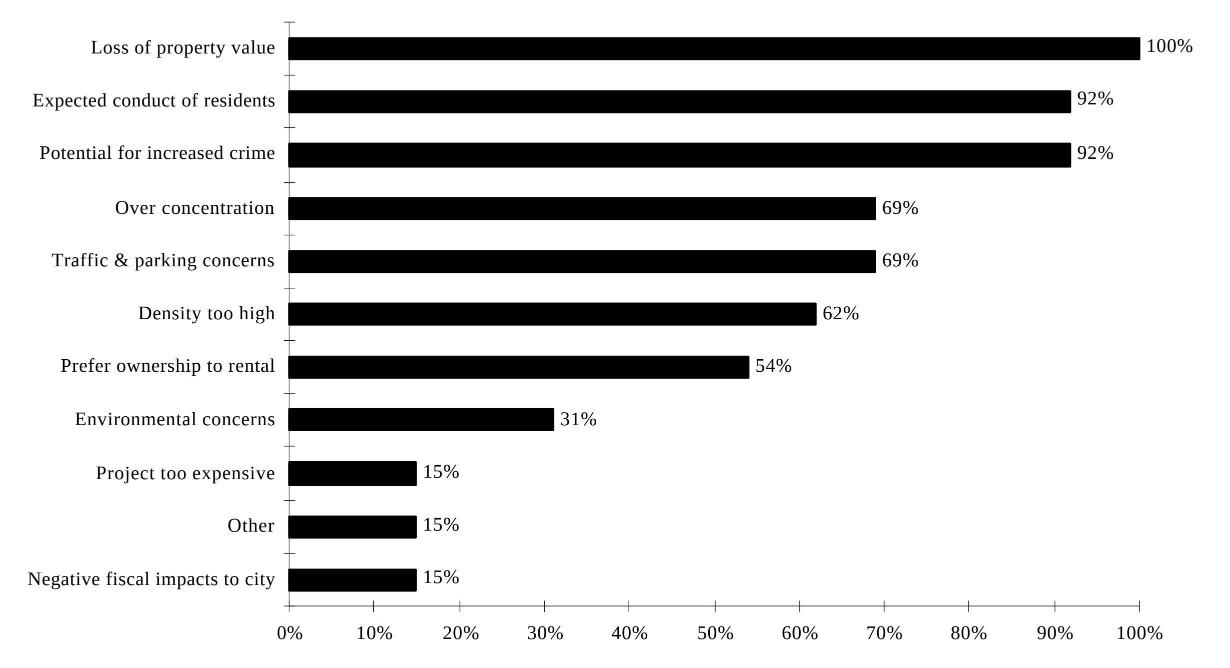
	None	1 time	2-3 times	4 or more times
Community meetings	11%	21%	32%	37%
Public education campaigns	26%	16%	21%	16%
Mediation by third party	42%	11%	11%	0%
Work w/local organizations to build support	0%	32%	32%	32%
Negotiated concessions	21%	11%	37%	11%
Assert legal rights of residents and/or sponsor	16%	32%	26%	0%
Form local neighborhood advisory committee	32%	26%	11%	0%

Note: N = 19 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

As demonstrated in Figure 14, what motivates NIMBY opponents is often multi-layered. Over two-thirds (69%) of rural housing nonprofits had encountered NIMBY opposition on at least one project during a specified one-year period (1995); one-third (32%) had experienced several NIMBY conflicts. The oft-stated reason given by opponents was feared loss of property values. All respondents listed this objection as either important or very important. Property value loss was followed closely in importance by speculation about the potential for increased crime, and other negative conduct of the residents. About two-thirds voiced concerns about over-concentrating low-income families or traffic and parking problems and too high densities. Biases against rental housing were also significant. Of lesser importance were concerns over negative environmental and fiscal impacts on the local jurisdiction.

Figure 14: Local Objections to Projects of Rural Nonprofit Housing Developers

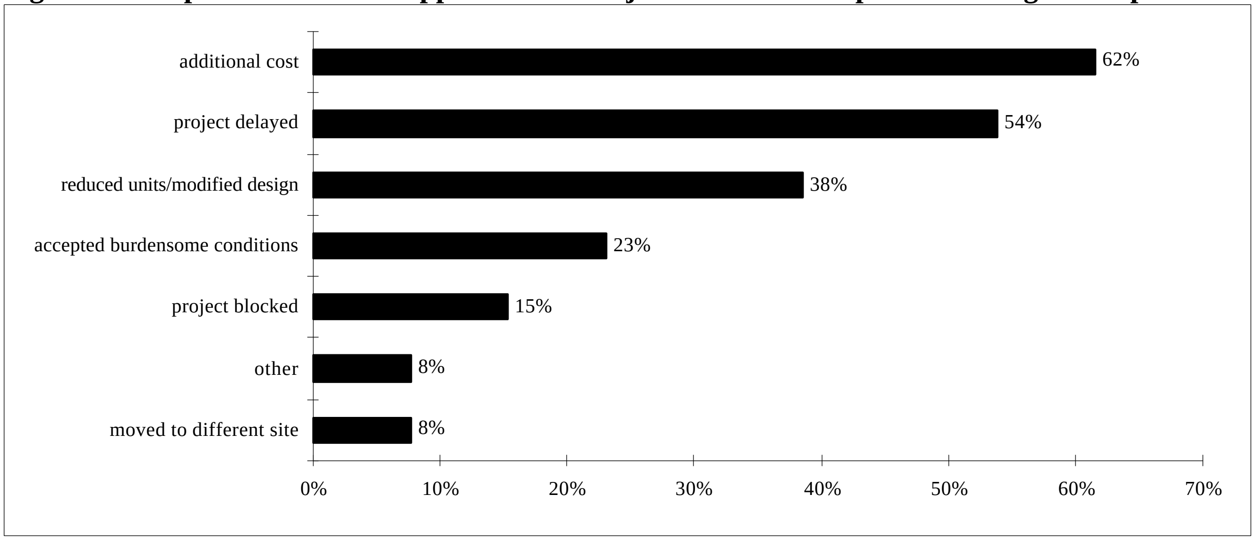


Note: N = 13 Nonprofit Housing Developers
Figure indicates the percentage of organization ranking the above objections important or very important.

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Most often, the biggest impacts of NIMBY confrontations were additional costs to development organizations (e.g., staff time, legal fees, carrying costs), experienced by nearly two-thirds (Figure 15). Over half experienced project delays averaging 12 months. In over one-third of cases, developers had to reduce the number of units or modify project design in order to receive local approvals. For example, one planned 800-unit project was reduced to 365 units, and another was reduced from 100 to 54 units. In one-quarter of cases, nonprofits had to accept burdensome conditions in order to proceed to development. These burdensome conditions may have included reductions in the number of revenue-producing units and increased costs from design modifications.

Figure 15: Impacts of NIMBY Opposition on Projects of Rural Nonprofit Housing Developers



Note: N = 13 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

Production.

Surprisingly little information is available on the actual number of properties and units fully developed, statewide, by nonprofit producers in the 1990s. This is no less true for rural areas of the state. The survey sought to identify not only property and unit numbers, but to aggregate the data by development-type (e.g., new construction vs. rehabilitation), building-type (e.g., single-family vs. multi-family), tenure-type (e.g., owner vs. renter), beneficiary-type (e.g., family vs. elderly), affordability levels (e.g., low-income vs. very low-income), support organization-type (e.g., foundations vs. churches), the presence of joint-venture partners (if any), and project costs.

Data analysis is organized in accordance with two time periods: from 1991 to 1995, and from 1996 to 1997. The reason for segmenting the analysis was to make it possible to compare production data generated during two different phases of the study. Phase 1 looked at developments undertaken by Northern California (urban) nonprofits from 1991–1995. Phase 2 expanded the inquiry to developments by Southern California (urban) nonprofits and rural nonprofits, and covered the period from 1991–1997.

Rural Productivity: 1991–1995.

Thirteen rural housing developers provided production data for the 5-year period (Table 5). They reported 105 projects with 4,035 units developed, an average of 62 units per organization per year. Nine of the 13 (69%) can be characterized as "large" producers in that their average annual production ranged from 26 to 199 units; 31% were "small" producers who averaged 25 or fewer units a year.

Every organization engaged in new construction activity. Four of every five (81%) units produced were newly constructed. Three-quarters (75%) of the organizations also rehabilitated units. On average, these units accounted for at least 14% of total units developed. The remaining units were probably acquisitions without significant reconstruction or rehabilitation. Over 3,300 of the units developed were affordable, mostly to low- and very low-income families with incomes below 80% of area median income. (Note: Most respondents gave numbers for total affordable units that collapsed the low- and very low-income categories into one category.)

The majority of developments (61%) were multi-family rental apartments. Over two-thirds (69%) of the organizations also produced single-family housing, which accounted for 38% of all developments. The relatively high percentage of single-family developers is not unexpected, given the devotion of many rural housing nonprofits to self-help housing construction for first-time homebuyers. Only one organization reported development of a Single Room Occupancy (SRO) hotel, and none produced shelters for the homeless.

These figures were mirrored in the number of units produced by tenure-type. Of the 4,000 units produced, 72% were for rent, while 27% were for owner-occupation, including cooperative ownership, All of the organizations developed rental projects and over two-thirds (69%) developed housing for ownership; only one, however, reported production of cooperative housing.

Most developments targeted families. Three-quarters of the properties benefited families, compared to 16% which benefited the elderly and only 8% which served special-needs households. While development of elderly housing is typically easier from a community acceptance standpoint, the emphasis on family housing, especially for large families, is consistent with the need, as well as the priority established in major funding programs, such as the Low Income Housing Tax Credit.

The total 5-year production cost for all projects was $316,390,952. On a per project basis, the average development cost (64 projects) was about $4.9 million; on a per unit basis (2,812 units), it was about $112,500.   Production cost per organization per year also averaged $4.9 million. Costs varied greatly, however, depending on whether the properties developed were newly constructed or rehabilitated. The average project cost for new construction was $5.3 million and unit cost was $124,000.   Costs for rehabilitation were $3.7 million per project and $67,000 per unit.

Table 5: Production Data for Rural Nonprofit Housing Developers: 1991–1997

	1991–1997		1996–1997		1991–1995	
Units by Type						
Total # projects	151		46		105	
Total units	6168		2133		4035	
Total known units	5905		2048		3857	
New Construction units	4393	74%	1109	54%	3284	85%
Rehab units	1347	23%	774	38%	573	15%
Other units	165	3%	165	8%	0	0%
Unit Affordability						
Above MI	24	0%	24	1%	0	0%
MI - Moderate Income	76	1%	20	1%	56	2%
LI - Low Income	1387	27%	608	32%	779	23%
VLI - Very Low Income	758	15%	276	15%	482	14%
Other	2978	57%	950	51%	2028	61%
Building Type						
Shelter		0%		0%		0%
SRO - Single Room Occupancy		2%		4%		1%
MF - Apt. or Condo		62%		65%		61%
SF - Single Family		36%		30%		38%
Other		0%		0%		0%
Tenure						
Own		23%		14%		27%
Co-op		0%		0%		1%
Rent		77%		86%		72%
Other		0%		0%		0%
Beneficiaries						
Families		77%		80%		75%
Elderly		17%		17%		16%
Special Needs		6%		3%		8%
Support Institutions						
# projects	73		25		48	
Local Government		74%		72%		75%
Churches		10%		8%		10%
Schools / Universities		1%		0%		2%
Environmental		1%		0%		2%
Foundations		16%		0%		25%
Financial Intermediaries		33%		16%		42%
Special Needs		0%		0%		0%
Social Services		8%		4%		10%
Other		41%		44%		40%

Note: N = 16 Nonprofit Housing Developers

Source: The Berkeley Housing Group, *Housing Development Strategies: Survey of California Nonprofit Housing Development Corporations*, 1997.

In the majority of projects (77%), rural housing nonprofits acted alone as sole-party developers without a joint-venture partner for purposes of development, and/or future shared ownership and operation of the property. About one-quarter (23%) of projects were the result of joint-venture arrangements with an outside entity, usually another private or public nonprofit development organization or social service agency, a for-profit development, investment, or management group, or a residents' group.

On the other hand, nearly all projects were assisted by various levels of government and support organizations or agencies that provided financing, technical assistance, political and community support, social service linkages, or other contributions to development and operation of the housing. Not including federal and state government entities, local governments provided support in the greatest number of projects, followed by nonprofit financial intermediaries, foundations, churches, and social service providers.

Rural Productivity: 1996-1997.

During the most recent period for which data were collected, some production trends continued from the 1991-1995 period, while other new and interesting trends appear to have emerged (Table 5). Another 46 projects with 2,133 units were developed, a modest increase in yearly production to 76 units per organization per annum. 1,878 units were affordable, mostly to low- and very low-income families.

Relative to the 1991-1995 period, however, there was a significant decrease in the percentage of newly constructed units, which constituted only about half (52%) of all units produced. Over one-third (36%) was rehabilitated units. In any given year, production activity (especially new construction) typically reflects pipeline projects started years earlier with previous funding commitments. A 2-year time horizon, therefore, is too short to state with certainty that new construction is on the wane. However, if this trend holds, it would be consistent with a current perception that funding scarcity and local opposition are making new construction increasingly difficult relative to rehabilitation.

In terms of building, tenure, and beneficiary types, there were only relatively minor changes. The percentage of apartment complexes produced fell to 65%, while the percentage of single-family developments and SROs increased to 30% and 4%, respectively. Oddly, however, the percentage of units developed for rent jumped by 13%, while the percentage of units for homeownership declined by the same percent. It would appear that unit numbers per rental development increased, while the number of single-family homes per subdivision declined. Family units, again, dominated all units produced, accounting for four-fifths, followed by elderly units (17%).

The total cost to produce all developments reported during the period was $88,038,328, an average of $3.1 million per project and $65,000 per unit. Average production cost per organization per year was $3.4 million. The considerably lower production cost from 1996-97 compared to 1991-1995 was due to lower costs for new construction and the higher percentage of rehabilitation projects. The per project cost of new construction was $3.4 million, and per unit cost was $84,000. The cost of rehabilitation was about $3.3 million per project and $42,000 per unit.

Conclusion.

Rural housing nonprofits have played an historically important role in meeting the need for decent and affordable housing in California's rural and urbanizing communities. With early roots in the self-help housing movement and farmworker struggles, today, these producers meet a variety of shelter needs, from single-family to multi-family housing, from farmworker housing to housing for large families, the elderly, and the disabled, from new construction to acquisition/rehabilitation.

From the results of this research, it can be seen that rural developers share many of the same characteristics and face comparable challenges as their urban counterparts. These include: dependence on government largesse and good will; worry about increasing competition for scarce funds and sites; increasing reliance on income from project management and development fees; greater diversification of staff skills; expansion of service missions, service areas, and service populations; greater provision of housing-based social services; and persistent and costly NIMBY opposition. In several instances, weaker local nonprofits have been subsumed by stronger regional nonprofits, or nonprofits of equivalent, but modest, size have merged in order to consolidate and maximize organizational resources.

On the other hand, rural housing nonprofits also differ from urban developers due to the unique conditions of rural areas, and the special federal/state government supports that facilitated and, in some cases, gave rise to these groups. Traditionally, rural areas have faced severe credit shortages for housing and related infrastructure, given the absence of institutional lenders and the financially weak state of rural cities and counties. Dependence on resource-based employment that is seasonal, chronic unemployment, low incomes, and some of the highest rates of welfare subscription have increased housing need.

Given the absence of institutional lenders, the financially weak state of rural cities and counties, and very low incomes of rural residents, early government interventions were created to stabilize rural communities and prevent rural flight. The USDA's rural housing program, established in 1949 under the Farmers Home Administration (FmHA), was intended to provide a separate stream of financing for credit-starved rural areas. With creation of FmHA's self-help housing and farmworker housing programs in the 1960s, nonprofit organizations emerged to use these programs. Additional supports for rural housing provided by the California Department of Housing and Community Development in the mid- to late-1970s further aided these organizations.

As a consequence of these supports, rural housing nonprofits in California tend to have been in the business of affordable housing development longer than urban-based development organizations. In addition, they tend to have originated as single-purpose housing development organizations, rather than as the housing component of an older and larger parent organization; to work in multi-county, regional areas, rather than a single county or city; to be highly dependent on federal and state government funding, compared to funding that is generated locally; to have lower production costs, primarily because of cheaper land costs; and to emphasize construction of single-family housing development for ownership (especially using the self-help method of construction), and the construction, acquisition, and rehabilitation of housing for farmworkers.

As California adds new population and rural areas continue to urbanize, rural housing nonprofits will have to adapt to changing conditions. These conditions will include increasingly diverse populations, loss of agricultural land, greater scarcity of buildable sites, and greater competition from both nonprofit and for-profit developers unable to develop in the more expensive and built-out coastal cities. In the 1990s, huge cutbacks in budget appropriations for USDA housing assistance and HUD, together with virtually no new funding from the State, have severely taxed rural housing nonprofits, forcing many into an unhealthy competition with other developers for the few remaining funding sources. To survive in the future, nonprofit developers serving the state's rural places will almost assuredly have to explore new ways of doing business, while hoping that federal and state funding priorities change.

APPENDICES

A. Survey Instrument

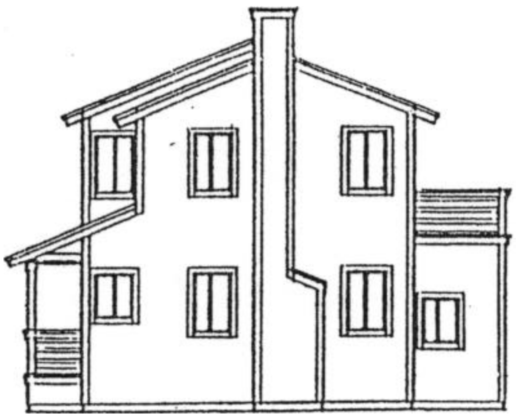
B. List of Nonprofit Housing Developers Responding to Survey

Appendix A

SURVEY INSTRUMENT

H O U S I N G DEVELOPMENT STRATEGIES:

Survey of Southern California Nonprofit Housing Development Corporations



please return your completed questionnaire in the enclosed envelope to:

The Berkeley Housing Group
228 Wurster Hall
Department of City and Regional Planning
University of California at Berkeley
Berkeley, California 94720

First, we would like to begin with some general questions about your organization.

1. What geographic area do you serve? Please specify.

2. Has the geographic area you serve been expanded/contracted since the organization's inception? If so, why?

- ❑ expanded why:______________________________
- ❑ contracted why:______________________________
- ❑ stayed the same

3. In what year was your organization formed? 19_____

4. Do you have a parent organization?
- ❑ yes (specify):______________________________
- ❑ no ☞ go to question 6

5. What type is the parent organization? (please specify)
- ❑ religious ______________________________
- ❑ for-profit ______________________________
- ❑ nonprofit ______________________________
- ❑ other ______________________________

6. What is your mission?

7. Has your organization's mission changed since inception? Describe briefly.

8. Please indicate your target population(s). Check below all that apply.

❑ Very Low Income (<50% of median)	❑ Single Persons	❑ Homeless
	❑ Families	❑ HIV+ / AIDS
❑ Low Income (51%-80% of median)	❑ Ethnic Groups	❑ Physically disabled
	❑ Elderly	❑ Mentally disabled
❑ Moderate Income (81%-120% of median)	❑ Immigrants	❑ Other (specify):____
	❑ Women	________________
	❑ 1st Time Homebuyer	________________

9. Has your target population changed within the last 5 years?
   - ❑ yes
   - ❑ no

10. If 'yes,' please describe any populations newly served or no longer served during that period and explain the reason(s) for making the change.

11. What is the current composition of your Board of Directors? Check only one for each Board member.

	# of persons
Local business	____________________
Local government agency staff	____________________
Housing professionals	____________________
Lawyers	____________________
Financial	____________________
Residents of target area	____________________
Beneficiaries	____________________
Religious/clergy	____________________
Other (specify): ________________	____________________
Total number of board members:	____________________

12. How many employees does your organization have working on housing development (i.e., not service providers or property managers)?

	# of persons
Full-time paid employees	____________________
Part-time paid employees	____________________
Volunteers	____________________

13. For all of your staff working on housing development, how many have special degrees/program certificates or concentrations of study particular to housing development?

	# of persons
Business Administration	________________
Real Estate Development	________________
City Planning	________________
Architecture	________________
Public Policy	________________
Other (specify): ________________	________________

14. What specific staff functions are performed in the process of producing and operating the housing developed by your organization? Check all that apply.

Functions Performed	In-House	Subsidiary/ Affiliate	Contractor/ Consultant
New construction	❑	❑	❑
Acquisition and rehab	❑	❑	❑
Acquisition only	❑	❑	❑
Property management	❑	❑	❑
Construction supervision	❑	❑	❑
Financial packaging	❑	❑	❑
Commercial development	❑	❑	❑
Land development	❑	❑	❑
Loan servicing	❑	❑	❑
Asset management	❑	❑	❑
Community reinvestment act advocacy	❑	❑	❑
Counseling for homeless	❑	❑	❑
Homeowner/tenant training/counseling	❑	❑	❑
Education/advocacy	❑	❑	❑
Community organizing	❑	❑	❑
Social services	❑	❑	❑
Other (specify):________________	❑	❑	❑
________________________________	❑	❑	❑

15. Please check below all who are involved in the following decision making processes:

	Strategic Planning	Project Selection	Evaluation of the Organization
Staff	❑	❑	❑
Board of Directors	❑	❑	❑
Client Population	❑	❑	❑
Community Residents	❑	❑	❑
Business People	❑	❑	❑
Government Funding Agencies	❑	❑	❑
Lending Institutions	❑	❑	❑
Nongovernment Funders (e.g., Foundations)	❑	❑	❑
Technical Assistance Agencies (e.g., legal, financial, etc.)	❑	❑	❑
Other (specify):___________________	❑	❑	❑

16. How does your organization keep up with new developments in affordable housing finance? Please check the following methods your organization has used.
    - ❑ attendance at local government meetings
    - ❑ staff participation in community boards/committees
    - ❑ industry newsletters
    - ❑ participation in nonprofit housing association
    - ❑ participation in funding consortiums (specify):____________________________
    - ❑ other (specify):____
    - ❑ no method used

17. Does your organization have a strategic plan?
    - ❑ yes
    - ❑ no

18. Does your organization have a strategic plan as required by a funding source?
    - ❑ yes
    - ❑ no

19. If your organization has a strategic plan, how is it used? Check all of the following that apply.
    - ❑ allocation of staff time
    - ❑ allocation of funds
    - ❑ targeting of future projects
    - ❑ do not use strategic plan
    - ❑ other (specify):____

20. If you have changed your strategic plan, which of the following have motivated the changes? Check all that apply.
    - ❑ financial cutbacks
    - ❑ changes in legislation
    - ❑ administrative constraints
    - ❑ technical expertise constraints
    - ❑ other (specify):____

21. Aside from the importance of your mission, which of the following were most applicable in your last three projects? Rank order in degree of importance (1 for most important).
    - _____ project selection driven by opportunity
    - _____ project selection driven by strategic plan
    - _____ project selection driven by available funds
    - _____ project selection driven by invitation
    - _____ other (specify):____

22. Which best describes how your organization evaluates its own <u>projects</u>?
    - ❑ informal evaluation is ongoing
    - ❑ formal written evaluation of projects as required by funding agency
    - ❑ formal written evaluation of projects is performed upon completion
    - ❑ there is no evaluation
    - ❑ other (specify):____

23. Which best describes how your organization evaluates the organization itself?
    - ❑ informal evaluation is ongoing
    - ❑ formal written evaluation of the organization as required by funding agency
    - ❑ formal written evaluation of the organization is performed periodically (specify):____
    - ❑ there is no evaluation
    - ❑ other (specify):____

24. In the last year, has your organization initially explored a project without going on to predevelopment? If so, why?
    - ❑ no
    - ❑ yes _____ # in last year. Reason(s) not pursued:_______________________
      ____
      ____

25. Has your organization ever begun a project and had to abandon/scale it back, and if so, how many?
    - ❑ No
    - ❑ I don't know/can't answer
    - ❑ Yes. _____ number of projects, but I can't tell you any details.
    - ❑ Yes. _____ number of projects, and here are the details. (What went wrong, and why? What would you do — or have done — differently next time? What are the lessons?)

Next, we would like to ask you some questions about your operating budget and program strategies.

26. What was your overall operating budget last year?
"Operating budget" to include salaries & overhead; social and tenant services; and any portion of project financing which supported the organization's activities.
$______________________________
Operating budget

27. Sources: What percentage (or dollar amount, whichever is easier) of this operating budget was funded by the following sources?

Non-Project Sources:

_____% $______________ Foundation grants

_____% $______________ Private contributions

_____% $______________ Property management revenue (net of operating costs)

_____% $______________ Donations from religious organizations

_____% $______________ Federal (Please indicate.)

_____% $____________ CDBG

_____% $____________ Other federal sources

(specify:______________________________)

_____% $______________ State (specify:__________________________)

_____% $______________ County (specify:________________________)

_____% $______________ City (Please indicate.)

_____% $____________ Redevelopment funds

_____% $____________ Other city sources

(specify:______________________________)

_____% $______________ Other (specify:__________________________)

Project Sources Available for Overhead:

_____% $______________ Developer fees

_____% $______________ Other (specify:__________________________)

28. Which federal programs have you used for projects in the past 5 years?
- ❑ CDBG
- ❑ LIHTC
- ❑ HOME
- ❑ HOPWA
- ❑ Rental Rehabilitation Program
- ❑ McKinney Act Homeless Program
- ❑ Section 202
- ❑ Section 811
- ❑ Section 8 contracts for tenants or tenant vouchers ________length of contract
- ❑ Other (specify)____
- ❑ None

29. Which state programs did you use for projects in the past 5 years?

1 ____

2 ____

3 ____

- ❑ None

30. Which local government programs did you use for projects in the past 5 years?
- ❑ Land write-down
- ❑ Housing trust fund
- ❑ Redevelopment funds
- ❑ Density bonus
- ❑ Other (specify)____
- ❑ None

31. What are the pressures that increase competition among nonprofit developers?

32. What barriers hinder collaborative efforts between nonprofit developers?

33. In your opinion, what support institutions (e.g., local government, schools or universities, foundations, financial intermediaries) are most crucial to your success?

34. What barriers has your organization found to be particularly critical in housing development? Of the following, rank order the barriers in degree of importance (1 for most important).

_____ funding constraints

_____ time lag in funding

_____ expertise of your organization's staff

_____ expertise of city staff

_____ administrative costs

_____ competition with other nonprofit developers

_____ competition with other for-profit developers

_____ perception of inefficiency of nonprofits

_____ opposition from community (nimbyism)

_____ local politics

_____ local regulations, processing and approval requirements

_____ state regulations, processing and approval requirements

_____ other (specify):____

35. What connection, if any, do you have with for-profit developers (e.g., membership in builders associations)?

36. What have been the most effective ways your organizationn involved community residents in the project development process?

Next, we would like to ask some questions about how your organization deals with local opposition/nimbyism.

37. Does your organization plan and prepare for potential local opposition before it appears? If so, please specify (e.g., community meetings, public education campaigns, form local neighborhood advisory committee)
    - ❑ yes ____
    - ❑ no

38. How important were the following strategies in mitigating local opposition? Please indicate how often your organization used these methods in the last year.

	None	1 time	2-3 times	4 or more times
Community meetings	❑	❑	❑	❑
Public education campaigns	❑	❑	❑	❑
Mediation by third party	❑	❑	❑	❑
Work with local organizations to build support	❑	❑	❑	❑
Negotiated concessions (e.g., in design or uses)	❑	❑	❑	❑
Assert legal rights of residents and/or sponsor	❑	❑	❑	❑
Form local neighborhood advisory committee	❑	❑	❑	❑
Other (specify):__________________	❑	❑	❑	❑

39. How many local opposition (NIMBY) conflicts did your organization experience in 1995, if any?
    - ❑ None ☞ If no conflicts in 1995, go to question 41
    - ❑ One
    - ❑ Several
    - ❑ All projects

40. If your organization experienced a local opposition (NIMBY) conflict in 1995, please complete the following questions regarding the most significant conflict.

A. Objections: Of the objections raised against your project, how important were the following concerns?

	not relevant	somewhat important	important	very important
Loss of property value	❑	❑	❑	❑
Environmental concerns	❑	❑	❑	❑
Traffic and parking concerns	❑	❑	❑	❑
Density too high	❑	❑	❑	❑
Expected conduct of residents	❑	❑	❑	❑
Potential for increased crime	❑	❑	❑	❑
Over concentration	❑	❑	❑	❑
Project too expensive	❑	❑	❑	❑
Prefer ownership to rental	❑	❑	❑	❑
Negative fiscal impacts to city	❑	❑	❑	❑
Other (specify):__________________	❑	❑	❑	❑

B. What were the results of the conflict? (Please check all that apply.)

- ❑ Project delayed _____ months (Please specify.)
- ❑ Moved to different site
- ❑ Reduced number of units/modified design
- ❑ Accepted burdensome conditions
- ❑ Project blocked
- ❑ Additional cost (e.g., staff time, legal fees, carrying costs)
- ❑ Other (specify):____

C. How many units were there in this project?

_____ as originally planned
_____ as actually developed

D. What was the overall project cost? $____________________________

E. What was the project name and location (city)?

____Name
____Location

41. Please fill in the following information for every project fully constructed or rehabilitated from 1991–1997. (See example.)

	Example	**Project 1**	**Project 2**
Project Name and Location (city)/ZIP	*Affordable Commons Berkeley / 94720*		
Joint Venture? • Yes (Y), developer's name • No (N)	*Y, Bay Housing*		
Support Organization(s) • Local Government (LG) • Churches © • Schools or Universities (S) • Environmental Groups (EG) • Foundations (F) • Financial Intermediaries (FI) • Special needs provider (SN) • Social Service provider (SS) • Other (specify)	*LG* *F* *FI*		
Year Completed	*1996*		
Project Cost ($)	*$3,100,000*		
# of Units by Type • New Construction (NC) • Rehabiliation (R) •Other (specify) ______ • Total Units	*24 NC* ______ • Total Units: *24*	______ • Total Units:	______ • Total Units:
# of Affordable Units • Moderate income (MI) (81-120% of median) • Low income (LI) (51-80% of median) • Very low income (VLI) (<50% of median)	*18 MI* *6 LI*		
Building Types • Shelter (SH) • SRO hotel (SRO) • Apartments or condos (MF) • Single-family (SF)	*MF*		
Tenure Types • Owner occupied/co-op (O) • Renter (R) • Co-op (C)	*100% R*		
Beneficiaries • Families (F) • Elderly (E) • Special Needs (SN)	*F*		

41. HOUSING DEVELOPMENT FROM 1991–1997 (continued)

	Project 3	Project 4	Project 5
Project Name and Location (city)/ZIP			
Joint Venture? • Yes (Y), developer's name • No (N)			
Support Organization(s) • Local Government (LG) • Churches © • Schools or Universities (S) • Environmental Groups (EG) • Foundations (F) • Financial Intermediaries (FI) • Special needs provider (SN) • Social Service provider (SS) • Other (specify)			
Year Completed			
Project Cost ($)			
# of Units by Type • New Construction (NC) • Rehabiliation (R) •Other (specify) • Total Units	• Total Units:	• Total Units:	• Total Units:
# of Affordable Units • Moderate income (MI) (81-120% of median) • Low income (LI) (51-80% of median) • Very low income (VLI) (<50% of median)			
Building Types • Shelter (SH) • SRO hotel (SRO) • Apartments or condos (MF) • Single-family (SF)			
Tenure Types • Owner occupied/co-op (O) • Renter (R) • Co-op (C)			
Beneficiaries • Families (F) • Elderly (E) • Special Needs (SN)			

41. HOUSING DEVELOPMENT FROM 1991–1997 (continued)

	Project 6	Project 7	Project 8
Project Name and Location (city)/ZIP			
Joint Venture? • Yes (Y), developer's name • No (N)			
Support Organization(s) • Local Government (LG) • Churches © • Schools or Universities (S) • Environmental Groups (EG) • Foundations (F) • Financial Intermediaries (FI) • Special needs provider (SN) • Social Service provider (SS) • Other (specify)			
Year Completed			
Project Cost ($)			
# of Units by Type • New Construction (NC) • Rehabiliation (R) •Other (specify) • Total Units	• Total Units:	• Total Units:	• Total Units:
# of Affordable Units • Moderate income (MI) (81-120% of median) • Low income (LI) (51-80% of median) • Very low income (VLI) (<50% of median)			
Building Types • Shelter (SH) • SRO hotel (SRO) • Apartments or condos (MF) • Single-family (SF)			
Tenure Types • Owner occupied/co-op (O) • Renter (R) • Co-op (C)			
Beneficiaries • Families (F) • Elderly (E) • Special Needs (SN)			

41. HOUSING DEVELOPMENT FROM 1991–1997 (continued)

	Project 9	Project 10	Project 11
Project Name and Location (city)/ZIP			
Joint Venture? • Yes (Y), developer's name • No (N)			
Support Organization(s) • Local Government (LG) • Churches © • Schools or Universities (S) • Environmental Groups (EG) • Foundations (F) • Financial Intermediaries (FI) • Special needs provider (SN) • Social Service provider (SS) • Other (specify)			
Year Completed			
Project Cost ($)			
# of Units by Type • New Construction (NC) • Rehabiliation (R) •Other (specify) ______________________ • Total Units	______________________ • Total Units:	______________________ • Total Units:	______________________ • Total Units:
# of Affordable Units • Moderate income (MI) (81-120% of median) • Low income (LI) (51-80% of median) • Very low income (VLI) (<50% of median)			
Building Types • Shelter (SH) • SRO hotel (SRO) • Apartments or condos (MF) • Single-family (SF)			
Tenure Types • Owner occupied/co-op (O) • Renter (R) • Co-op (C)			
Beneficiaries • Families (F) • Elderly (E) • Special Needs (SN)			

Consent Form for Release of Information for SCANPH Database.

The Southern California Association of Non-Profit Housing is requesting that information from the following questions be included in SCANPH's database:

1. Geographic Service Area
6. Mission of Organization
8. Target Population(s)
12. Number of Employees
13. Special Degrees
14. Staff Functions

If you are willing to have this information included in SCANPH's database, please initial here: _______

If you choose not to initial here, responses to all questions are entirely confidential.

Is there anything else you would like to tell us about your organization, development activities, or services? If so, please use this space for that purpose.

Thank you for your assistance. We appreciate your participation. If you maintain written reports of your completed projects, could you please return a copy with your completed survey?

Please return your completed questionnaire in the enclosed envelope to:
THE BERKELEY HOUSING GROUP
228 Wurster Hall • University of California at Berkeley • Berkeley, CA 94720

Appendix B

LIST OF NONPROFIT HOUSING DEVELOPERS RESPONDING / NOT RESPONDING TO SURVEY

NONPROFIT HOUSING DEVELOPERS RESPONDING/NOT RESPONDING TO SURVEY
Southern California

Respondents	
1010 Development Corporation	Los Angeles
A Community of Friends	Los Angeles
A.Phillip Randolph Community Development Corporation	Bakersfield
Beyond Shelter	Los Angeles
Canaan Housing Corporation	Los Angeles
Catholic Charities Community Development Corporation	Los Angeles
CCS Housing Management Company	Los Angeles
Chicano Federation	San Diego
City Heights CDC	City Heights
Community Corp. of Santa Monica	Santa Monica
Community Housing Assistance Prog.	Orange
Community Partnership Development Corporation	Los Angeles
Cooperative Services, Inc.	ElMonte
Dunbar Economic Development Corporation	Los Angeles
East Los Angeles Community Corporation	Los Angeles
Esperanza CHC	Los Angeles
Foundation for Affordable Housing	Irvine
Foundation for Quality Housing	North Hollywood
Golden Hill CDC	San Diego
Gramercy Housing Group	Los Angeles
Habitat For Humanity	Lemon Grove
Habitat for Humanity San Fernando Valley	North Hollywood
Habitat for Humanity Ventura County	Oxnard
Hillview Mental Health Center	Lake View Terrace
HIS House Sober Living	Upland
Hollywood CHC	Hollywood
Homeland Building & Loan Ltd.	Santa Clarita
Homes for Life Foundation	Los Angeles
HOPE America	Reseda
Housing Corporation of America	Newport Beach
Housing Relief	Sherman Oaks
HUMANA Economic Development Group	Los Angeles
Interfaith Housing Foundation Housing Development	San Diego
Jamboree Housing Corp.	Irvine
LA Eco Village/Cooperative Resources and Services Project	Los Angeles
LA Family Housing Corp.	No. Hollywood
La Habra NHS	La Habra
Latin American Civic Assn.	San Fernando
LINC Housing Corporation	Long Beach
Little Tokyo Service Center	Los Angeles
Long Beach Affordable Housing Coalition	Long Beach
Long Beach Housing Development Co.	Long Beach
MAAC Project	San Diego
Many Mansions, Inc.	Thousand Oaks
Menorah Housing Foundation	Beverly Hills
Mental Health Association in Los Angeles County	Los Angeles
Montebello Housing Development Corp.	Montebello
Neighborhood Housing Services of Los Angeles, Inc.	Los Angeles
Neighborhood Revitalization Services, Inc.	La Crescenta
New Directions	Los Angeles

New Economics for Women	Los Angeles
Ocean Beach CDC	San Diego
Orange County CHC	Santa Ana
Pasadena NHS	Pasadena
Project New Hope/AIDS Ministry	Los Angeles
Riverside Housing Development Corp.	Riverside
Salvation Army	San Diego
San Clemente Seniors, Inc.	San Clemente
San Diego Community Housing Corp.	San Diego
San Diego Neighborhood Housing Services	San Diego
Santa Ana Neighborhood Housing Services, Inc.	Santa Ana
SD Youth & Community Services, Inc.	San Diego
Shelter for the Homeless	Midway City
Skid Row Development Corporation	Los Angeles
Skid Row Housing Trust	Los Angeles
So. California Housing Development Corp.	Rancho Cucamonga
So. Whittier Community Housing Corp.	Whittier
Sober Living Network	Santa Monica
South Bay Community Services Housing Development	Chula Vista
Southern California Housing Development Corporation	Los Angeles
St. Vincent De Paul	San Diego
Temple-Westlake Neighborhood Development Corp.	Los Angeles
Townspeople	San Diego
Upward Bound House	Santa Monica
Venice Community Housing Corp.	Venice
Vermont Slauson EDC	Los Angeles
Vietnam Veterans of San Diego	San Diego
Volunteers of America	North Hollywood
West Hollywood CHC	West Hollywood
Did Not Respond	
Affordable Homes, Inc.	Avila Beach
Affordable Housing Services	Pasadena
Bayview CDC	San Diego
CA Real Estate Services	Los Angeles
California Mutual Housing Association	Los Angeles
Casa Familiar	San Ysidro
Central City Economic Development Corporation	Los Angeles
Citywide Affordable Housing	Los Angeles
Community Housing Services, Inc.	Pasadena
Concerned Citizens of South Central Los Angeles	Los Angeles
Corridor EDC	Los Angeles
Covenant Community Development Corporation	Altadena
Curry Temple Community Development Corporation	Compton
Drew Economic Development Corporation	Compton
El Pueblo CDC	Pasadena
Housing Opportunities, Inc.	San Diego
Interdenominational CDC	Los Angeles
Lompoc Housing Assistance Corporation	Lompoc
Los Angeles Housing Partnership	Los Angeles

LTG Unlimited, Inc.	Carson
Neighborhood Effort	Los Angeles
Neighborhood Empowerment and Economic Development	North Hills
Oldtimers Foundation	Fontana
Orange Housing Development Corporation	Orange
PICO UNION HOUSING CORP.	Los Angeles
San Diego Urban League, Inc.	San Diego
Second Chance	San Diego
SER/Jobs For Progress	Escondido
SRO Housing Corp.	Los Angeles
TELACU	Los Angeles
The Assoc. For Com. Housing Sol. (Ecumenical Council for San Diego)	San Diego
WARD EDC	Los Angeles
West Angeles CDC	Los Angeles
West Valley Community Development Corporation	Van Nuys

NONPROFIT HOUSING DEVELOPERS RESPONDING / NOT RESPONDING TO SURVEY
Rural

Respondents	
ACLC	Stockton
Burbank Housing Development Corporation	Santa Rosa
Cabrillo Economic Development Corporation	Saticoy
CHISPA	Salinas
Coachella Valley Housing Coalition	Indio
Common Ground Communities	Nevada City
Community Housing Improvement Program	Chico
Community Housing Opportunities Corporation	Davis
Desarrollo Latino-Americano	Modesto
Humboldt Bay Housing Development Corporation	Arcata
Inyo-Mono Community Action Agency	Bishop
Napa Valley Community Housing	Napa
Pajaro Valley Affordable Housing Corporation	Watsonville
People's Self-Help Housing	San Luis Obispo
Rural California Housing Corporation	Sacramento
Rural Communities Housing Development Corporation	Ukiah
Self-Help Enterprises	Visalia
Shasta Housing Development Corp.	Redding
South County Housing	Gilroy
Did Not Respond	
California Human Development Corporation	Fairfield
Community Housing of North County	Escondido
Great Northern Corporation	Weed
Project Go, Inc.	Rocklin
Redwood Community Action Agency	Eureka
Vacaville Community Housing Development Organizati	Vacaville

NONPROFIT HOUSING DEVELOPERS RESPONDING / NOT RESPONDING TO SURVEY
Northern California

Respondents	
Affordable Housing Associates	Berkeley
African-American Development Association	Oakland
Allied Housing	Hayward
Asian Neighborhood Design	San Francisco
Bay & Valley Habitat for Humanity	Saratoga
Bay Area Community Services	Oakland
Berkeley Oakland Support Services	Berkeley
Bethel Corp./Freedom West Homes	San Francisco
Bonita House, Inc.	Berkeley
BRIDGE Housing Corporation	San Francisco
California Housing Partnership Corporation	Oakland
Catholic Charities of Oakland	Oakland
Catholic Charities-Housing Devt. and Services	San Jose
Chinese Comm. Housing Corp.	San Francisco
Community Housing Developers	San Jose
Community Housing Development of Richmond	Richmond
CREDO Housing	Oakland
Dignity Housing West, Inc.	Oakland
East Bay Asian Local Devt. Corp.	Oakland
East Bay Habitat For Humanity	Oakland
Ecumenical Association for Housing	San Rafael
EDEN Housing, Inc.	Hayward
Emergency Housing Consortium	San Jose
Episcopal Community Services	San Francisco
First San Jose Housing	San Jose
Housing Association for Napa Development	Napa
Human Investment Project	San Mateo
Indochinese HDC	San Francisco
Innovative Housing	San Rafael
Jubilee West, Inc.	Oakland
Mercy/Charities Housing California	San Francisco
Mexican American Community Services	San Jose
Mid-Peninsula Housing Coalition	Redwood City
Mission Housing Development Corporation	San Francisco
Mustard Seed Neighborhood Development Corp.	Oakland
Northbay Ecumenical Homes	Novato
Northern California Land Trust	Berkeley
Oakland Community Housing Inc.	Oakland
Oakland Housing Initiatives	Oakland
Oakland Neighborhood Housing Services, Inc.	Oakland
Palo Alto Housing Corporation	Palo Alto
Progress Foundation	San Francisco
Resources for Community Development	Berkeley
Self Help for the Elderly	San Francisco
SF Housing Development Corp.	San Francisco
Shelter, Inc.	Concord
Spanish Speaking Unity Council	Oakland
Tenderloin Neighborhood Development Corp.	San Francisco
University Avenue Housing, Inc.	Berkeley

NONPROFIT HOUSING DEVELOPERS RESPONDING / NOT RESPONDING TO SURVEY
Northern California

Did Not Respond	
Allen Temple Development Corporation	Oakland
Asian, Inc.	San Francisco
Bernal Heights Housing Corporation	San Francisco
Beth Eden Housing Development Corp.	Oakland
Christian Church Homes of N. CA	Oakland
Citizens Housing Corporation	Alamo
CORE Development	San Jose
ECHO Housing	Hayward
EPA CAN DO	East Palo Alto
GP/TODCO, Inc.	San Francisco
Housing Associates Development Consultants	Berkeley
Housing Conservation & Development Corp.	San Francisco
Housing Development	San Francisco
Marin City Comm. Development Corp.	Marin
North of Market Development Corp.	San Francisco
Pacific Comm. Services	Pittsburg
Richmond Neighborhood Housing Services	Richmond
Rubicon Programs, Inc.	Richmond
San Antonio Comm. Development Corp.	Oakland
Satellite Senior Homes	Oakland
Solano Affordable Housing Foundation	Fairfield
Vallejo Neighborhood Housing Services, Inc.	Vallejo
Volunteers of America Bay Area	Oakland