

CBOs and Affordable Housing

BY ROBERT MARK SILVERMAN

Since the late 1960s, community-based organizations (CBOs) have become increasingly responsible for implementing affordable housing policy. Scholars have referred to this process as the non-profitization and devolution of affordable housing policies. This process has produced a community development industry system composed of CBOs, nonprofit intermediaries, private sector partners, and governmental agencies at the federal, state, and local levels. The emergence of the community development industry system has involved a shift in the focus of CBOs. In the past, CBOs were broad-based social change agencies that pursued comprehensive community development strategies with an emphasis on community organizing. Today, many CBOs are primarily engaged in affordable housing. Some scholars have raised concerns about the new emphasis on affordable housing and its implications for community empowerment and citizen participation.

There has been a great deal of scholarly attention paid to the evolution of the community development industry system. In large part, this research has focused on CBO performance and development of organizational capacity. One of the most cited articles dealing with this area of research is Norman Glickman and Lisa Servon's identification of five components of CBO capacity: resource, organizational, programmatic, networking, and political. Efforts have been made to measure each component. Much of this work has focused on a specific type of CBO, the community development corporation (CDC). There is also growing evidence of a trend toward CDC failure, downsizing, and mergers, and the general consensus is that although there is a select group of large, high-capacity CDCs focused on affordable housing development, most organizations are small and with limited capacity.

Much of what we know about the role of CBOs engaged in affordable housing activities has been based on scholarship focusing on the perspectives of CBOs or advocates for these organizations. Less is understood about how public administrators view the performance of CBOs. This article attempts to address the gap in scholarship by focusing on how local public administrators perceive the performance and capacity of CBOs engaged in affordable housing activities. The implications of these perceptions for the broader community empowerment and citizen participation goals of CBOs are discussed in the final section.

A National Survey

This research is based on a national survey of public administrators responsible for implementation of affordable housing programs in cities with a population of more than 100,000 ($N = 243$). The survey was administered between November 2006 and February 2007. At the end of this period, a 42.8 percent ($n = 104$) response rate was reached. The survey included seventy questions measuring public administrators' perceptions of local CBO performance, capacity, and funding. The survey also included questions about local governance structures.

2000 U.S. Census data were also collected pertaining to the demographics of cities where local public administrators were surveyed. Table 1 summarizes these data and compares the averages for all of the cities in the survey population ($N = 243$) to those for the cities ($n = 104$) that returned surveys.

Table 1 indicates that the cities where public administrators responded to the survey were representative of all cities with populations of more than 100,000. In terms of population characteristics, the

Table 1. Descriptive Statistics for All Cities with a Population over 100,000 (N = 243) and Those That Returned Surveys (n = 104)

	Average for All Cities	Average for Cities That Returned Surveys
Population characteristics:		
Total population	313,093	333,865
Percentage population change 1990–2000	19.4	16.4
Median household income	\$41,170	\$40,577
Percentage of population black	18.0	17.7
Percentage of population Hispanic	20.8	19.0
Housing characteristics:		
Total housing units	123,438	129,294
Median housing value	\$139,299	\$142,973
Percentage of housing owner-occupied	52.3	50.8
Percentage of housing renter-occupied	41.2	42.9
Percentage of housing vacant	6.5	6.3

Source: U.S. Department of Commerce, Bureau of the Census. *2000 Census of Population and Housing, Summary Tape File 3A*. Washington, D.C.: Data User Services Division, 2000.

respondent cities had similar median household incomes and proportions of black and Hispanic residents. However, population growth between 1990 and 2000 was 3 percent lower in the respondent cities than in all the cities surveyed. In terms of housing characteristics, the respondent cities had similar rates of owner occupancy, renter occupancy, and housing vacancy; but median housing values were on average \$3,674 higher in the respondent cities than in all the cities surveyed.

The Limited Scope of Local Affordable Housing Policy

Previous scholarship has argued that the nonprofitization and devolution of affordable housing policy

produced a community development industry system. It is argued that 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, it is argued, government fills a supportive role in implementation of affordable housing programs through public-nonprofit partnerships. But past research has only touched on the degree to which the community development industry system developed at the local level, and little is known about the scope of affordable housing programs implemented through this system.

Some have examined the role of federal programs, which are, in part, implemented by local government through CBOs. They include Low-Income Housing Tax Credit (LIHTC), HOME and block grant, and community development block grant (CDBG) programs. Less is known about the role of state and local affordable housing policy. Still, it is important to understand the degree to which the community development industry system has become a vehicle for delivery of affordable housing programs at the state and local levels of government.

In part, this should be reflected in the density of state and local affordable housing policies that support such a system. Several survey questions focused on the density of supportive policies for local affordable housing; they are summarized in Table 2.

Supportive policies for affordable housing were found in three areas: public finance mechanisms, local program and/or policy coordination with CBOs, and local equity measures. One would expect each of these areas to be well established in a strong community development industry system. Yet the survey results indicate that the development of supportive policies was somewhat lacking.

Public finance measures that support the community development industry system were not universally

Table 2. Characteristics of Local Government Supportive Policies for Affordable Housing (n = 104)	
	Average
Public finance mechanisms	
Percentage located in a state with a housing trust fund	65.1
Percentage with a housing trust fund	26.2
Percentage earmarking local revenue from local taxes and/or fees for affordable housing	31.1
Local program and/or policy coordination with CBOs	
Percentage coordinating homeownership training programs with CBOs	87.1
Percentage coordinating mortgage finance and/or down payment assistance programs with CBOs	85.2
Percentage coordinating fair housing enforcement with CBOs	66.0
Percentage coordinating code enforcement with CBOs	45.1
Percentage coordinating landlord training programs with CBOs	44.0
Percentage of cities where CBOs administer Section VIII or other rental assistance programs	26.5
Percentage that have used eminent domain powers in coordination with CBO development efforts	20.8
Local equity measures	
Percentage with fair housing ordinances	69.3
Percentage with a human rights, civil rights, or race relations commission	59.4
Percentage with living wage ordinance	18.0
Percentage with rent control ordinances	12.8

adopted across the country. These measures were most prevalent at the state level, where 65.1 percent of cities had potential access to resources from a state housing trust fund. At the local level, public finance measures that supported affordable housing activities were less accessible. Fewer than one-third of the cities indicated they had access to affordable housing resources from local housing trust funds or earmarked revenue from local taxes or fees.

In terms of local program and policy coordination with CBOs, there was also mixed evidence of a well-established community development industry system at the local level of government. Although Ann Shlay has shown that homeownership programs have an impact on only a fraction of those in need of affordable housing assistance, coordination between local government and CBOs was found primarily in areas associated with homeownership. For instance, 87.1 percent of the cities indicated they coordinated homeownership training programs with CBOs and 85.2 percent coordinated mortgage finance and down payment assistance programs

with CBOs. In other areas, program and policy coordination was less common. For instance, fewer than half of the cities reported coordinating landlord training and code enforcement efforts with CBOs. Likewise, fewer than one-third coordinated administration of rental assistance programs with CBOs, and fewer than one-fourth used their powers of eminent domain in coordination with CBO development efforts.

In a broader sense, one would expect to find a strong community development industry system in a local context where local measures promoting equity were present. Again, the survey results showed mixed evidence for such a system. The most prevalent equity measure identified by respondents was the presence of a fair housing ordinance; 69.3 percent of the cities had such an ordinance in place. This was followed by 59.4 percent of the cities having a local human rights, civil rights, or race relations commission. Other types of equity measures that would target groups in need of affordable housing were rarely found. Only 18 percent of the

respondents indicated their city had living wage ordinances, and only 12.8 percent indicated their city had rent control ordinances.

Examining the scope of supportive policies for affordable housing is one way of assessing the degree to which the community development industry system has become institutionalized. Another way to assess this is through examination of the degree to which local government funds and staff are committed to affordable housing activities. The survey results showed some support for the entrenchment of the community development industry system in affordable housing policy. According to local public administrators, 8.9 percent of annual municipal budgets were spent on affordable housing and 40.7 percent of municipal expenditures for affordable housing were awarded to CBOs. Individual CBOs received an average of \$662,326 in funding from local government annually. In addition, cities assigned an average of 4.6 staff members to offer technical assistance to CBOs and monitor their performance. On average, 24.3 percent of staff time was spent delivering technical assistance to CBOs, and 21.2 percent of staff time was spent monitoring CBO performance. When asked about the performance of CBOs in the area of affordable housing, 68.4 percent of the public administrators said the work of CBOs was of the same quality or better than that of private sector organizations. Similarly, 70.8 percent of the public administrators said the work of CBOs was the same quality as or better than that of public sector organizations.

Moreover, there was no indication that public administrators were resistant to an expanded role for CBOs in implementation of affordable housing policy. Asked about the future, only 3.1 percent of the public administrators said CBOs should not be providers of affordable housing. In contrast, 59.2 percent of the public administrators said CBOs should furnish affordable housing only in areas that support public and private sector initiatives, while 37.8 percent said that CBOs should be the primary

provider of affordable housing. Finally, local public administrators did not view CBOs as competition for affordable housing resources. In fact, 73 percent of the public administrators surveyed said CBO funding has added to the overall pool of resources for affordable housing.

Despite these findings, local government remained somewhat dissatisfied with the performance of CBOs. When asked to assign a letter grade to the performance of CBOs in relation to affordable housing activities, the average grade that public administrators gave to CBOs in their cities was 2.6 on a four-point scale, or roughly a C+. Similarly, asked to grade CBO capacity, the average grade the public administrators gave to CBOs in their cities was 2.5 on the same scale, again roughly a C+. Much of the dissatisfaction that local government expressed with CBO performance was reflected in the degree to which expectations for CBO performance do not match actual outcomes.

This became evident when public administrators' perceptions of what high-capacity CBOs produce at the national level were compared to perceptions of CBO performance at the local level. Comparison was in four areas: development of new housing units, rehabilitation of existing housing units, management of rental units, and the percentage of special needs populations (the disabled, elderly, and homeless) with CBOs as the primary supplier of affordable housing. In terms of new housing units, the public administrators thought that high-capacity CBOs were producing 102.2 housing units per year. In contrast, they reported that CBOs in their cities produced only 22 housing units per year. In terms of housing rehabilitation, the public administrators thought that high-capacity CBOs were rehabilitating 108.3 housing units per year; they reported CBOs in their cities rehabilitated only 14.1 housing units per year. Regarding rental unit management, the public administrators thought high-capacity CBOs were managing 443.7 rental units per year. In contrast, they reported CBOs in their

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cities managed only 122.3 units per year. Finally, the public administrators thought that high-capacity CBOs were the primary provider of affordable housing to 49.9 percent of an area's special needs population. They reported CBOs in their cities were the primary affordable housing providers for only 41.2 percent of this population.

Renewing the Commitment to Broad-Based Community Development

The results from this research offer mixed evidence for the viability of the community development industry system. They suggested that development of institutional support structures for the community development industry system is stalled. Two-thirds of the cities surveyed did not have local public finance mechanisms in place that supported affordable housing policies. With the exception of programs and policies related to homeownership, the majority of cities did not coordinate affordable housing activities with local CBOs. In a broader sense, local equity measures such as rent control and living wage ordinances were rarely found.

Despite these shortcomings, local government appeared to be supportive of the affordable housing activities of CBOs. For instance, local government awarded 40.7 percent of its affordable housing funds to local CBOs, and local government viewed CBOs as a permanent part of affordable housing delivery systems. The irony is that public administrators gave CBOs only an average grade on their

performance. In part, this grew out of the fiscal constraints that affordable housing providers faced as the federal government continued to reduce funding for housing programs in real dollars. Reductions in public funding and the inability of foundations and other funding intermediaries to replace these resources have had dire consequences for CBOs. As competition for funding increases, the scope of programmatic activities has narrowed. CBOs have focused on housing and other revenue generating programs, while fewer resources have been available for activities linked to community empowerment and citizen participation.

The disparity between public administrators' expectations for CBOs and their actual productivity was also a by-product of how these organizations have been depicted in such popular books as *Comeback Cities* by Paul Grogan and Tony Proscio. In the past, researchers and journalists have emphasized the accomplishments of large, high-capacity CBOs in cities such as New York, Chicago, and Cleveland. Despite cuts in public sector funding, high-capacity CBOs have been able to attract resources from national foundations and develop for-profit subsidiaries to sustain their community development activities. High-capacity CBOs have also benefited from a supportive political environment and the presence of large local foundations and intermediaries. Researchers, journalists, and boosters cited these organizations to justify the continued non-profitization and devolution of affordable housing policy. Ironically, highlighting the accomplishments of a relatively small, unrepresentative group of high-capacity CBOs has elevated public administrators' expectations for CBO performance. Most CBOs, though, have not benefited from the environmental conditions that support and sustain high-capacity organizations of the sort that have been spotlighted. As a result, many CBOs have been forced to make hard choices about which programs to emphasize and where to make cuts. All the while, they are subjected to greater scrutiny and comparison to their high-capacity counterparts.

In light of the results presented in this article, I forward a set of recommendations to refocus local public policy on the needs of the majority of CBOs. These recommendations are aimed at expanding the scope of local public policy in a manner that enhances citizen empowerment and citizen participation in CBOs.

First, there is a pressing need to increase the level of public investment in affordable housing and supportive community development infrastructure in cities across the country. Without sufficient public investment, any effort to address housing needs at the local level is bound to fail. Moreover, inadequate funding inevitably forces CBOs to reduce the scope of programmatic activities they pursue and shifts resources away from activities linked to community empowerment and citizen participation. At the state and local levels, increasing public investment would entail earmarking more funds for affordable housing and community development activities. Many cities do not have housing trust funds or earmarked taxes and fees to support community development. There is a clear need for foundations and other national organizations to take the lead and develop funding models for local government to apply to affordable housing and community development activities.

In addition to expanding the level of public investment in affordable housing and supportive community development infrastructure, local government needs to coordinate existing programs and policies more closely with CBOs. The results presented in this article suggest that there is ample room for greater coordination of existing community development programs, code enforcement activities, and land-use policy. Foundations and other national organizations need to assist local government in developing local decision-making models that incorporate CBOs into the policy-making process. These models should include model legislation and ordi-

nances for expanding the scope of citizen participation in local decision-making processes. In essence, one of the major flaws in the emerging community development industry system is lack of attention to grassroots governance. For the affordable housing activities of CBOs to be viewed as legitimate by the general public, it is essential that those affected by the activities of these organizations have some degree of control over them. This is especially true when CBOs face fiscal constraints and must make hard decisions about investing scarce resources.

In its current form, the nonprofitization and devolution of affordable housing policy has functioned as an excuse for government to retreat from affordable housing policy. As a result, the community development industry system has stalled. To reverse this trend, government needs to expand funding for community development activities, increase its level of coordination with CBOs, and work with foundations and other national organizations to offer comprehensive technical assistance and capacity-building services to CBOs.

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