Nonprofit perceptions of local government performance in affordable housing

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Abstract

Purpose – The purpose of this paper is to examine how executive directors of nonprofit organizations perceive local government performance in affordable housing. It builds on a larger body of research concerning the affordable housing activities of government and community-based nonprofit housing organizations at the local level.

Design/methodology/approach – This analysis is based on a national survey of neighborhood housing services (NHS) organizations funded by Neighborworks® America. The survey included questions about local government performance in affordable housing and perceptions of factors influencing local government funding decisions. Survey data were supplemented with information gathered from the Neighborworks® America website.

Findings – The findings of this paper indicate that NHS organizations are not completely satisfied with local government performance. Local government performance in affordable housing received lower grades than other levels of government, as well as intermediary organizations and private financial institutions. This dissatisfaction is expressed through nonprofit fields in which these organizations are embedded. These fields have witnessed declining governmental support for affordable housing and expanding influence from philanthropic organizations and the private sector.

Originality/value – This paper highlights the need for government to assume a broader and more activist role in affordable housing policy. In essence, government needs to assume a more activist stance and forge stronger partnerships with nonprofits in response to the growing influence of intermediary organizations and the private sector in nonprofit fields. This would temper some of the excesses brought on by the devolution and nonprofitization of affordable housing policy and neoliberal influences on public policy more generally.

Keywords Housing, Non-profit organizations, Local government, United States of America, Public policy

Paper type Research paper

Introduction

The role of local government in affordable housing policy has been shrinking since the late 1960s. From that time to the present, local government has been embedded in an environment where state and federal support for affordable housing activities has faced a continued downward spiral. Community-based nonprofit housing organizations have been called upon to step into the gap created by government's retrenchment of housing policy. Over time, a national network of foundations and intermediaries has emerged to provide these organizations with technical assistance and financial support to replace some of the lost government resources.

Through case studies and empirical research, scholars have described how the nonprofit sector has assumed greater responsibility for the implementation of
affordable housing policy in the USA. This process has been referred to as the nonprofiltization (Swanstrom, 1999) and devolution (Bockmeyer, 2003) of affordable housing policies in the USA. Many have argued that this shift in policy has produced a community development industry system composed of community-based organizations, nonprofit intermediaries, private sector partners and governmental agencies at the federal, state and local levels (Vidal, 1992; Yin, 1998; Ferguson and Stoutland, 1999; Stoutland, 1999; Silverman, 2001; Frisch and Servon, 2006).

The scope and size of the community development industry system has expanded substantially in recent decades. For instance, the National Congress for Community Economic Development (NCCED) reported that the number of community-based nonprofits engaged in housing development, rehabilitation and management had grown more than threefold since the 1980s (NCCED, 2005). The number of such organizations in the USA had swelled to over 4,600 in 2005. By that point in time, these organizations had produced over 1.2 million housing units and 774,000 jobs nationally. These organizations included a variety of local nonprofits engages in community development activity such as traditional community-based housing organizations, faith-based organizations and entities like the neighborhood housing service (NHS) organizations examined in this research. There is a great deal of variation within this field of nonprofits, with some organizations engaging in comprehensive community development activities and many smaller, low-capacity organizations specializing in a narrower range of housing activities.

Nonprofits, local government and affordable housing

A large amount of existing scholarship has focused on nonprofit capacity building within the context of the community development industry system. Glickman and Servon’s (1998) work identified five components of nonprofit capacity: resource, organizational, programmatic, networking and political capacity. Their work elaborated upon similar research related to nonprofit capacity building (Keyes et al., 1996; Schwartz et al., 1996) and subsequent scholarship has measured each of these types of capacity (Nye and Glickman, 2000; Glickman and Servon, 2003). Despite the attention that scholars have paid to nonprofit capacity building, there is also growing concern about nonprofit failure, downsizing and mergers (Rohe and Bratt, 2003; Reingold and Johnson, 2003; Bratt and Rohe, 2004). A general consensus has formed among scholars that although there is a select group of large, high capacity nonprofits focused on affordable housing development, most organizations are small with limited capacity (Walker, 1993; Stoutland, 1999; NCCED, 2005). There are a handful of well-established nonprofits in major cities of the USA. These organizations can employ dozens of staff and engage in housing, economic development, community organizing, social service delivery and other activities. In contrast, the typical community-based housing organization has fewer than ten staff and focuses on one or two activities (Silverman, 2003; NCCED, 2005). This dilemma raises serious questions about the role of local government and nonprofits in affordable housing policy. In particular, it highlights the need to refocus attention on the role of local government in the community development industry system.

Much of what is known about contemporary affordable housing activities in the age of nonprofitization and devolution has centered on the activities of nonprofit organizations. By focusing almost exclusively on developments in the nonprofit sector, we have lost sight of local government. This has been an unfortunate oversight in scholarly literature, since the successes and failures of affordable housing policy often
hinge on local government activism. In the absence of an active public sector providing nonprofits with assistance and supportive institutional structures, many affordable housing initiatives are doomed to fall short of expectations. This paper attempts to refocus attention on the role of local government in affordable housing activities involving both the public and nonprofit sectors. This will be done through an analysis of how nonprofits perceive the performance government in local affordable housing.

The analysis is based on a national survey of NHS organizations funded by Neighborworks America. In 1978 Congress created Neighborworks America[1] to serve as an intermediary organization for a national network of NHS organizations. Neighborworks America provides operating support and technical assistance to local nonprofits that engage in affordable housing activities. The size and scope of programmatic activities pursued by NHS organizations parallels patterns found in the broader field of community-based nonprofit housing organizations. There are a small number of NHS organizations engaged in comprehensive community development activities and a larger group of low-capacity organizations focused on a narrower range of housing activities. The findings from the survey indicate that NHS organizations are not completely satisfied with the local government performance[2]. This dissatisfaction is expressed through nonprofit fields in which these organizations are embedded. The implications of these findings are discussed at the end of this paper.

Methods and sample
The research is based on a national study of NHS organizations funded by Neighborworks America (n = 241). Surveys were mailed to the executive directors of all NHS organizations listed on the Neighborworks America website. The survey included 56 questions measuring local government performance in affordable housing and perceptions of factors influencing local government funding decisions. If surveys were not completed, monthly reminders were e-mailed to the executive director who received them until the enrollment period closed. A maximum of one survey was returned from each organization. The survey was administered between May 2007 and October 2007. At the end of that period a 44 percent (n = 107) response rate was reached.

There are NHS organizations included in the Neighborworks network in all 50 states as well as the District of Columbia and Puerto Rico. NHS organizations from all but 11 of those states responded to the survey. Those 11 states were distributed across all regions of the country except the Northeast: four were located in the South, four were located in the Midwest and three were located in the West. The survey respondents were representative of the population of NHS organizations in terms of staff, annual budget and board composition[3].

Performance, capacity and productivity
Past research has argued that the nonprofitization and devolution of affordable housing policy has produced a community development industry system (Vidal, 1992; Yin, 1998; Ferguson and Stoutland, 1999; Stoutland, 1999; Silverman, 2001; Frisch and Servon, 2006). According to this research, the emergence of this system has been defined by a shift from public sector delivery of affordable housing programs to nonprofit sector delivery of those programs. In this new system, government is expected to fill a supportive role in the implementation of affordable housing programs through public–nonprofit partnerships. Yet, past research has only touched upon the scope of affordable housing programs delivered through the community development
industry system and the degree to which local government has filled a supportive role
in the implementation of affordable housing programs. This section examines these
issues in the context of NHS perceptions of local government affordable housing
activities. It is followed by a discussion of their implications for the role of government
in the community development industry system.

NHS executive directors were asked a number of questions about how they graded
the performance of local government in relation to affordable housing activities. They
were also asked about the scope of local government supportive polices for affordable
housing in their cities. These questions aimed to produce a general assessment of how
NHS executive directors assessed the performance of local government and the
institutional environment in which they were embedded. Table I summarizes the
grades NHS executive directors gave to various levels of government for assisting their
organizations in the development, rehabilitation and management of affordable
housing. Table I also summarizes the grades NHS executive directors gave to
intermediaries and financial institutions for assisting their organizations in the
development, rehabilitation and management of affordable housing. In each case,
respondents were asked to assign a letter grade from “A” to “F” for local government
performance, those grades were coded using scale from 0 to 4.

Table I indicates that all levels of government received average grades from NHS
executive directors on the level of assistance provided to their organizations in the
development, rehabilitation and management of affordable housing. The federal
government received the lowest grade, a D+, followed by local government which
received a C-. Interestingly, the highest grade was received by intermediary
organizations. Overall, these grades reflect a slightly more negative assessment of the
federal and local governments by NHS executive directors when compared to grades
given to intermediaries and financial institutions.

To understand this result better, respondents were also asked a series of questions
about the characteristics of local government supportive policies for affordable
housing. These questions were divided into three broad categories: public funding
mechanisms, local program and policy coordination with nonprofits and local equity
measures. Table II summarizes NHS executive directors’ responses to the questions in
each of these categories.

NHS executive directors were asked three questions about public finance
mechanisms that were in place to support affordable housing in their cities. The first
two questions involved the presence of state and local housing trust funds. The third
asked if local government earmarked other local revenues for affordable housing. It is
notable that 72.8 percent of the respondents indicated that housing trust funds existed
in their states, while local trust funds and other resources were only present in 28.4
percent and 37.1 percent of the cities, respectively. In terms of public finance

<table>
<thead>
<tr>
<th>Table I. Grades given for role in assisting NHS organizations in the development, rehabilitation and management of affordable housing (n = 107)</th>
<th>Average grades given NHS organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade given to intermediaries (NeighborWorks®, LISC and enterprise)</td>
<td>3.2/B–</td>
</tr>
<tr>
<td>Grade given to financial institutions</td>
<td>2.5/C</td>
</tr>
<tr>
<td>Overall grade given to federal, state and local government combined</td>
<td>2.4/C</td>
</tr>
<tr>
<td>Grade given to state government</td>
<td>2.4/C</td>
</tr>
<tr>
<td>Grade given to local government</td>
<td>2.2/C–</td>
</tr>
<tr>
<td>Grade given to federal government</td>
<td>1.7/D+</td>
</tr>
</tbody>
</table>
mechanisms to support affordable housing, cities were less likely to provide for the needs of NHS organizations than states.

NHS executive directors were asked seven questions about local program and policy coordination with nonprofits. The most prevalent types of policies that local government coordinated with nonprofits involved homeownership and mortgage finance programs. This was consistent with research conducted by Schwartz (2006) and Shlay (2006). More than half of the cities also coordinated fair housing enforcement with nonprofits. In contrast, local government coordinated code enforcement activities, rental assistance programs and landlord training with nonprofits in fewer than half the cities. Moreover, local government coordinated the use of eminent domain powers with nonprofits in less than one-third of the cities. These results are striking since they indicate that program and policy coordination was restricted to supportive policy areas such as preparing individuals to enter into homeownership, while it was less prevalent in areas directly related to affordable housing development processes such as land acquisition and site assembly.

Finally, NHS directors were asked four questions about local equity measures adopted by local government in their cities. These measures included the adoption of fair housing ordinances, living wage ordinances, rent control ordinances and the creation of a variety of commissions to promote equity. The responses to the questions about local equity measures reflect a tendency for local governments to adopt policies with more symbolic than substantive value. For instance, over two-thirds of the cities had human rights, civil rights or race relation commissions in place. While these are
important mechanisms to provide disadvantaged groups with access to local decision-making processes, they do not ensure that mechanisms are in place to provide members of such groups with substantive policy outcomes. Similarly, 78.6 percent of local governments had fair housing ordinances in place. These ordinances can provide groups with added protection against housing discrimination; however, they do not guarantee access to material resources for individuals to obtain affordable housing. In contrast, only 27.5 percent of the cities had adopted living wage ordinances and only 14.4 percent had adopted rent control ordinances. This indicated that most municipalities were less likely to adopt local equity measures that would provide individuals with direct material support to make housing more affordable.

In addition to asking NHS executive directors about the performance of local government and the institutional environment in which they were embedded, other questions focusing on nonprofit capacity were included in the survey. The first group of questions focused on the resource and organizational capacity of NHS organizations. Table III summarizes information related to the funding sources of these organizations. The median NHS organization's reported 2007 annual budget was $1,500,000. There was a great deal of variation in the size of NHS budgets. The smallest annual budget reported was $150,000 and the largest was $50 million. There were also a variety of funding sources for these organizations. On average, NHS organizations received 61.3 percent of their funding from two areas combined: government and fees charged for services. The remaining 38.7 percent of NHS funding came from intermediaries and foundations, followed by institutions in the private sector. At least in terms of funding, NHS organizations represent true collaborations between the public, private and nonprofit sectors. In terms of capacity, these data reflect a mixture of small and large nonprofits which rely on highly diversified sources of funding.

Table IV summarizes information related to staff of NHS organizations. The median organization had 15 staff members. However, there was a great deal of variation in the size of NHS staff. The smallest NHS organization reported employing three staff and the largest reported employing 350 staff. Similarly, staff salaries fell along a broad continuum. The median organizations' reported their three highest salaries at $80,000, $62,000, and $55,000, respectively.

<table>
<thead>
<tr>
<th>Source of funding</th>
<th>Percent of annual budget</th>
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<tbody>
<tr>
<td>Government (federal, state and local)</td>
<td>31.2</td>
</tr>
<tr>
<td>National intermediaries (NeighborWorks®, LISC and enterprise)</td>
<td>11.4</td>
</tr>
<tr>
<td>Foundations</td>
<td>6.7</td>
</tr>
<tr>
<td>Private corporations</td>
<td>3.3</td>
</tr>
<tr>
<td>Banks and financial institutions</td>
<td>7.8</td>
</tr>
<tr>
<td>Fees for services</td>
<td>30.1</td>
</tr>
<tr>
<td>Other sources</td>
<td>9.5</td>
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</tbody>
</table>

<table>
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<tr>
<th>Staff</th>
<th></th>
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<tbody>
<tr>
<td>Median number of staff</td>
<td>15</td>
</tr>
<tr>
<td>Median salary of highest paid staff member</td>
<td>$80,000</td>
</tr>
<tr>
<td>Median salary of second highest paid staff member</td>
<td>$62,000</td>
</tr>
<tr>
<td>Median salary of third highest paid staff member</td>
<td>$55,000</td>
</tr>
</tbody>
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$62,000 and $55,000, respectively. The three highest annual salaries reported for the NHS organizations ranged from $9,600 to $200,000. Similar to the overall budgets for these organizations, the entire field of NHS organizations includes small organizations with salaries below the poverty level and larger organizations with salaries comparable to the private and public sectors.

The second area related to capacity focused on networking and political capacity. These data were collected from the Neighborworks® America website. These are summarized in Table V, which includes information measuring the composition of the boards of directors for NHS organizations. The table illustrates that the median NHS organization’s board had 13 members with over one-third of its members being comprised of residents. This is a reflection of the emphasis Neighborworks® America places on funding grassroots organizations. After residents, just under a quarter of board members came from the private sector. This group of board members was followed by representatives from the public and nonprofit sectors. Just as the funding sources of NHS organizations were diversified, the board membership reflected a broad base of potential networking and political access points for these organizations.

The last area NHS executive directors were surveyed about focused on programmatic capacity. Executive directors were asked three sets of questions about the performance of their organizations. The first asked them to compare the number of housing units a high-capacity nonprofit housing organization would produce in a given year to the number their organization produced annually. The second asked them to compare the number of housing units a high-capacity nonprofit housing organization would rehabilitate in a given year to the number their organization rehabilitated annually. The third asked them to compare the number of rental units a high-capacity nonprofit housing organization managed in a given year to the number their organization managed annually. Table VI summarizes the information NHS executive directors reported related to programmatic capacity. In each of the areas, NHS executive directors reported mean levels of NHS productivity that were lower than would be expected for high-capacity nonprofit housing organizations. These differences were all significant at the 0.001 level.

**Demand for greater government activism**

NHS executive directors assessed local government in reference to the nonprofit fields in which their organizations were embedded. The average and below average grades that government received from NHS executive directors were an outgrowth of general dissatisfaction with the scope of local government supportive policies for affordable

<table>
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<tr>
<th>Sector</th>
<th>Total</th>
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<tbody>
<tr>
<td>Percent business sector</td>
<td>20.2</td>
</tr>
<tr>
<td>Percent financial sector</td>
<td>12.1</td>
</tr>
<tr>
<td>Percent government sector</td>
<td>12.1</td>
</tr>
<tr>
<td>Percent nonprofit sector</td>
<td>7.3</td>
</tr>
<tr>
<td>Percent residents</td>
<td>39.4</td>
</tr>
<tr>
<td>Percent other</td>
<td>8.9</td>
</tr>
</tbody>
</table>

**Table V.** Board composition for NHS organizations responding to the survey (n = 107)

**Source:** Neighborworks® America website (www.nw.org)
housing and levels of public sector funding. Dissatisfaction also emanated from the limited capacity of nonprofit housing organizations and their dearth of political capital to address these constraints. The survey results suggest that nonprofits hold local government accountable for their limited capacity to provide affordable housing to communities. This is possibly a reflection of nonprofits responding to declining public resources for affordable housing activities in the wake of the nonprofitization and devolution of affordable housing policy.

Ironically, nonprofits do not seem to hold intermediaries and financial institutions as accountable for their limited capacity. In part, this may be a byproduct of the relatively new role that these institutions play in providing support for affordable housing. For instance, intermediary organizations like the Enterprise Foundation, the Local Initiative Support Corporation and NeighborWorks® emerged during the early 1980s. This was at the same time that the nonprofitization and devolution of affordable housing began to accelerate. In fact, intermediaries were key organizations that facilitated this process. Similarly, private financial institutions became increasingly active in the area of affordable housing as a byproduct of the Community Reinvestment Act of 1977. This Act prompted these institutions to increase their levels of investment in underserved communities after decades of neglect. The late entry of intermediaries and financial institutions into the affordable housing sector provided them with a relative level of insulation from criticism. Although funding from governmental sources accounted for the largest percentage of annual funding for nonprofits, this source of funding was the most likely to be in decline. In contrast, intermediaries, financial institutions and other nongovernmental sources of revenue were becoming increasingly important to nonprofit capacity building. The tendency to insulate nongovernmental organizations was reinforced by their greater representation on nonprofit governing boards and the backdrop of neoliberalism that coincided with nonprofitization and devolution (Purcell, 2008).

Lower grades for government in the area of affordable housing reflect demand in the nonprofit sector for expanded public sector activism in a number of areas. This type of activism is critical if the excesses of neoliberal public policies are to be tempered. To some degree, the growing influence of intermediary organizations and the private sector in nonprofit fields has furthered the institutionalization of the neoliberal perspective. By forging stronger partnerships with nonprofits, government can act as an agent to reassert the broader public interest and social equity goals into the work of nonprofits. The survey results identify some areas where local government could be more responsive to the needs of nonprofit organizations and their constituents. The survey indicates that government could play a larger role in developing finance

<table>
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<th>Table VI.</th>
<th>One-sample t-test results comparing respondents’ perception of nonprofit housing organization performance (n = 107)</th>
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<tbody>
<tr>
<td></td>
<td>Mean expected nationally for a high-capacity nonprofit housing organization</td>
</tr>
<tr>
<td>Number of new housing units produced annually</td>
<td>392.5</td>
</tr>
<tr>
<td>Number of existing housing units rehabilitated annually</td>
<td>109.0</td>
</tr>
<tr>
<td>Number of rental units managed annually</td>
<td>1,439.3</td>
</tr>
</tbody>
</table>

Notes: + p < 0.10, *p < 0.05, **p < 0.01, ***p < 0.001
mechanisms for affordable housing. Also, there is a need for greater coordination between local government and the nonprofit sector in areas such as land use policy, code enforcement and the administration of rental housing policies. More generally, local government could expand its role in regulating critical aspects of the economy, such as the adoption and enforcement of living wage and rent control ordinances. Greater levels of coordination between government and nonprofits could also entail the infusion of a more encompassing social justice and equity agenda into affordable housing policy. In the absence of such an agenda, the work and governance of nonprofits runs the risk of becoming dominated by market imperatives.

In the end, the findings from this research support continued inquiry into the manner in which organizations reference nonprofit fields when assessing the performance of partners in the public and private sectors. The finding from this survey suggests that the nonprofit sector may have a significant influence on perceptions of cross-sector relations. The findings also suggest that cross-sector relations are more complex than simple dyadic relations between the public sector and nonprofits. At least in the area of affordable housing, they entail the full spectrum of institutions and actors engaged in housing markets. Further study is needed to expand our understanding of these processes and their implications for future public–nonprofit sector partnerships related to affordable housing.

Notes

1. Neighborworks® American was originally called the Neighborhood Reinvestment Corporation. It changed its name to Neighborworks® America in 2005.
2. The findings from this study are based on aggregate analysis of all survey respondents. Cross-sectional analysis comparing large and small NHS organizations was not conducted. There were fewer than ten large NHS organizations among the respondents. This restricted the depth of possible comparative analysis. Comparative analysis of this nature required a larger response rate and possibly detailed case study analysis of the organizations.
3. Data to compare these dimensions of all NHS organizations to the ones that responded to the survey were accessed from the Neighborworks® American website (www.nw.org).

References


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