

Exploring CDC Performance: Factors Impacting the Success of  
Community-Based Non-Profit Housing Developers

by

Ryan Lawhon

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Thomas Longoria, Ph.D.

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Kay Hofer, Ph.D.

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Evelina Gonzales, MPA

## **Abstract**

The purpose of this study is to explore the most prominent factors impacting the performance of community development corporations, or CDCs, as they strive to produce and rehabilitate affordable housing stock while empowering citizens to become involved in local issues of concern. Previous efforts have linked CDC success to several areas of capacity, including staff experience, the extent of ties to intermediary groups, and the degree of community involvement and representation in the organization.

To test the strength of the relationship between such organizational attributes and the attainment of CDC objectives, an electronic questionnaire was submitted to a sample of CDC executive directors across the U.S. The data collected indicates that executive director tenure is moderately correlated with the number of funding sources held by each CDC. In addition, the number of informal ties to intermediaries, the frequency of community outreach meetings held annually, and the number of volunteers assisting CDCs in any capacity were also associated with greater access to funding. Finally, none of the studied capacity indicators had a significant correlation with either the revenue-expense ratio or the number of single-family housing units produced or rehabilitated annually. The results suggest that reducing turnover at the executive director position, working to foster greater ties to informal industry support networks, and increasing outreach and volunteer promotion efforts may all create additional opportunities for the acquisition of needed funding.

### **About the Author**

Ryan Lawhon is a Master's degree candidate in Public Administration at Texas State University. He has a bachelor's degree in biomedical engineering from the University of Texas at Austin, and developed an interest in affordable housing issues and the non-profit sector as a result of the housing market collapse of 2008. He may be reached at [coolryan1138@gmail.com](mailto:coolryan1138@gmail.com).

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## CHAPTER 1: Introduction

### *Case Study #1: Lawrence Community Works*

In 1998, the community development corporation (CDC) later known as Lawrence Community Works was experiencing major financial difficulties, and its continuation as a developer in the Lawrence, Massachusetts area was in serious doubt (Mandell 2009, 3). Struggling to resolve the often-competing goals of promoting development in the region while at the same time actively organizing with the local population to advance community interests, the non-profit developer needed a quick turnaround in order to remain a viable player in the development industry. Working with one full-time staff member and a single funding source, operations were creeping along, and the CDC needed to make profound organizational changes (Traynor and Andors 2005).

Seeking to rejuvenate the organization, consultant William Traynor was hired on as executive director the following year (Ohmer and DeMasi 2009, 261). With a new leader at the helm, Lawrence Community Works went on to accomplish a whole host of impressive goals over the ensuing decade while maintaining a strong sense of community engagement in the organization's operations. In the area of development, this non-profit twenty-five miles outside of Boston has undergone a complete turnaround and has acquired and utilized more than \$23 million during the ensuing decade to foster improvements in the surrounding community (Ohmer and DeMasi 2009, 261). Besides this dramatic increase in its development activities, Lawrence Community Works has also been a stand-out organization when it comes to working to actively engage the community in shaping future activities. In this regard, it has sought to place local civic action in the community on par with the promotion of growth and economic development, and the leadership has not been reluctant to organize citizens in a proactive way with so-called



‘network organizing’ (Ohmer and DeMasi 2009, 261). This form of mobilization, based on maximizing opportunities for personal participation in community-based activities, has been a hallmark of the new management style introduced since the leadership change and has ultimately led to the involvement of more than 3,000 citizens with the organization (Ohmer and DeMasi 2009, 262).

These successes all occurred in spite of the critique commonly raised by those skeptical of the CDC model that it is difficult if not impossible to reconcile a commitment to local activism with the need to scale up operations and attract further investment from important national partners on the housing scene. According to this view, “things that can make CDCs community-based (their smallness and neighborhood roots) inhibit access to the capital and the experts that comprehensiveness demands” (Stoecker 1997, 6). The experience of Lawrence Community Works demonstrates that gains within the financial realm do not necessarily undermine efforts at community engagement; neither does strong civic involvement require the abandonment of a CDC’s pro-growth investment strategy.

### ***Case Study # 2: Eastside Community Investments, Inc.***

Located in Indianapolis, Eastside Community Investments (ECI) was created in 1976, and quickly became an active player in the renovation of affordable housing units within neglected downtown areas (Steinbach 1999). By the 1980s, ECI had expanded its range of activities considerably, becoming actively involved in multiple programs in demand by those in the community. These included efforts to “establish a small business investment corporation to finance local enterprises, develop the ECI industrial park, begin rental housing production, and create a for-profit subsidiary...to manage ECI’s housing portfolio” (Steinbach 1999). Several

years later, this broad array of activities was expanded further; ultimately, ECI was also involved in programs to establish additional providers of child care, further the extension of loans to historically neglected small businesses, and provide troubled youth the skills necessary to obtain employment in low-wage industries such as construction. At the height of its growth and influence in Indianapolis, ECI was “one of the nation’s largest and most celebrated CDCs” (Rohe et al. 2003, VII). The development figures achieved by the organization were indeed impressive, and by the mid-90s approximately 500 units of housing stock had been rehabilitated by ECI (Steinbach 1999). At its most successful point, its revenues were upwards of \$8 million a year (Rohe et al. 2003, 8). Moreover, the extensive network of support programs was beginning to have strong positive effects on the neighborhoods served, as economic development efforts were directly responsible for creating at least 1,500 jobs in the area (Steinbach 1999).

These successes masked an underlying reality of extreme organizational instability, however, and structural financial difficulties would begin to emerge by the end of the decade. In many ways, ECI had overextended itself, and issues related to a lack of adequate incoming revenues were further exacerbated by high turnover across the CDC. By 1997, the organization had experienced a decline in staffing from 115 people to only six, before undergoing a complete financial collapse four years later (Rohe et al. 2003, VII). Its dramatic fall from the heights of non-profit excellence was said to be “the equivalent of the crash of a General Motors or a Microsoft in the corporate world” (Steinbach 1999).

Clearly, some confluence of factors had combined to undermine ECI’s long-term stability, while Lawrence Community Works continued to thrive within its target community. The conflicting experiences of these two CDCs thus provide the backdrop for an investigation into the impact of important organizational factors that affect all such non-profit housing

developers. In spite of the differing operating environments encountered by these two non-profit community-based developers, an exploration of the factors most likely to contribute to such divergent outcomes is in order if such devastating implosions in the industry are to be averted and shining successes replicated in the future.

### **Research Purpose**

What accounts for the widely differing experiences of these two community-based, affordable housing non-profits? What role was played in each case by problems of high turnover, inadequate community participation in shaping organizational mission, and lack of sufficient ties to important intermediaries in the affordable housing industry? These questions lie at the heart of this research study, and the various factors that contribute to such superb success on the one hand and dismal failure on the other will be examined in greater detail in the following pages.

The purpose of this paper is thus to explore the importance of several organizational factors that past studies have demonstrated have a measurable impact on the success or failure of non-profit organizations involved in either developing or rehabilitating affordable housing within their communities. Toward this end, a review of the history of federal policy on the affordable housing issue and the emergence of community development corporations (CDCs) as major nonprofit players within that industry is first provided. Next, the existing literature related to the operation of CDCs is summarized and several working hypotheses put forward to explain how important such factors as community outreach, staff experience, and industry partnerships are in determining the success of these types of organizations in their operating areas. Finally, the compatibility of these hypotheses with empirical evidence is tested using data on non-profit

housing operations gathered from an online survey of CDC executive directors across the United States.

### **Chapter Summary**

This chapter introduced some of the issues facing community-based affordable housing developers, including CDCs, through the presentation of two case studies illustrating the widely divergent experiences possible within the non-profit development industry. Furthermore, the purpose of this study was explained, including the desirability of analyzing the importance of several organizational factors in determining the success or failure of CDC operations and mission.

## **CHAPTER 2-History of U.S. Housing Policy**

### **Chapter Purpose**

The purpose of this chapter is to summarize the historical progression of public housing policy within the United States, with a particular emphasis on the evolution from a highly-centralized system of government intervention in the housing market to one that invests significant control in the hands of localities through various subsidies and incentives meant to encourage the construction of affordable housing units at the municipal level. In order to properly comprehend the current state of housing policy in the U.S., it is necessary to trace its origins from the beginning as well as to reconstruct the social and political context of each period. First, a working definition of affordable housing is provided as a preface to the subsequent discussion.

### **Definition of Affordable Housing**

Though some variation does exist in the definition applied to affordable housing, over time one officially standardized version has been established: housing costs which represent no more than thirty percent of annual income (Wallace 1995, 786). One notable critic of this widely accepted standard (including its use by the U.S. Department of Housing and Urban Development) is the scholar Michael Stone, who argues that twenty-five percent of income is a more appropriate level for establishing affordability, and who feels that in any case it is necessary to include such additional considerations as household size and type if a truly accurate picture of the housing affordability problem is to be developed (Stone 1993, 34). Regardless of the definition applied, “access to affordable housing remains the biggest challenge for many

municipalities around the country” (Jobe 2009, 7). At the individual level, housing expenses represent the largest budget item for the majority of American families (Green 2006, 4).

Though the issue of government-sponsored housing in the United States did not fully emerge as a dominant element in American policy until the Depression era of the 1930s, over the last three-quarters of a century the administration of affordable housing programs has evolved considerably. Starting as an advocacy movement that sought to address increasingly squalid and unsanitary living conditions in America’s rapidly expanding urban areas, public housing efforts were later accelerated prominently with the passage of the Housing Act of 1949 and its lofty goal of “a decent home and a suitable living environment” for all families in the U.S. (Orlebeke 2000, 489). The dominance of the centralized role of the federal government in promoting a supply-side approach to mitigate the problems associated with affordable housing nationwide peaked from 1965-1968, a period that included several seminal pieces of housing legislation. However, as the targeted population of the affordable housing effort shifted from one consisting primarily of so-called “submerged” middle class families caught flat-footed by the economic devastation of the Great Depression to one that can best be characterized as the dependent indigent, political support for the effort waned significantly and public housing generally became associated with highly-segregated urban slum areas defined by rampant crime and delinquency (Friedman 1966, 651). Starting with the moratorium on subsidized federal programs begun in 1973 under President Nixon, initiatives at the federal level have closely reflected this overall decline in support for public housing programs. In all aspects of their administration, such federal efforts have been characterized by a marked turn toward decentralization, particularly through the use of such tools as vouchers, block grants, and the low-income housing tax credit (LIHTC), with the latter now serving as the most widespread instrument for advancing affordable housing goals

(Wallace 1995, 785). At the present time, these methods continue to dominate the policy discussion on affordable housing, with the more government-intensive efforts of the past largely discredited in the current political environment and in light of the more prominent efficacy of methods that rely on demand-side considerations.

### **Early Housing Movement**

The effort to address problems of access to affordable housing originated in the latter half of the nineteenth century, as several prominent reformers emerged to champion the cause of those struggling to find appropriate shelter within America's increasingly crowded and unsanitary urban environments (von Hoffman 2000, 300). The methods advocated in this regard varied considerably, with proposals advanced for the establishment of a minimal set of building and sanitation requirements for the overwhelmingly indigent populations inhabiting such slum areas within America's major cities as well as the implementation of model projects to demonstrate to building owners the advantages and long-term viability of well-managed and hospitable housing environments.

Jacob Riis, author of "How the Other Half Lives," chronicled the deplorable living conditions within America's inner cities and ultimately played a pivotal role in galvanizing popular awareness of an issue that was still in the incipient stages of becoming a critical administrative task on the radar screen of governments at every level (Hall 1989, 277). At this time, the U.S. was experiencing rapid immigration growth and a dramatic influx of poor refugees, especially from Europe, adding to the urgency of the urban housing situation. To accommodate this explosive growth within urban population centers, it was increasingly evident

that a new strategy was necessary to alleviate the suffering of those packed into slum-like conditions.

### **Rise of Public Sector Housing Efforts**

As the earliest intimations of future economic upheaval began to manifest themselves across the nation during the 1930s, several additional critics of the housing status quo emerged to challenge government to respond to the escalating crisis within America's metropolitan areas. Both Edith Wood and Louis Pink rejected the more limited approaches advocated at the time (including what they considered a minimalist mindset focused on building and sanitation codes alone) and sought to further alleviate the worst aspects of slum living through the introduction of government programs at the federal level to spur construction of rental housing for more than half of all Americans (von Hoffman 2000, 301).

Though in any other age such a proposal would naturally seem extreme and in many cases unthinkable, at a time when President Roosevelt spoke of "one-third of a nation ill-housed" and one-fourth of the population was currently unemployed, such policy prescriptions seemed to offer the best chance of solving some of the devastating economic problems then plaguing the country (Stone 1993, 32). In addition, many of those lacking permanent residence during this period were members of the so-called "submerged middle class" who had enjoyed abundance during the previous decade and were unacquainted with the painful difficulties experienced by the newly poor (Friedman 1966, 646). In light of this overall social and political environment, in which new home starts plummeted from nearly one million new units annually in 1925 to less than 70,000 by 1934, most of the major opposition to governmental intervention in private



markets evaporated as a majority of Americans began to accept the necessity of public sector action to stimulate lackluster demand within the national economy (Friedman 1966, 646).

### **New Deal Era and Early Federal Efforts**

Amidst the severe economic and financial hardships being experienced at the time, the first major piece of federal legislation enacted to begin addressing the issue was the National Housing Act of 1934 (von Hoffman 2000, 301). Besides creating the Federal Housing Administration (FHA), the act also sought to foster housing growth through the provision of mortgage insurance on newly-built homes. With the passage of the U.S. Housing Act of 1937 (also known as the Wagner-Steagall Act), the country established its first official public housing program, with national policy now directed at facilitating the expansion of public housing and directed mostly at poor slum areas (Wallace 1995, 789 & Listokin 1991, 160).

Specifically, the Wagner-Steagall Act created a “federal public housing authority to make loans, grants, and annual contributions to local public housing agencies to develop, acquire, and manage housing projects” (von Hoffman 2000, 302). Furthermore, it was limited to those “whose net income at the time of admission does not exceed five times the rental,” and prohibited discrimination against those who relied in whole or in part on public assistance as part of their income (Friedman 1966, 656). Despite the landmark nature of its passage, the 1937 act was limited to only serving the rental housing needs of the poor due to conservative opposition in Congress. As a result, it included income ceilings as part of the eligibility requirements that were meant to prevent the inclusion of those lower middle class families who had recently experienced the economic hardships endemic to the Great Depression period (Sazama 2000, 579). In addition, the inclusion of an “equivalent elimination” provision to the law ensured that

slum clearance would also remain a high priority of any federal housing effort, with the requirement that homes be destroyed “substantially equal in number to the number of newly constructed dwellings provided by the project” (Friedman 1966, 647). This measure was critical in garnering the support of homeowners’ associations and landlords, guaranteeing as it did that rental rates would not drop precipitously as a consequence of a housing oversupply produced by the burgeoning growth of housing units.

As originally conceived, the Wagner-Steagall Act did not require a large initial appropriation of federal funds to stimulate housing construction, given its reliance on local bonds as a means to acquire the funds necessary for developing projects at the municipal level (Wallace 1995, 791). With the federal government entering into contracts with municipalities to cover the annual payments on the interest charges related to the issuance of the housing construction bonds, initial outlays required were kept to a minimum, and the concerns of fiscal conservatives worried about the long-term budgetary implications of embarking on such a course of action were allayed considerably (Orlebeke 2000, 492). Also, despite the fact that the Federal National Mortgage Association (Fannie Mae) was created in 1938 to assist in establishing secondary markets for mortgages, a progressive tendency toward the effective decentralization of authority related to the implementation of public housing programs began with the Supreme Court decision in *United States v. Certain Lands*, with the court essentially abrogating the authority of the pre-Wagner Act Public Works Administration to administer such a program and ultimately moving the country in a direction that favored the devolution of power to the local and municipal levels (Friedman 1966, 647).

Though the implementation of the public housing program proceeded apace and ultimately led to the development of more than 50,000 units annually during the late 1930s, the

election of a new Congress during the 1938 and 1942 midterm elections and the general explosion in anti-New Deal sentiment nationally at this time did much to undermine the level of political support for such public programs (von Hoffman 2000, 303). Those who opposed governmental intervention in the free market based on ideological considerations (including the National Association of Real Estate Boards) fought diligently against any public assistance and its associated interference with the real estate market and, in one case, nearly succeeded in having the Wagner-Steagall provisions repealed by the U.S. Congress (Sazama 2000, 580).

By the time of World War II, national priorities had been redirected elsewhere, and only the impetus provided by the need to develop housing support for defense purposes kept the public housing program afloat during this period. Nonetheless, in spite of Roosevelt's inclusion of the universal right to adequate shelter as part of his Economic Bill of Rights introduced in 1944, by the end of the war Congress had rescinded the utilization of public monies for the construction of housing units for low-income families, and a renaissance of efforts aimed at providing housing for the poor would have to wait until new life was breathed into the initiative by the Truman administration. In summary, during the 1930s and early 40s the nation's housing policies were effectively split into two components: those directed at assisting the private market through the introduction of mortgage insurance, mortgage markets, and the guarantees afforded by the Housing Act of 1934, on the one hand, and those more directly targeted at the indigent and newly submerged middle class families through the financial support provided to localities for the construction of affordable housing properties (Radford 1996, 2).

## **Truman and the Reemergence of Housing as a Federal Issue**

By the time Truman took over the presidency in April of 1945, much of the initial optimism regarding the ability of the federal government to address the national housing issue in a forceful and effective manner had dissipated, and many felt that the effort had not been invested with sufficient resources to ensure the program's efficiency of operation. With Truman accepting the aims of the Economic Bill of Rights outlined by Roosevelt the previous year, he quickly committed his administration's support for the development of new legislation meant to spur the revitalization of slum areas as well as expand adequate affordable housing through strong public sector efforts. Soon after, several well-known Congressional supporters of public housing programs began work on a measure that would spur the production of new housing as well as the revitalization of blighted municipal areas. Though the Wagner-Ellender-Taft Bill that originated during this period sought to enact several key advances in housing policy at the federal level, including the creation of a unified agency to coordinate national housing planning and a renewed commitment toward public housing construction, the combined opposition from both liberal welfare groups and conservative business interests led to a legislative stalemate on the issue for the next several years (von Hoffman 2000, 307).

In spite of President Truman's elevation of the housing issue with its inclusion as part of his Fair Deal program, Democratic losses in the 1946 midterm elections stymied his grand plans and led to the passage of an incremental program under the Housing Act of 1948. Though it did expand the use of FHA mortgages and otherwise promote the development of rental housing, the act fell far short of the administration's vision and led to an increasingly energetic push on Truman's part to gain passage of a more comprehensive and transformative bill.

After much debate, the Housing Act of 1949 was eventually signed into law by Truman; it authorized the building of more than 800,000 new units of housing over a six-year time period, though over the ensuing decade the effort was consistently under-funded and did not reach even twenty-five per cent of the original construction goal (Orlebeke 2000, 493). In general terms, the legislation established a grandiose vision of “a decent home and a suitable living environment for every American family,” though the requisite mechanisms required for the implementation of such a lofty goal were never developed in any formal way and the ambitions of the program were frustrated as a result (Sazama 2000, 583 & Listokin 1991, 160).

More specifically, the legislation contained the following major elements: authorization of a \$1 billion fund to redevelop urban slum areas and extend grants to states and localities to cover two-thirds of the cost of revitalization, extension in the authority of the FHA to provide insurance for mortgages, reactivation of the policies initiated by the Wagner-Steagall Act regarding the construction of public housing units, and a renewed commitment to the requirement of eliminating an equivalent number of slum projects for each new housing complex erected under the new law (von Hoffman 2000, 310). Nonetheless, in spite of these grand goals for the nation’s housing policy, the legislation encountered several obstacles and generated substantial criticisms as the substance of the law came into effect. Though the housing unit goal was clearly outlined, the funds authorized were largely inadequate for such an ambitious target, and the issue of segregation in the new housing projects plagued the new efforts from the start (Martinez 2000, 468).

Furthermore, by this point the post-war boom had fostered an increasing prosperity among the lower middle class, and the desire for the suburban lifestyle among this politically active demographic relegated the bulk of public housing to the chronically poor and those mostly

marginalized and unwilling to engage politically to advance their own interests (Friedman 1966, 651). Support for the program gradually eroded as a result, and President Truman himself began to pare back the effort as inflationary pressures and shortages began to materialize at the peak of U.S. involvement in the Korean conflict (von Hoffman 2000, 311). As a result of these limitations of the policy, a new approach oriented more toward free-market mechanisms would become the dominant governing paradigm over the next twenty years, beginning with the administration of Dwight Eisenhower.

### **Retrenchment in the Age of Eisenhower**

The decade of the 1950s was a relatively uneventful one in terms of action on public housing at the federal level, with only several minor pieces of legislation being passed to modify or supplement previous statutes. In general, the Eisenhower administration was characterized by a profound skepticism regarding the wisdom and utility of directing affordable housing efforts at the federal level, and did not fight hard to secure appropriations for the housing units authorized during the Truman years. In fact, early on, Eisenhower even contemplated ending the public housing program completely, and his administration consistently declined to request substantial investments from Congress for such purposes (von Hoffman 2000, 312).

Nonetheless, passage of the Housing Acts of 1954 and 1956 did mark a change in emphasis as the acts “replaced public housing with commercially oriented urban renewal.” (Flanagan 1997, 265) Through this alteration, the acts modified the Title I provision of the 1949 law to extend beyond slum areas only and also sought to maintain the earlier buildings during the urban renewal process instead of razing them altogether (von Hoffman 2000, 313). Moreover, the 1956 legislation also opened up public housing programs to unmarried individuals over age

65 for the first time (previously only families qualified), and public support of housing assistance for the elderly would continue to trend much higher than that provided for the general populace (Friedman 1966, 653). Finally, the Housing Act of 1959 established the Section 202 program, which set up a system of direct, low-interest lending to aid not-for-profit organizations in the construction of affordable housing projects for seniors (Wallace 1995, 791 & Listokin 1991, 161).

### **LBJ and the New Ascendance of Public Housing in the 60s**

The 1960s marked a dramatic shift in the use of innovative techniques to foster affordable housing goals, as well as an overall expansion in the powers of the federal government available to achieve these aims as domestic liberalism reached its apogee with President Johnson's ambitious 'Great Society' programs. Nonetheless, despite the resurgence in federal involvement on the issue, the overall trend during this period was a continued progression toward more market-based private sector tools that could facilitate the attainment of housing goals established at the federal level, primarily through subsidies and interest rate modifications rather than the direct government construction of housing (Sazama 2000, 586).

The Housing Act of 1961 initiated this inclination with the establishment of the Section 221(d)(3) Below-Market Interest Rate program (BMIR), which allowed housing developers to receive loans at three percent interest to ultimately promote the growth of rental properties with rents that were one-fifth less than unsubsidized housing units and therefore aimed at families of moderate incomes (Orlebeke 2000, 493 & Smith 1999, 146). By 1965, President Johnson had proposed that the Housing and Home Finance Agency (HHFA) be raised to a Cabinet-level

agency, and the Housing and Urban Development Act of that year formally established the department known today as HUD (von Hoffman 2000, 314 & Orlebeke 2000, 490).

At this point in the evolution of affordable housing policy, public housing facilities had been built in all fifty states, with a total of more than 2.1 million individuals occupying such buildings (Friedman 1966, 643). Nonetheless, several obvious limitations associated with the 221(d)(3) system began to manifest themselves by this point, including a “lack of qualified sponsors ready to come forward” and the fact that as currently structured, the financing mechanisms for “large project mortgages were a direct hit on the federal budget” (Orlebeke 2000, 494).

Partly as a way to mitigate some of these shortcomings, the Rent Supplement Program was created to provide direct payments to rental projects and ensure that such projects received a fair price while still only charging tenants a maximum of twenty-five percent of income for rent (Orlebeke 2000, 494). In spite of these efforts, Congressional inaction on the appropriation front slowed the initiative considerably, and by 1970 an inadequate 31,000 new units had been constructed (Listokin 1991, 162). Finally, the Housing and Urban Development Act of 1965 also contained an important provision known as Section 23, which allowed the government to subsidize renters (Orlebeke 2000, 494).

With the passage of the landmark Housing Act of 1968, Congress outlined several goals of the nation’s affordable housing policy, including substantial increases in housing targets, new subsidies for affordable housing construction, and implementation of fair housing requirements that prohibited discriminatory practices. The production aims of the Housing Act of 1949 were reiterated, with the new legislation commenting that the “supply of the Nation’s housing is not increasing rapidly enough to meet the national housing goal” (Orlebeke 2000, 494). Specifically,



a target of six million units nationwide for those with moderate incomes was set over the next decade, even though in actuality the 810,000-unit goal established by the 1949 law would not be met until 1969 (von Hoffman 2000, 315).

To aid in achieving these aspirational targets, the legislation primarily relied on the creation of two mechanisms to spur the development of affordable housing units: Section 235, targeted at homeowners with an expansion of FHA-insured mortgages subsidized at lower interest rates, and Section 236, which provided developers with FHA-insured financing on rental housing (Wallace 1995, 792 & Smith 1999, 145). In spite of these efforts, the public housing program continued to be plagued by severe criticisms, especially regarding the placement of subsidized housing units exclusively within urban centers and the racial demographics of those living in what were mostly segregated buildings despite numerous federal prohibitions against such practices at this time (von Hoffman 2000, 315). Catherine Bauer, an early advocate of public housing programs as long as they remained broad in scope and served the middle-class constituency necessary to maintain public support for such initiatives in the long run, by this time had joined the chorus of those slamming federal efforts as excessively rigid contributors to formalized segregation in America's cities, and the *Chicago Daily News* excoriated the conditions in several complexes as constituting a "death trap" and a "civic monument to misery" (Friedman 1966, 643-644).

As middle class families vacated the nation's cities for more spacious homes in the suburbs and affordable housing programs began to serve only the chronically poor, public support evaporated, and several failed bond issues and open referenda in localities nationwide began to provide some indication of voter dissatisfaction regarding the current public housing agenda and the mechanisms being utilized to meet its goals (Friedman 1966, 645). It was against

this backdrop of critical opinion that the Nixon administration came to power, and the public housing policies would limp along in modified form for the next thirty years as vouchers and tax credits began to replace the supply-side methods of an earlier era.

### **Nixon, Reagan, and the Privatization Trend**

Though in terms of production numbers the Congress continued to provide funds as part of the incentives established under Sections 235 and 236 of the Housing Act of 1968, by the early 70s several prominent cases of corruption had emerged and called into question the credibility of such efforts (von Hoffman 2000, 320). By this time, issues related to the overall cost, equity, administration, planning, and environmental impact of a continued expansion of housing units across the country had come to be recognized as major flaws in the implementation of current policies, especially as outlined in the President's Third Annual Report issued in 1971 (Orlebeke 2000, 497).

Seeking to adjust the tenor of the nation's approach to housing further, the Nixon administration pushed through Congress the Housing Act of 1970. This legislation contained Section 504 establishing the Experimental Housing Assistance Program (EHAP), which provided direct payments to indigent tenants living in buildings owned by private entities to assist with rental payments (Quigley 2004, 150). The EHAP program, later expanded into the Section 8 rent supplements, served as an early effort at testing the effectiveness of new voucher-type assistance tools as mechanisms for furthering access to affordable housing. Despite this experimentation with alternative methods, a consensus began to emerge at this time that the 1949 housing goals were unrealistic, with the Department of Housing and Urban Development

labeling them “a commitment without a timetable and without means of accomplishment” (Orlebeke 2000, 492).

In light of these events, President Nixon implemented a moratorium on subsidized federal housing programs starting on January 1, 1973, in spite of the objections of his HUD Secretary George Romney to an abrupt pause and the substantial repercussions that such a move would have on the nation’s housing policies (Wallace 1995, 793). Though this action was tempered somewhat in that those projects deemed to have reached the viability testing phase of development under Sections 235 and 236 were allowed to continue in the years ahead, it still stands as the key demarcation point in the evolution of national housing policy (Orlebeke 2000, 489).

The next major piece of legislation in this area, the Housing and Community Development Act of 1974, was signed into law by President Ford and formally established the Section 8 housing voucher system. As such, it initiated the move away from direct subsidies with a repeal of the BMIR program and toward a decentralized approach that relies more on the discretion of states and localities to meet affordable housing needs (von Hoffman 2000, 320). The act established Section 8 rent payments for landlords based on making up the difference between fair market value for rent and the thirty percent amount of income supplied by low-income tenants; this form of assistance would constitute a majority of HUD funds provided to meet the nation’s housing goals by the 1990s (Sazama 2000, 588). Furthermore, the Housing and Community Development Act of 1974 also ended the urban renewal programs and consolidated several previously existing ones under the general umbrella of Community Development Block Grants. (Listokin 1991, 165). These grants, which are awarded to states and localities based on a competitive process, “were far more flexible than those of the earlier law”

and represented a further move toward decentralization in national housing policy (von Hoffman 2000, 322).

The election of the anti-government Ronald Reagan in 1980 only furthered these trends in policy, and the HUD budget for housing assistance was trimmed from \$26.7 billion to \$8.3 billion during the eight years of his presidency (Sazama 2000, 591). The President's Commission on Housing, appointed early during the Reagan administration, deemed the "massive production of new apartments for the poor" to be an ineffective policy tool, and instead suggested the implementation of a voucher-like Housing Payments Program (Orlebeke 2000, 505).

Such a move was initiated by the Housing and Urban-Rural Recovery Act of 1983, which created a voucher system as part of the Section 8 program; this change completed the evolution of housing policy from one based on stimulating production to a demand-side process that embraces flexibility and decentralization in implementation. Finally, in 1986 Congress introduced the low-income housing tax credit (LIHTC) program into the tax code with the passage of the Tax Reform Act of 1986 (Listokin 1991, 167 & Sazama 2000, 592). The LIHTC, which essentially serves as a type of block grant with states and localities given broad discretion, allows those investing in low-income housing to receive a matching tax credit over a ten-year period as long as certain conditions are met regarding rental rates and tenant income levels (Orlebeke 2000, 511). Since its introduction, the LIHTC has "been the major federal program for producing affordable rental housing" (Cummings & DiPasquale 1999, 251).

## **George H.W. Bush Until Today**

By 1988 and the election of George H.W. Bush, the use of demand-side programs focusing on a decentralized system of vouchers, tax credits, and block grants to states and localities had won out over the supply-side housing initiatives of the 1960s (Orlebeke 2000, 491). Over the next two decades, the predominance of this orientation as the overarching element of the nation's housing policies has been evident in the incremental legislation passed to expand federal grants and housing vouchers meant to assist governmental authorities at the local level in meeting their affordable housing goals. Along these lines, the National Affordable Housing Act of 1990 furthered the devolution of control from the federal government to states and municipalities, with the introduction of the HOME Investment Partnership Program. This program makes federal aid available to local governments in the form of block grants "for broadly defined affordable housing programs, including tenant-based rental assistance, new construction, and housing rehabilitation" (Wallace 1995, 794). Likewise, a similar idea was advanced by President Clinton in 1993 with the authorization of the Urban Revitalization Demonstration Program, or HOPE VI, which also serves as a mechanism for providing federal funds for local cleanup projects (Orlebeke 2000, 516).

In spite of the strongly anti-HUD sentiments held by the majority of those newly elected to Congress as part of the Gingrich Revolution in the 1994 midterm elections, efforts at widespread reform or even outright elimination of the department were resisted with a pledge of "reinvention" that involved "ending within three years the entire federal system of public and assisted housing tied to project subsidies and replacing it with vouchers issued to tenants who could either stay in place or take them into the private market" (Orlebeke 2000, 515). Though these commitments were overly-ambitious and unfulfilled for the most part, the now-persistent

trend toward decentralization did continue with the passage of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) in 1997. This legislation, known as “mark-to-market,” was designed to lower the rents on multi-family housing complexes to market levels as a method of controlling the costs of subsidies under the Section 8 provision, while also maintaining and preserving existing buildings (Smith 1999, 143 & Orlebeke 2000, 516). By 1998, Congress had also passed the Quality Housing and Work Responsibility Act, which combined the Section 8 components on vouchers and certificates into one single program in a further effort to streamline the operation of federal housing policies, in addition to “repealing federal preferences, stipulating minimum rents, revising HOPE VI, and increasing fiscal flexibility for local authorities” (Keating 2000, 384). The last piece of major federal legislation affecting affordable housing policy, the American Dream Downpayment Act, was signed into law by President George W. Bush in 2003. This statute continued the privatization and decentralization trends mentioned previously, with its focus on “encouraging minorities to become homeowners” through assistance “meant to help about 40,000 families each year pay their down mortgage” (Béland 2007, 98).

## **Chapter Summary**

This chapter discussed the evolution of affordable housing policy at the federal level, starting with the New Deal era and ending at the present time. This survey of policy change indicates that the supply-side production emphasis that characterized the various programs and legislation implemented throughout the earliest years of the housing policy debate (epitomized by the BMIR programs and subsidies established as part of the Section 235 and 236 programs) reached a peak of prioritization during the 1960s and the period of LBJ’s Great Society. Though

the lofty goals outlined in the seminal 1949 Act remained a part of the policy rhetoric in the decades that followed, several high-profile cases of corruption and the overall decline in public support that was created as the lower middle classes flocked to the suburbs and the affordable housing constituency came to be defined as exclusively consisting of the dependent poor both aided in fostering a national environment of skepticism related to such programs. Thus, beginning with the moratorium on subsidized federal housing programs in 1973, the arc of policy progression has tended toward mechanisms that rely on free-market principles and the privatization of production tools to meet the nation's affordable housing goals. Among these are three of the most important in use at the present time: vouchers, housing block grants, and the low-income housing tax credit.



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## **CHAPTER 3: Community Development Corporations (CDCs)**

### **Chapter Purpose**

This chapter discusses the history of community-based non-profit housing developers, including the nature of their origin in the 1960s. In addition, it also provides a discussion of the advantages associated with affordable housing produced by non-profit entities. Finally, it concludes with some of the most prominent challenges currently facing CDCs, particularly as they seek to advance local interests and develop their communities in an economically sustainable way.

### **CDCs As Non-profit Housing Providers**

CDCs, or community development corporations, are the dominant non-profit housing organizations that strive to both generate and rehabilitate affordable housing units, though many also adopt an extra role in providing needed social services and promoting economic revitalization in their areas of operation (Bratt and Rohe 2007, 63). The latter role may apply to a diverse array of services often in demand among those residing in affordable housing, including those specifically aimed at senior citizens and working families with school-age children as well as a more general level of advocacy on behalf of community interests.

Used interchangeably with such names as community-based development organizations and community housing development organizations, the CDC label refers specifically to nonprofit developers that “self-identify with particular neighborhoods or groups of neighborhoods, restrict development activity to those neighborhoods, and otherwise undertake community-building activities that typically serve only residents of those neighborhoods”(Walker 1993, 371). For the most part, CDCs “blend physical development



activities with an array of community-building activities” that may extend to such areas as assistance with job training and programs designed to provide a supportive environment for children (National Congress for Community Economic Development, 1995). This unique commitment to a more holistic view of community development means that CDCs, unlike their for-profit counterparts, are essentially neighborhood-based rather than function-based, and are able to play a larger role in fostering a sense of organizational loyalty toward the mission of enhancing the broad-based benefits made available to the surrounding community (Crowe 1996).

More generally, CDCs can be identified according to several characteristics, including classification under the tax code as 501 (c)(3) nonprofit organizations, a board of governors that serves on a voluntary basis, and a primary focus on redevelopment within the community (Stoecker 1997, 1). Finally, the *Rebuilding Communities* study published by the Community Development Research Center described a CDC as “a non-profit organization with a community base, engaged in developing housing, commercial real estate or business enterprises.” (Vidal 1992, 26).

### **CDC Origins**

Since their early formation during the 1960s, CDCs have played an increasingly prominent role in the construction and management of the nation’s supply of affordable housing. Originating in the mid-60s and first supported legislatively through passage of the Economic Opportunity Act and its Special Impact Amendment, CDCs at this point primarily focused on job growth and remained limited in scope (Stoecker 1997, 2). For the most part, efforts at community revitalization during this period were highly circumscribed, led by “local

residents pressing for changes to improve their neighborhoods.” (Frisch and Servon 2006, 89). CDCs thus sought to serve as vital tools for the attainment of important community goals, and fought for “responsive and representative local action, partnerships among public and private sectors, and flexibility.”(Hunt 2007, 10)

The evolving CDC model itself was based on the creation of a non-profit unit that could effectively remedy three specific failures associated with the free market: the chronic shortage of investors willing to invest resources in historically struggling neighborhoods, the general lack of socially conscious investing not reliant solely on the maximization of profits, and zoning laws that impeded investment (Stoecker 1997, 4). Though the War on Poverty and other initiatives of the Great Society provided the early impetus for this CDC formation and growth as part of an effort to revitalize blighted areas and expand the nation’s affordable housing stock, the total number of CDCs nationwide remained less than a hundred by the beginning of the 1970s (Gittell and Wilder 1999, 342). However, by this time the mission had expanded beyond job creation efforts to emphasize the development of adequate supplies of affordable housing to meet the needs of a growing nation, and a multitude of philanthropic groups also began to emerge to bolster CDC resources and capitalization (Peirce and Steinbach 1990, Bratt 1989).

Growth in the number of CDCs stayed steady throughout the 70s as further opportunities for federal funding of projects became available (including the Community Services Act of 1974), and the total federal allocation for CDCs exceeded half a billion dollars by 1980 (Stoecker 1997, 2). Nonetheless, it was not until the challenging federal environment encountered in the 1980s that growth began to take a dramatic turn upward, as the shortage of available government support forced non-profits to explore alternative funding sources that

ultimately allowed for a greater expansion of operations. This trend toward the transfer of low-income housing responsibility to the non-profit sector began in earnest during this period of deregulatory fervor and has persisted up to the present as the federal government continues to retreat from its previously prominent role in ensuring that the country's poor are well-housed (Schwartz et al. 1996, 390).

As a reflection of this process of decentralization, two of the most important programs established at the federal level to foster the production of affordable housing units (the Low Income Housing Tax Credit created by the Tax Reform Act of 1986 and the HOME Program contained in the National Affordable Housing Act of 1990) both contain provisions to ensure that non-profit housing organizations receive a minimum threshold of allocated funding (Ellen and Voicu 2005, 2). Specifically, the HOME program of block grants mandates that governments at the local level set aside at least fifteen percent of all allocated funds for nonprofit developers; the LIHTC program similarly requires that a minimum of ten percent of credits are given to housing developments that are nonprofit-owned (Schwartz et al. 1996, 390). Furthermore, both the Empowerment Zones/Enterprise and Renewal Communities and the Community Development Financial Institutions programs have sought to maintain CDC involvement in the process of developing affordable housing (Bratt and Rohe 2007, 67). As a result of these and other initiatives, by 1993 approximately thirteen percent of all federally-supported low-income housing units being developed could be attributed to the non-profit sector (Walker 1993, 369).

## **Rise of Intermediaries**

It was also at this time in the development of CDCs nationally that affordable housing intermediaries began to play a major role in enhancing developers' technical knowledge needed to efficiently plan and manage low-income projects while also serving as effective liaisons between CDCs and available funding sources (Walker 1993, 370). Groups such as the Neighborhood Reinvestment Corporation and the Enterprise Foundation thus emerged to compensate for some of the organizational limitations traditionally affiliated with non-profit housing developers (Gittell and Wilder 1999, 342). Among these limitations, the most prominent include difficulties connected to risk management, capital mobilization, the maintenance of technical capacity, and the increasing necessity of demonstrating adequate societal return on investment (Walker 1993, 370).

Partly to help in remedying some of these troublesome technical issues, in 1990 the Enterprise Foundation and the Local Initiatives Support Corporation partnered together to run a \$62.5 million account established by several foundations known as the National Community Development Initiative (NCDI) (Gittell and Wilder 1999, 342). The main goal of the NCDI is to create "local partnerships that assist community development corporations (CDCs) to grow, build capacity, produce affordable housing, and undertake other community activities." (Bratt et al. 1998, 49) On the management side of the affordable housing equation, analogous facilitator groups such as the Consortium for Housing and Asset Management have similarly been formed to supplement non-profit capacity in areas relevant to ownership of low-income properties.

## **CDCs Today**

At the present time, more than 3,600 CDCs are in operation throughout all fifty states, and these non-profit groups have been responsible for more than half a million units of low-income housing (Bratt and Rohe 2007, 63). Building capacity is highly uneven across the sector, however, as only a small percentage of developers is responsible for the majority of the housing units constructed. As an example, more than twenty-five percent of all units built in the period from 1988 to 1990 could be attributed to less than two percent of all CDCs operating nationally; the bottom half of CDCs production-wise was responsible for only eight percent of affordable units constructed, indicating that capacity across the sector is distributed in a highly uneven fashion (Walker 1993, 375).

In terms of evaluating the impact of years of operation on the ability of CDCs to produce growth in the number of units built, additional analysis of the period from 1988-1990 also demonstrates that organizations between one and five years old are not producing units at a rate commensurate with their overall share of the total CDC population; this trend is not observed for older developers and suggests that capacity-development is less difficult beyond this point (Walker 1993, 376). The fact that production rates stabilize at the five-year mark suggests that beyond a certain time in an organization's development a critical mass of ties to intermediary groups and political interests has been attained, and the technical knowledge deficiencies of younger CDCs may also be mostly surmounted by this stage of organizational growth.

Finally, significant regional differences in CDC production across the country must also be recognized as well, with most of the activity concentrated in the Northeast and also along the West Coast, with the southern portions of the U.S. underrepresented overall (Walker

1993, 377). However, in spite of this geographic disparity in CDC activity, it is also crucial to emphasize that the concentration of capacity across all regions still reflects the national trend, with high-production developers responsible for the overwhelming majority of the new affordable units built.

### **Advantages of Non-profit Housing**

Though CDCs suffer from several limitations when it comes to efficiently constructing and operating low-income housing complexes, they are uniquely positioned to exploit advantages exclusive to the non-profit sector. One positive impact likely to emerge when CDCs are involved in housing provision rather than for-profit actors includes the creation of units that are affordable over the long term rather than subject to otherwise unstoppable upward cost pressures. Though in fact both CDCs and for-profits are motivated by the imperative of maintaining positive cash flows and a stable revenue balance over time, CDC profits do not directly benefit those within the organizational leadership. Thus, it can be said that they are subject to a “non-distribution constraint,” an imposition inherent to the non-profit realm that forces a dependence on managerial discretion in decision-making rather than allowing for a more traditional reliance on the governing mechanisms of the profit motive (Glaeser 2003). Given that CDC managers are incapable of earning immediate benefits based on the upward manipulation of rental rates, it is far more likely that non-profit-managed housing units will remain affordable over a longer time frame and within the reach of even the neediest members within the local area (Ellen and Voicu 2005, 3).

Though some have argued that the competitive environment that both non-profit and for-profit actors operate in has blurred the traditional separation between the two sectors

(Rosenau and Linder 2003), the fact remains that pivotal differences between the two ensure that CDCs are by their nature more dependent on the maintenance of community trust and the establishment of solid and enduring organizational linkages with affordable housing sector intermediaries; both community buy-in and intermediary ties critically depend on things other than an organization's bottom line alone, and stable rental rates certainly assist CDCs in the process of securing and maintaining the trust of tenants.

In a similar manner, CDCs are also believed to have a higher probability of developing an orientation that is predicated on serving potential tenants with the greatest economic and social needs in the local geographic area (Ellen and Voicu 2005, 5). Again, other variables being equal, CDCs do not face the overriding operating incentives intrinsic to the private sector that naturally militate against the use of top-of-the-line construction materials and that encourage only a superficial commitment to the maintenance of housing facilities once they are built (Hansmann 1980). As organizations that are more dependent on ties to local intermediaries and facilitators instrumental in expediting the production of low-income housing, CDCs and other non-profit groups develop a mentality that is less attuned to considerations of profit at the expense of other important factors. Whereas a private affordable housing developer would naturally be hesitant to commit resources to areas located in distressed neighborhoods, the differing incentive structure within the non-profit sector may change the critical decision-making calculus involved and lead to substantial investments in what was previously a woefully underserved community (O'Regan and Quigley 2000). In short, CDCs are able to transcend bottom-line considerations (at least to a limited extent) and devote more time and resources to the well-being of tenants as well as the quality of services available in the surrounding area.

## **Challenges Faced by CDCs**

As non-profit organizations that seek to serve a dual role in the community as developers and managers of affordable housing stock on the one hand and advocates on behalf of a range of area interests on the other, CDCs face several unique challenges. As part of this dual role, they face a competing interest between the necessity of continuing to expand adequate technical expertise relevant to management and development functions while at the same time not allowing these efforts to undermine advocacy for community interests (often called ‘the double bottom line’) (Bratt and Rohe 2007, 70).

The complex and patchwork system of finance and the ongoing struggle for stable sources of funding serve as strong barriers for many CDCs. By the mid-80s, an average of six sources was needed to finance each housing project, while a later study from Abt Associates concluded that 7.8 sources were required (Walker 1993, 388). In an environment that has seen explosive growth in the number of CDCs and other nonprofit developers involved in the low-income housing industry, the competition for a finite supply of funding resources has tightened significantly (Bratt and Rohe 2007, 65). The ability to achieve an adequate diversification of funding sources is thus a major roadblock as CDCs seek to expand their operations and attend to the needs of their communities, especially given that overdependence on a single source risks the collapse of the entire operation if funding suddenly dries up from that sector (Bratt and Rohe 2007, 68).

Walker determined that diversity in the number of funding sources was directly correlated with the success of an organization, with CDCs producing more than two hundred units annually possessing the greatest number of average sources (Walker 1993, 385). Also, with more than ninety-four percent of all CDCs nationally receiving more than \$50,000 from



the transaction cost-heavy LIHTC program between 1988 and 1990 (more than any other source), they have naturally pivoted toward larger and riskier projects that are able to minimize per-unit expenses (Walker 1993, 385, 389). Furthermore, since most CDCs are comparatively small and localized geographically, they are often unable to offset expenses across a multitude of projects or regions and are highly susceptible to market activity at the local level (Walker 1993, 391; Bratt and Rohe 2007, 72).

Finally, the implications for those CDCs unable to acquire sufficient resources and a stable fund balance are numerous in terms of their compromised ability to perform effectively. Since effective CDCs require both able staff and governing boards with the technical skills necessary to navigate a complex funding environment, those nonprofits facing resource shortages will unfortunately also face a more stressful workplace situation and thus higher staff turnover (Bratt and Rohe 2007, 67). As is common in the nonprofit industry, benefits and salaries available for CDC employees are often substantially lower than those received in the private sector, and those organizations with fewer staff overall will tend to have less specialization and limited technical understanding compared to larger CDCs (Walker 1993, 390). Higher staff turnover will, in turn, degrade overall technical capacity itself given that the loss of carefully-developed and time-intensive technical knowledge will represent a major reduction in the organization's institutional understanding of the processes involved in securing adequate funding. Ultimately, if this self-perpetuating process of failure is not arrested in some form, the risk of organizational collapse is high.

## **Chapter Summary**

This chapter discussed the history of community-based non-profit housing developers, including the nature of their origin in the 1960s. It also provided a summary of some of the advantages associated with the provision of affordable housing through non-profit entities as opposed to the private sector. Finally, it included some of the more daunting challenges currently faced by CDCs and other non-profit developers as they seek to advance the economic and social opportunities available in their communities.

## CHAPTER 4: Literature Review

### Chapter Purpose

This chapter seeks to develop a conceptual framework to explore working hypotheses related to community development corporation (CDC) performance. Exploratory research is typically used when the topic under study is in its preliminary stages of development (Shields and Tajalli 2006, 14). Furthermore, the working hypotheses that are developed are used to “enable and focus evidence collection” (Shields 1998, 202). However, in spite of the provisional nature of exploratory research, a set of expectations must be created to determine if the empirical evidence agrees with underlying theory. To accomplish this task, the existing literature on factors affecting CDC success is briefly summarized, and the most salient components of capacity are used to tie characteristics of neighborhood development organizations to specific outcome measures.

The first section of this paper outlines the three dimensions (dependent variables) of CDC performance and explains their relevance in serving as useful guides for gauging the success of non-profit housing developers. The following section describes three independent variables that measure the aspects of CDC capacity most likely to affect organizational performance. These characteristics are then linked to the specific outcome measures based on the literature, and a series of working hypotheses is offered in preparation for use as part of a survey of CDCs operating in cities across the U.S.

## **Dependent Variables: CDC Performance Measurement**

There is wide variation in CDC success and no established consensus that explains this disparity in performance (Cowan et al. 1999, 325). Developing agreed-upon performance standards is thus difficult for those seeking to understand the industry. One barrier is the wide variation in the organizational characteristics of these CDCs. For example, CDC staff size varies from one to nearly 100 employees (Vidal, 1992). Similarly, median budgets also vary widely. The standards developed for a small CDC with a small budget logically will be different from one that is larger in terms of staff and resources.

The spectrum of activities that each organization engages in also varies across the CDC industry. In addition to the core functions of building and rehabilitating housing, CDCs may also be involved in “lending and loan servicing, homeownership counseling, rental management, weatherization programs, community organizing, lobbying and advocacy, and commercial and business development” (Cowan et al. 1999, 326). Thus, any set of measures designed to compare CDC effectiveness must be universal enough to apply to nonprofit organizations occupying every point along the organizational continuum while still allowing for enough specificity to permit meaningful comparisons among a population of CDCs. Fortunately, previous analysis has provided several metrics that are capable of capturing at least one aspect of CDC performance while still being applicable to all types of non-profit housing developers.

### **Dependent Variable #1: Funding Sources**

One simple yet useful measure of CDC performance is the number of different funding sources accessed by the organization. The need for adequate development financing, including the raising of equity capital and the acquisition of gap financing, is one of the greatest obstacles

currently facing CDCs (Schwartz et al. 1996, 391). Diversity in the number of funding sources has been directly linked with the success of an organization, with CDCs producing more than two hundred units annually possessing the greatest number of average sources (Walker 1993, 385). CDC leaders are aware of the key role that they play in expanding the number of funding sources made available to finance operations (Nye and Glickman 2000, 173).

### **Dependent Variable #2: Revenue/Expense Balance**

Another CDC performance measure is the ability of the organization to establish positive cash flows and remain in operation as a functioning non-profit entity. In this regard, the “revenue/expense balance is the most relevant and straightforward” of the financial indicators used to gauge organizational competence (Bratt et al. 1995, 114). Furthermore, “a CDC’s financial condition is a clear gauge of its capacity,” as “a strong balance sheet and adequate cash flow are essential to its organizational stability” (Nye and Glickman 2000, 172). Industry partnerships recognize that the strength of the organization’s finances is a suitable measure for indicating competence (Nye and Glickman 2000, 193). As such, partnerships use these types of indicators as important criteria in guiding decisions related to funding and training assistance programs. In this regard, CDCs with a demonstrated commitment to budgetary stability are more likely to attract the resources needed to further streamline operations and expand organizational efficiencies, eventually leading full circle to a strengthened financial position. The revenue-expense balance is a useful and simple way to determine how effective each CDC is at both collecting and maintaining income levels commensurate with the size and scope of the organization’s operations as well as minimizing overspending beyond the resources that are available.

### **Dependent Variable #3: Housing Units**

The final outcome measure for gauging CDC performance focuses on the number of housing units produced by the CDC per year. However, because this measure of effectiveness in part depends on the size of the organization undertaking the construction of affordable housing units a measure of efficiency is more useful. The use of an efficiency indicator relating total production to operating costs is more appropriate, as it permits “the direct comparison of organizations of different sizes and for comparisons among CDCs and between CDCs and other types of organizations,” and successfully overcomes “deficiencies in output-based measures because output measures are highly correlated with organization size and, therefore, slanted in favor of larger organizations” (Cowan et al. 1999, 327). Housing production has been widely identified as perhaps the most essential quantifiable outcome measure of CDC effectiveness (Nye and Glickman 2000, 193). Perhaps most importantly, the production of housing is both a near-universal endeavor among CDCs as well as the most carefully recorded output (Cowan et al. 1999, 328).

The dependent variables are examined as a function of several independent variables that are determined based on the research on CDC effectiveness. These independent variables are directly linked to components of CDC capacity, and include the level of staff turnover, ties to industry intermediaries, and community involvement in decision-making.

### **Independent Variables: Components of CDC Capacity**

Capacity, particularly within the context of the nonprofit housing sector and the work of CDCs, has increasingly been recognized in the industry as a crucial explanatory factor in accounting for the success or failure of nonprofit housing organizations. Outlining the specific

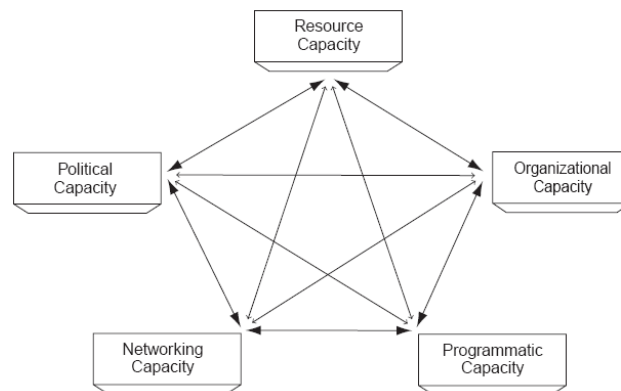
elements of CDC capacity is difficult due to the wide variation in CDC size seen across the industry, both in terms of personnel and budgeting. In addition, the functions carried out across the industry vary immensely; in many cases, the underlying missions of the organizations are not comparable.

Despite these difficulties, several attempts have been made to provide consistency on this point. The NCDI has defined capacity building as “creating and otherwise enabling existing CDCs to achieve their mission by providing the kinds of resources and technical assistance they need to increase production, develop and reinforce board and management skills, and otherwise strengthen organizational capacities” (NCDI 1995, 67). Alternatively, capacity has also been denoted as “the byproduct of human, social, financial, and physical capital brought to bear by organizations on collective problems” (Owens 2004, 134). However, these types of limited definitions have typically ignored several key aspects of CDC activity in favor of an overall emphasis on “production and the abilities to secure outside resources and to attain scale” (Glickman and Servon 1998, 502). Clearly, capacity is a complicated feature within the non-profit affordable housing industry, and the lack of a more comprehensive definition has hindered efforts aimed at obtaining an accurate picture of the role that CDCs play in community revitalization.

In part to remedy this deficiency associated with the earlier literature on CDCs and their operations, several authors have relied on more holistic models outlining the multiple components of capacity among community-based housing organizations. Building on earlier research into the best practices of non-profit groups, one proposed paradigm offers four elements of capacity: leadership and vision, management and planning, fiscal planning and practice, and operational support. (Fredericksen and London 2000, 233). Others have utilized a five-part

conceptual model of capacity that incorporates a number of similar components involved in any analysis of the industry (Lowe 2008, 41; Glickman and Servon 1998, 503; Nye and Glickman 2000, 166). In this framework, CDC capacity is separated into resource, programmatic, organizational, network, and political categories. This construction is used here to link the quality of a non-profit housing developer’s capacity to the attainment of certain performance measures as outlined in the previous section. The five-part capacity model is also in agreement with previous research suggesting a clear relationship between components of CDC capacity and organizational performance (Fredericksen and London 2000, 236).

In light of this close relationship between capacity and performance outcomes produced by an individual organization, efforts tied to capacity-building have taken center stage as the industry seeks to continue its prominent role in providing and managing affordable housing (Glickman and Servon 2003, 241). However, these aspects of CDC capacity do not exist in isolation; on the contrary, they interact in a complicated and interdependent fashion and in many cases serve to mutually reinforce one another (Fredericksen and London 2000, 236). The interactions between the main elements of CDC capacity are shown below in Figure 4.1.



**Figure 4.1: Interconnected nature of CDC capacity elements**  
 Source: Glickman and Servon 1998, 505.



This project focuses exclusively on the three areas of capacity deemed the most important in determining the performance of CDCs: organizational, networking, and political capacity.

### **Organizational Capacity-Staff Turnover**

A survey of 130 CDCs in the early 1990s found that the “need for some type of increased organizational capacity importantly constrains the expansion of between twenty five and thirty percent,” providing strong support for the importance of this component in supporting the fundamental mission of a CDC (Vidal 1992, 13). CDC staff members have identified the expansion of organizational capacity as the most critical component in meeting their growth targets and achieving overall success (Nye and Glickman 2000, 175). Clearly, the internal characteristics and operations of CDCs play an important role in determining the success of the organization. These internal factors include executive leadership, staff expertise and turnover, and the effectiveness of the board of directors. Staff turnover deserves more attention due to the critical need for a sustained level of specialization across the organization that can only be developed over a period of months and years.

The Rebuilding Communities survey undertaken in the early 1990s found that CDC employees earned comparatively low salaries, and benefits in the nonprofit housing industry are notoriously low as well (Frisch and Servon 2006, 93). Inadequate compensation has an adverse impact on the retention of workers. In general, the combination of low salaries, meager employee benefit packages, and high individual workloads has translated into staff retention problems for many CDCs.

Since it often takes up to two years for a new hire to become adequately knowledgeable to handle the complex tasks associated with housing production and management, employee turnover has major implications for CDC success (Nye and Glickman 2000, 176). A survey of 18 community-based development organizations (CBDOs) in the El Paso-Juarez metro region found that despite the fact that their staffs “had higher educational attainment than aggregate estimates for adults in the El Paso population,” more than four out of five earned a salary that was less than \$25,000 per year (Fredericksen and London 2000, 236). Talented individuals right out of college are often dissuaded from a career in the nonprofit affordable housing industry since “they are not always willing to accept the organizational instability” inherent in such a position (Frisch and Servon 2006, 94).

Previous surveys have confirmed that CDCs tend to have small full-time staffs, with eighty-seven percent consisting of fourteen or fewer workers (Bratt 1989, 238). In this environment, employee stress is rather high, and opportunities for career advancement within the organization are limited. Employee turnover is thus an issue of critical concern, especially since those organizations with a core staff of experienced workers are able to develop an institutional memory that facilitates the expansion of organizational effectiveness over time (Fredericksen and London 2000, 235).

### ***Staff Turnover and Funding Sources***

Successful CDCs have a high degree of organizational competency, a quality that is dependent on the use of experienced staff members who possess the needed technical skills required to operate in a complex funding and management environment (Gittel and Wilder 1999, 344; Bratt 1989, 237). For CDCs, the ability to access sufficient funding levels is closely

linked to certain organizational skills. These include grant-writing and fund-raising competencies that are only developed over time and that are lost when retention levels are low. Knowledgeable staff at the top of the organization is integral in obtaining the resources needed to support important projects (Mayer 1984, 102). Clearly, a staffing environment characterized by low retention of skilled employees will struggle to maintain the knowledge base needed to thrive as a recipient of grants needed to sustain organizational objectives.

In an industry distinguished by unstable funding and minimum staffing, the executive director position constitutes an integral part of a CDC's organizational capacity (Glickman and Servon 1998, 512). In such a difficult operating environment of patchwork financing, the executive director of the organization plays a central task in navigating the difficult political and fundraising issues that CDCs face (Heimovics et al. 1993, 420). Thus, there is a great reliance on executive leadership to procure adequate resources needed to accomplish stated missions and objectives (Heimovics et al. 1993, 419). Executive directors who are more established in their positions are able to create a consistent mission for the organization and utilize developed connections with important investment players to increase funding opportunities (Cowan et al. 1999, 334). Many, but not all, CDCs have executive directors with pronounced skills in soliciting resources and engaging in outreach efforts with important political and community figures (Mayer 1984, 33).

Having staff with the requisite skill sets needed to carry out the mission of the organization is critical for CDC success and assists in several key areas: the efficient resolution of difficult technical issues, the acquisition of help from hesitant sources, and the maintenance of support from the community (Mayer 1984, 106). In the absence of a core cadre of well-trained staff capable of competently handling the myriad tasks CDCs continually face throughout the

course of their day-to-day operations, fundraising efforts are adversely impacted and the mission of the organization severely compromised.

Given the literature suggesting a link between CDC staff turnover and the ability of the organization to expand its available pool of potential funding sources via the leveraging of staff competencies developed over time, the following working hypothesis is suggested:

*WH1a: CDCs with lower levels of staff turnover will have more funding sources.*

### ***Staff Turnover and Revenue/Expense Balance***

In terms of maintaining financial sustainability, keeping staff turnover to a minimum allows CDCs to exploit employee specialization within particular areas and creates efficiencies throughout the organization (Glickman and Servon 1998, 513). For example, accurate feasibility analyses evaluating the financial viability of potential projects and expansions are necessary if the CDC is to achieve success (Mayer 1984, 17). In general, such analyses enable the organization to avoid wasting resources on development projects that are unpromising from the start and incapable of being accommodated in a financially sound manner (Mayer 1984, 190). In the absence of such financial evaluations, resources become overextended, and the ability of the organization to maintain a positive revenue to expense ratio is compromised. Finally, when high staff turnover is occurring on a consistent basis demands are continually placed on the organization to hire and train a new group of employees to keep up with core activities. This task detracts from the organization's ability to ensure financial stability and attain its established goals (Glickman and Servon 1998, 513).

Tenure of the executive director has been cited as an especially integral determinant of the efficiency of the organization, with stable leadership leading to increases in CDC strength (Cowan et al. 1999, 331). Moreover, strong leadership from executive directors has been tied to the success or failure of CDC efforts in the communities where they operate (Gittell and Wilder 1999, 344). Since large CDCs may take nearly a year to locate a replacement executive director who is able to quickly assume the responsibilities of managing the organization, establishing stable leadership is a key factor in explaining overall success (Zdenek and Steinbach 2004, 207). Earlier research efforts have shown that turnover in the executive director position helped in contributing to either organizational failure or severe downsizing (Bratt and Rohe 2004, 212).

Given the above discussion, the following working hypothesis related to a CDC's organization capacity is suggested:

*WH1b: CDCs with lower levels of staff turnover will demonstrate a more stable revenue-expense ratio.*

### ***Staff Turnover and Housing Production***

Producing housing units is the most common programmatic activity undertaken by CDCs. The implications of high staff turnover on this aspect of performance are particularly relevant. High turnover has been shown to undermine housing production (Bratt and Rohe 2007, 68). With greater average staff tenure, employee familiarity with important aspects of CDC function allows for increases in productivity (Cowan et al., 1999). Moreover, those CDCs committed to devoting resources to promote staff retention were more successful when it came to the production of housing units (Lowe 2007, 42). The maintenance of an established leadership

structure has been tied to a CDC's ability to reach its stated goals, with mean total output greater for those organizations with more stability in the leadership ranks (Vidal 1992, 93).

As has been documented, when CDCs lose integral leaders they are likely to experience a subsequent loss of productivity as they adjust to the new situation (Glickman et al. 2004, 165). Having a long-tenured executive director is likely to have a positive impact on staff retention as well, serving to increase loyalty to the organization and minimizing the loss of carefully developed human capital needed for expanded production.

Given the above discussion relating a CDCs staff turnover to housing production efforts, the following working hypothesis is suggested:

*WH1c: CDCs with lower levels of staff turnover will produce more housing units annually per total operating costs.*

### **Network Capacity-Ties to Intermediaries**

“Intermediaries” at all levels of government and their integral role in enhancing the ability of CDCs to serve neglected communities represent the most important change within the nonprofit housing sector during the 1980s (Walker 1993, 393). The emergence of groups such as the Enterprise Foundation and the National Community Development Initiative represents the development of a community development industry that emphasizes increasing professionalization and marks a transition from a group of “largely independent, grassroots organizations, to a model of development built upon key relationships with government, philanthropy and churches” (Frisch and Servon 2006, 90). Organizational performance is dependent on the development and maintenance of critical network linkages, and industry

intermediaries can serve to promote such ties across the nonprofit affordable housing sector (Glickman and Servon 1998, 524; Nye and Glickman 2000, 163). As national organizations work to establish development partnerships at the local level, the resources of community-based groups have been combined with those available in the public and private sectors to develop struggling communities (Glickman and Servon 1998, 498). At a time defined by the increasing transfer of affordable housing responsibilities from the federal to the local level, establishing networks among other CDCs and housing intermediaries has become an operating necessity within the community of nonprofit developers as they assume ever-larger production and management roles. In this context, “capacity is shaped not just by the competency of each individual nonprofit group, but by the strength of the nonprofit’s institutional network” (Keyes et al. 1996, 203).

### ***Ties to Intermediaries and Funding Sources***

Besides providing the CDC industry with increasing legitimacy as influential players on the affordable housing scene, large intermediaries are responsible for obtaining access to funding supplies at the national level and directing them locally to CDCs (McDermott 2004, 171; Liou and Stroh 1998, 577). At the most basic level, these partnerships serve to provide a solid foundation for long-term funding as they constantly strive to expand the universe of businesses and foundations willing to assist nonprofit housing development (Nye and Glickman 2000, 170). Thus, intermediary organizations help to sway national foundations to give to a particular CDC based on the credibility achieved through past performance.

Previous research has demonstrated that CDCs linked to partnership organizations surpass their counterparts in the ability to acquire funds for core operating support by as much as

forty percent (Glickman and Servon 2003, 245). CDPs, or community development partnerships, were also able to increase the diversity of funding available, with the partnerships assisting with access to funds allocated at the local level as well as with loans from private sources (Glickman and Servon 2003, 245). Establishing new ties to funding sources is particularly crucial in facilitating the formation of funding packages to cover the cost of new development (Mayer 1984, 122).

In addition, CDCs linked to financial intermediaries are more likely to have an easier time convincing banks to provide project funding given the heightened levels of trust connected with these organizations (Lowe 2008, 41). This “seal of approval” bestowed upon CDCs through their cooperation with well-known national intermediaries thus serves to reduce the perceived risks associated with committing funds to housing projects that they attempt to undertake, and they are able to acquire greater financing from a larger number of potential sources as a result (Vidal 1997, 433). Moreover, establishing ties with other CDCs may also assist in increasing the likelihood of reaching individual performance targets, further expanding the scope of donors available for funding (Glickman and Servon 1998, 511). Citywide partnerships among CDCs have had a substantial impact in many instances, including the Boston Housing Partnership (Keating 1997, 30).

Network institutions, including trade associations and foundations that support the industry, also create forums that allow CDC managers to share best practices among their peers, in addition to assisting with basic access to resources (Bratt et al. 1995, 156). These industry intermediaries, including governments at the state and local level as well as partnerships and foundations, have played a crucial role in helping to finance housing development projects. In general, intermediaries work to receive funds and loans from other sources, including and banks,



and then redirect financial resources in the form of grants to CDCs in need of further financing (Vidal 1997, 431). National, state, and local intermediaries thus serve as valuable resources in accomplishing the task of capital mobilization, including the acquisition of predevelopment financing for projects (Walker 1993, 394). Two of the most prominent intermediaries in the non-profit housing industry, the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation, have been responsible for securing almost \$2 billion in funding (Schwartz et al. 1996, 392).

Given these considerations relating funding sources to the number of intermediary ties maintained by CDCs, the following working hypothesis is offered:

*WH2a: CDCs with more ties to other non-profits and industry intermediaries will have more funding sources.*

### ***Ties to Intermediaries and Revenue/Expense Balance***

Intermediaries at all levels also perform a critical function in allowing CDCs to obtain the technical assistance needed to efficiently operate as non-profit developers (Walker 1993, 394). The provision of aid for some of the technical aspects of housing development and management, including risk management and feasibility analysis, is often offered in the form of classes and workshops that build capacity and skills (Bratt et al. 1995, 151). Risk management is a frequent concern for CDCs, particularly given that their nonprofit status and stated commitment to underserved regions often translates into the adoption of high risk projects that are typically shunned by for-profit developers (Walker 1993, 391). Community development partnerships play an integral role in this regard, providing grants for staff training and other efforts to promote

technical knowledge and managerial competence (Nye and Glickman 2000, 170). This type of skill-building, with its emphasis on the development of crucial managerial skills, has important implications for a CDC's ability to operate with only minimal financial losses while stretching revenues to meet current obligations.

CDCs with connections to community development partnerships are much more likely to provide training to their employees on the more technical aspects of affordable housing construction and management (Glickman and Servon 2003, 244). The enhanced budgeting and financial management skills that development partnerships provide increase the probability that a CDC will qualify for loans (Nye and Glickman 2000, 179). Ultimately, this process optimizes revenues as operational efficiencies are expanded due to cooperation with CDPs and other industry intermediaries. Intermediaries also "provide assessments of risk for individual projects," a key step as CDCs seek to expand their production and management operations while maintaining positive cash flows going forward (Frisch and Servon 2006, 92).

The ability of CDCs to "interact and work with other institutions, both within and outside the community, is critical to their success" (Glickman and Servon 1998, 504). The staff training and linkages provided to other key players involved in regional development, including government planning agencies, create an environment where CDCs can effectively operate while avoiding organizational failure brought about by unexpected expense overruns or revenue shortfalls. The institutions comprising this support system have helped "nonprofit organizations with a host of technical, financial, construction, and organizational issues" (Schwartz et al. 1996, 393).

Cities with better-coordinated networks of support offer the prospect of added resources for improving basic skills needed within the organization (Bratt et al. 1995, 144). This, in turn,

raises the managerial competency of CDC employees and makes it more likely that prudent financial practices will be instituted. Furthermore, in many cases CDCs with strong ties to private foundations have been provided with important financial aid, in addition to technical assistance (Mayer 1984, 131). CDC success is clearly associated with concerted efforts to form partnerships with all types of intermediaries, including public, private, and nonprofit groups (Gittell and Wilder 1999, 344). In short, CDCs that are more closely embedded within the institutional environment at the local level have a greater chance of weathering financial difficulties and remaining viable non-profit housing developers into the future (Bratt and Keyes 1998, 817).

Based on the evidence outlined here linking the extent of CDC connections to important intermediaries with financial performance, the following working hypothesis is offered:

*WH2b: CDCs with more ties to other non-profits and industry intermediaries will have a more stable revenue-expense ratio.*

### ***Ties to Intermediaries and Housing Production***

Further integration into the complex network of industry intermediaries that has developed over the last several decades has naturally led to increased pressure for added development at the same time that more resources became available due to expanding ties to other important players in the field. In this regard, the maintenance of strong ties with other CDCs in the area as well as other important supporting institutions is crucial to increasing performance (Bratt and Rohe 2007, 75). Evidence indicates that CDCs with extensive ties to

partnerships are likely to produce more units of housing than their counterparts (Glickman and Servon 2003, 244).

As they seek to convert CDCs to a more businesslike orientation and begin to demand greater accountability as well, CDPs are responsible for restructuring existing support systems so that further housing construction can be accommodated (Nye and Glickman 2000, 168). Finally, because CDPs work to unite separate interests around the common goal of community development and non-profit housing, they also create an oversight system that is capable of quickly identifying and correcting troublesome issues that may arise (Nye and Glickman 2000, 175). This monitoring function performed by intermediaries has a tendency to place added emphasis on organizational metrics linked to output and performance (Liou and Stroh 1998, 578).

As those with a financial stake in the success of the supported CDC ensure that donated funds are used wisely and efficiently, the likelihood of achieving the goals of the organization is enhanced. In this regard, joint endeavors between CDCs and private entities can serve to raise housing production (Nye and Glickman 2000, 180). In short, existing evidence indicates that CDCs located in areas lacking a strong support system of intermediary networks will necessarily exhibit lower productivity compared to those having strong networks nearby, and the presence of active intermediaries serves as a key variable in predicting the success of a particular CDC (Glickman and Servon 2003, 249; Nye and Glickman 2000, 171). The ability of a CDC to form multiple and lasting ties with corporations, foundations, governments, and philanthropies is crucial if the goals of the organization are to be achieved.

Given this theoretical support, the following working hypothesis related to the network capacity of CDCs is proposed:

*WH2c: CDCs with more ties to other non-profits and industry*

*intermediaries will produce more units per total operating costs.*

### **Political Capacity-Community Involvement**

Political capacity refers to a “CDC’s ability to credibly represent its residents and to effectively advocate on their behalf in the larger political arena beyond the neighborhood” (Glickman and Servon 1998, 504). In addition, political capacity also includes the degree to which CDCs engage in other advocacy work within the communities that they serve, though mostly it serves to indicate how effective an organization is at including citizens in decision-making and the formation of policy. Citizen involvement is imperative if truly representative community development practices are to be created and implemented (Hunt 2007, 10). Those CDCs with better-developed political capacity are typically characterized by a greater level of community involvement, more-informed residents, and greater influence in the political sphere (Glickman and Servon 2003, 251). When functioning optimally, the non-profit housing development industry involves robust participation from local communities as well as a high level of citizen engagement (Bratt and Keyes 1998, 819).

### ***Community Involvement and Funding Sources***

Part of the effort to promote political capacity as a means to advance CDC objectives is the necessity of building strong relationships within the community. In this regard, the diversity of funding opportunities available will be adversely impacted if citizen support is anemic, and the task of maintaining positive cash flows is made more difficult as a consequence. The

development of political capacity is likely to positively impact a CDC's ability to acquire needed funds and resources, as well as strengthen the organization along other important dimensions (Glickman and Servon 1998, 527). In general, those CDCs that lack a strong element of constituent buy-in from the communities where they operate will struggle to press their case for greater support among key funding sources and intermediaries (Glickman and Servon 1998, 527). This connection is largely due to the fact that foundations seeking opportunities to leverage potential contributions are influenced by the level of support exhibited by the surrounding community (Mayer 1984, 51).

As CDCs expand their involvement in the community and attempt to broaden the influence of community interests in day-to-day decision-making, their stature is likely to increase considerably and further opportunities for attracting added investment are often created (Cowan et al. 1999, 334). Thus, it is oftentimes only through the demonstration of community support for organizational objectives and mission that CDCs are able to convince outside funding sources of the legitimacy of their operations. When funding organizations perceive that CDCs have the participation and support of community residents, they are more likely to be forthcoming with financial resources (Mayer 1984, 122). Overall, public participation in CDC operations enhances the long-term prospects for survival of the organization through the positive impact that it has in facilitating the acquisition of assets (Hunt 2007, 20).

In terms of maintaining sufficient funding sources and staying in operation, CDCs need to establish a dialogue with residents and encourage them to become more involved in reviewing possible plans for action going forward (Rohe et al. 2004, 199). In many cases, when citizens participated in planning functions (often as part of "volunteer neighborhood-based boards of directors"), they were able to assist with fund-raising activities and otherwise promote the

agenda of the organization (Mayer 1984, 15). If CDCs fail to make a strong effort to properly align the desires of community residents with the funding goals of sponsoring organizations they risk the withdrawal of funding and ultimately a reduction in CDC activity in the area (Hunt 2007, 27).

To illustrate this concept, the Mission Housing Development Corporation of San Francisco was able to leverage its reputation for being reflective of community interests in order to earn the respect of private sector actors, governments, and other nonprofits (Gittell and Wilder 1999, 352). This was accomplished primarily through community representation on the board, local hiring, and support for resident advocacy. In many instances, the heightened respect generated by such efforts directly translates into both added funding as well as assistance with the more technical aspects associated with CDC activity. This was also the case for the Coalition for a Better Acre in Lowell, Massachusetts. In that instance, the promotion of community engagement in CDC activity allowed the organization to locate other sources of funding (Gittell and Wilder 1999, 357). Finally, the New Community Corporation in Newark, New Jersey was able to capitalize on the involvement of its tenants to secure additional resources from government at all levels (Gittell and Wilder 1999, 348). Such cases strengthen the empirical evidence indicating a strong link between CDC resident outreach and overall access to funding. Thus, the following working hypothesis is offered:

*WH3a: CDCs with greater community involvement in their operations  
will have more funding sources.*

### ***Community Involvement and Revenue/Expense Balance***

In general, those CDCs that work to develop strong relationships with residents are positively affected in terms of financial health (Bratt and Rohe 2007, 75). This financial improvement occurs as the decline in property management issues produced by such citizen outreach efforts generates cost savings for the organization and minimizes the probability of organizational failure. Furthermore, the work of citizen volunteers on a wide range of critical tasks is also integral in maintaining cost-effective operations, with citizen advocacy cited as an important consideration in more than one third of the cases investigated (Mayer 1984, 123). In particular, “sweat-equity labor by project beneficiaries” has been an integral factor in moderating project expenses (Mayer 1984, 123). Furthermore, failure to secure support from the community for the work of CDCs has been linked to an overall failure of organizational mission (Rohe et al. 2004, 198). In this regard, the surge of community opposition to the Oak Cliff Development Corporation’s plans to expand its production of affordable housing in the suburbs of Dallas ultimately led to a reduction in funding from the city (Rohe et al. 2004, 199).

Through the promotion of citizen engagement at all levels, CDCs generate new opportunities for further capacity-building (Hunt 2007, 10). Thus, the effective leveraging of community and resident participation in the activities of CDCs allows the organization to develop stronger ties with critical network actors (Gittell and Wilder 1999, 357). As discussed previously, the risk-assessment training and property management assistance provided by these groups is instrumental in optimizing revenues and keeping expenses to a minimum. On the whole, evidence indicates that effective CDCs are those that have adequately taken community interests into consideration during the decision-making process (Gittell and Wilder 1999, 344). The degree of support for CDC activity provided by the host community is strongly correlated



with project success (Mayer 1984, 18). Thus, boards must strive for open discussion with residents regarding potential future projects if they are to enhance their effectiveness as viable non-profit housing developers (Bratt and Rohe 2007, 74).

Considering the literature cited above establishing a clear tie between resident outreach and a CDC's financial condition, the following working hypothesis is put forward:

*WH3b: CDCs with greater community involvement in their operations will have a more stable revenue-expense ratio.*

### ***Community Involvement and Housing Production***

In order to be effective as producers of affordable housing, CDCs must be accountable in some form to the larger communities where they operate (Nye and Glickman 2000, 194). Furthermore, CDCs that lack strong support from their communities are at risk of having their missions taken over by intermediaries (Keating 1997, 29). Executive directors of CDCs in Detroit, Michigan have indicated that at least some amount of community participation in the planning process for future program activities is required if project efforts are to be successful (Silverman 2005, 43).

In many cases, expanding opportunities for citizen involvement and interaction with important figures in the decision-making structure of the organization can help ensure that development activities go forward (Silverman 2005, 44). Conversely, neighborhood opposition to the goals of the organization is capable of slowing new development within the community (Bratt and Rohe 2007, 71). CDC boards that instead make an effort to include citizens from the

community are able to establish a greater continuity of mission that can overcome production challenges posed by high staff turnover (Nye and Glickman 2000, 179).

Beyond these concerns, resident satisfaction with the organization and their active participation in CDC operations also enhances the credibility of the mission with important outside entities, ultimately increasing the likelihood of establishing new projects (Mayer 1984, 121). Success in advancing development often depends on the CDC's reputation as "a viable community-supported organization" with objectives that reflect the will of residents (Mayer 1984, 123). In making a concerted effort to involve residents in the decision-making process of the organization, CDCs are able to convert them into stakeholders more prone to realize the benefits of sustained engagement and willing to ensure that development and revitalization efforts are successful (Glickman and Servon 1998, 530). For example, in many instances citizens actively involved in advocacy efforts on behalf of CDC operations were able to expand the available stock of properties suitable for renovation and development (Mayer 1984, 123).

Given this background, the following working hypothesis related to the political capacity of CDCs is proposed:

*WH3c: CDCs with greater community involvement in their operations  
will produce more units per total operating costs.*

### **Summary of Conceptual Framework**

Table 4.1 below provides the conceptual framework summarizing the working hypotheses established to explore each of the three components of CDC capacity in this study.

**Table 4.1: Conceptual Framework Linking Working Hypotheses to Literature**

Working Hypotheses	Supporting Literature
<b><u>Organizational Capacity Variable</u></b>	
<b>WH1a:</b> CDCs with lower staff turnover will have more funding sources	Gittell & Wilder, 1999; Bratt, 1989; Mayer, 1984; Glickman & Servon, 1998; Heimovics et al., 1993; Cowan et al., 1999
<b>WH1b:</b> CDCs with lower staff turnover will have a more stable revenue-expense ratio	Glickman & Servon, 1998; Mayer, 1984; Cowan et al., 1999; Gittell & Wilder, 1999; Zdenek & Steinbach, 2004; Bratt & Rohe, 2004
<b>WH1c:</b> CDCs with lower staff turnover will produce more units per total operating costs	Bratt & Rohe, 2007; Cowan et al., 1999; Lowe, 2007; Vidal, 1992; Glickman et al., 2004
<b><u>Network Capacity Variable</u></b>	
<b>WH2a:</b> CDCs with more ties to other non-profits and industry intermediaries will have more funding sources	McDermott, 2004; Liou & Stroh, 1998; Nye & Glickman, 2000; Glickman & Servon, 2003; Mayer, 1984; Lowe, 2008; Vidal, 1997; Glickman & Servon, 1998; Keating, 1997; Bratt et al., 1995; Walker, 1993; Schwartz et al., 1996
<b>WH2b:</b> CDCs with more ties to other non-profits and industry intermediaries will have a more stable revenue-expense ratio	Walker, 1993; Bratt et al., 1995; Nye & Glickman, 2000; Glickman & Servon, 2003; Frisch & Servon, 2006; Glickman & Servon, 1998; Schwartz et al., 1996; Bratt et al., 1995; Mayer, 1984; Gittell & Wilder, 1999; Bratt & Keyes, 1998
<b>WH2c:</b> CDCs with more ties to other non-profits and industry intermediaries will produce more units per total operating costs	Bratt & Rohe, 2007; Glickman & Servon, 2003; Nye & Glickman, 2000; Liou & Stroh, 1998
<b><u>Political Capacity Variable</u></b>	
<b>WH3a:</b> CDCs with greater community involvement in their operations will have more funding sources	Glickman & Servon, 1998; Mayer, 1984; Cowan et al., 1999; Hunt, 2007; Rohe et al., 2004; Gittell & Wilder, 1999
<b>WH3b:</b> CDCs with greater community involvement in their operations will have a more stable revenue-expense ratio	Bratt & Rohe, 2007; Mayer, 1984; Rohe et al., 2004; Hunt, 2007; Gittell & Wilder, 1999
<b>WH3c:</b> CDCs with greater community involvement in their operations will produce more units per total operating costs	Nye & Glickman, 2000; Keating, 1997; Silverman, 2005; Bratt & Rohe, 2007; Mayer, 1984; Glickman & Servon, 1998

These working hypotheses were used to develop a survey instrument for questioning CDC directors nationwide on the link between aspects of capacity and certain performance measures.

### **Chapter Summary**

This chapter developed a series of working hypotheses in order to explore the relationship between several important CDC characteristics and the attainment of organizational outcomes. First, three suitable dependent variables related to CDC performance were outlined based on the literature, and their relevance in measuring the success or failure of community-based nonprofit housing organizations was explained. This chapter then described three independent variables associated with particular aspects of CDC capacity as it impacts goal attainment. These organizational attributes were then connected to the outcome measures through a series of working hypotheses that explore the nature of the relationship between CDC characteristics and performance in preparation for a survey of CDCs in cities across the U.S.

## **CHAPTER 5: Methodology**

### **Chapter Purpose**

This chapter discusses the methodology used to acquire the data linking characteristics of CDCs nationwide to the performance outcomes outlined previously. Furthermore, it explains how the conceptual framework was operationalized to create suitable survey questions and ties them to the specific working hypotheses exploring CDC performance. Finally, the population studied, the methods used to select an appropriate sample, and the unit of analysis for this research are described.

### **Survey Research**

On the whole, surveys “are particularly useful in describing the characteristics of a large population,” and a questionnaire “offers the possibility of making refined descriptive assertions” regarding such groups (Babbie 2004, 274). Although surveys are typically geared toward accumulating data related to attitudes and opinions, they may also be useful in obtaining desired information from key figures when alternative methods are not suitable. In this case, the executive directors of CDCs are in an appropriate position to provide the information needed for each organization and are, therefore, the target group used to acquire the desired data used for analysis. Ultimately, the use of a survey provides “the best method available to the social researcher who is interested in collecting original data for describing a population too large to observe directly” (Babbie 2004, 243).

Though there is some danger of bias inherent in this approach given that it relies on the accuracy of self-reporting, the use of a survey instrument was deemed the optimal method for

acquiring standardized CDC data across a wide range of organizations in light of the research context for this study. The data used for this research would ideally originate from an objective source such as tax filings or industry reports; in the absence of such sources capable of providing the information on a range of CDCs operating in the U.S., the second-best option of sending a questionnaire to each executive director was adopted.

### **Limitations of Survey Research**

Surveys in general are characterized by several limitations. In conforming to a certain standardized format, survey questionnaires necessarily represent the least common denominator as the range of desired responses is circumscribed to ease the process of data analysis (Babbie 2004, 274). Thus, they tend to lack the flexibility associated with methods that more actively involve the researcher in the process of data collection. This reality was confirmed in practice, as one of the directors contacted expressed concerns regarding the inability to provide added context in answering the online survey questions.

Moreover, the act of posing a question itself may alter the response that is given in a particular case; those who have previously given no thought to an issue may be forced to adopt a stance that is not representative of their true feelings on the matter at hand (Babbie 2004, 275). Finally, there is an inherent risk of self-selection involved in such methods, as those non-profit leaders who are most successful are more likely to take the time necessary to complete the survey. This self-selection bias enhances the odds of obtaining a non-representative sample of responses from executive directors across the nation and has the potential of threatening the validity of the conclusions reached. These concerns have been raised in prior studies as well,

with other researchers raising the possibility that “poor participation in the survey instrument by subjects may result in data unrepresentative of the population” (Sparks 2007, 57).

Despite these criticisms, most are only applicable when seeking to gauge the opinions and viewpoints of respondents on a certain subject. Since this research is interested not in subjective assessments provided by CDC directors but rather an honest reporting of their organization’s attributes as they relate to the working hypotheses put forward, the above shortcomings tied to the use of surveys are not as relevant in this case. Also, the vast majority of the questionnaire items included in the survey are rather open-ended and do not involve the reduction of responses to the simplest form possible in order to optimize analysis. For these reasons, limitations commonly linked to survey use are not as considerable an issue for this study.

## **The Questionnaire**

The survey questions used attempt to capture the specific attributes of each CDC in relation to the three areas of capacity studied: organizational, network, and political. For all three dimensions, a set of queries is included in the survey to quantify the particular measure of CDC capacity. Each question is designed to individually capture some aspect of the area under investigation; collectively, the most important aspects of the three organizational capability components relevant to this study are encompassed. Each survey item was also created in view of future use in a set of correlation and regression models intended to quantify the impact of each capacity area on the organizational outcomes studied.

In addition, appropriate questionnaire items were constructed to acquire the CDC data relevant to the three outcome measures used as the dependent variables. Thus, survey questions

were designed to operationalize variables related to funding sources, revenue-expense balance, and housing units produced. Finally, supplementary questions aimed at gathering data to address other potential explanatory factors that may account for the observed differences in CDC performance were included on the questionnaire in anticipation of their use in a multiple linear regression model. However, because the number of responses received was insufficient to allow for the use of this statistical method, these datasets ultimately went unused. Nonetheless, items related to each organization's size, age, and total assets were created as well.

The complete operationalization of the conceptual framework is shown below in Table 5.1, and the actual questionnaire used for this research is provided in its entirety in Appendix A.

### **Population and Sample**

The population studied for this research includes CDCs operating in communities across the entire United States. Thus, the individual CDC itself served as the unit of analysis for this study, with the executive director of each organization contacted to complete the questionnaire. As leaders of their organizations, executive directors are the logical choice as potential survey respondents for this study and are also most likely to have easy access to the information desired from each CDC.

In order to locate an appropriate sample of CDCs, a multi-step search process was used. This involved extensive use of the site Guidestar.com, which contains searchable information on a wide variety of non-profit organizations operating nationwide. In anticipation of survey response rates in the range of only 10-20% and mindful of the perils of extrapolating trends based on an analysis of limited data, the sample size was designed to be as expansive as possible



**Table 5.1: Operationalization of the Conceptual Framework**

Capacity Type	Working Hypotheses	Survey Questions
<b>Organizational</b>	<p><b>WH1a:</b> CDCs with lower staff turnover will have more funding sources</p> <p><b>WH1b:</b> CDCs with lower staff turnover will have a more stable revenue-expense ratio</p> <p><b>WH1c:</b> CDCs with lower staff turnover will produce more units per total operating costs</p>	<p>Please estimate the average number of years experience in the CDC industry among those in your organization?</p> <p>How many years of experience do you have working in the CDC industry in any capacity?</p> <p>How many years of experience do you have working as the executive director of ANY CDC?</p> <p>How long have you served as executive director of your CURRENT CDC?</p> <p>Approximately how many funding sources does your organization currently have access to?</p> <p>Estimate your CDC’s total operating REVENUES at the end of 2010?</p> <p>Estimate your CDC’s total operating EXPENSES at the end of 2010?</p> <p>Please estimate how many single-family housing units were produced OR rehabilitated by your organization during 2010?</p>
<b>Network</b>	<p><b>WH2a:</b> CDCs with more ties to other non-profits and industry intermediaries will have more funding sources</p> <p><b>WH2b:</b> CDCs with more ties to other non-profits and industry intermediaries will have a more stable revenue-expense ratio</p> <p><b>WH2c:</b> CDCs with more ties to other non-profits and industry intermediaries will produce more units per total operating costs</p>	<p>Estimate how many <i>FORMAL, WRITTEN</i> agreements your organization has for collaborating with other industry partners (including other non-profits, business groups, supportive foundations, etc.)?</p> <p>Estimate how many <i>INFORMAL, UNWRITTEN</i> agreements your organization has for collaborating with other industry partners (including other non-profits, business groups, supportive foundations, etc.)?</p>
<b>Political</b>	<p><b>WH3a:</b> CDCs with greater community involvement in their operations will have more funding sources</p> <p><b>WH3b:</b> CDCs with greater community involvement in their operations will have a more stable revenue-expense ratio</p> <p><b>WH3c:</b> CDCs with greater community involvement in their operations will produce more units per total operating costs</p>	<p>Approximately how many times per year does your organization distribute a newsletter to residents?</p> <p>What percentage of your board of directors would you estimate consists of current residents from the community served?</p> <p>Approximately how many times per year does your CDC hold community outreach meetings?</p> <p>Approximately how many resident volunteers currently assist your CDC in any capacity?</p> <p><b>Background questions:</b></p> <p>How many years has your organization been in existence?</p> <p>How many full-time employees currently work for your organization?</p> <p>Estimate the value of all net assets held by your organization at the end of 2010?</p>

while still allowing for the creation of a manageable data set. To acquire as large a potential sample as possible, a search of the website using the keyword “CDC” was conducted, producing a list of approximately 580 organizations across the United States. This list was subsequently pared down as follows: all non-profit entities determined to be involved in either the development or rehabilitation of affordable housing based on an analysis of both the service classification registered with Guidestar and a review of the organization’s mission statement itself were included in the final sample.

Nonetheless, despite these efforts to avoid the inclusion of community-based non-profits uninvolved in affordable housing production or rehabilitation, the survey results indicate that several contacted were no longer part of such efforts in their communities. In situations where email contact information could not be obtained from the organizations’ websites or from Guidestar itself, phone calls were made to obtain email addresses where the online survey link could be sent. In a vivid reflection of the difficulties faced by CDCs in the harsh economic environment of recent years, many numbers were disconnected or no longer tied to community development efforts.

Overall, this first stage of the search process resulted in the acquisition of email contact information for seventy-three non-profit housing developers, a number that was not deemed large enough given the likely response rate to the online survey. As a result, further searches on Guidestar.com were conducted, this time using the keyword community development and limiting the output to non-profits affiliated with the housing industry only. The results of this search, including further phone calls when email addresses were not readily located, eventually led to the identification of fifty-three additional CDCs suitable for inclusion in the study.

At the end of the combined search for CDCs nationwide eligible for participation in the study, 126 total organizations were given access to the link to the online survey created using the site surveymonkey.com. Emails were sent out in three different waves several days apart, with potential participants instructed to complete the survey as soon as possible. Once it became clear that an additional request was needed to prompt a greater response rate, a reminder was sent out to all again approximately ten days after the original request asking them to complete the questionnaire as soon as possible.

### **Human Subjects Protection**

Since this research involved the participation of CDC executive directors, several possible ethical issues had to be confronted to ensure that compliance with relevant guidelines was maintained. Potential areas of concern for this type of study include the maintenance of confidentiality as well as the avoidance of harm to those willing to voluntarily participate in completing the survey. To address these concerns associated with the study, a short description summarizing the purpose of the research and the ways in which the data collected would be used was included along with the questionnaire sent to each executive director. Also, confidentiality and privacy concerns were accommodated by ensuring that all survey responses were not disclosed publicly and that all information received was not linked to an individual CDC by name. Participation in this research was completely voluntary, and failure to return the questionnaire did not entail any threat of harm or denial of benefits to those not wishing to participate.

In order to confirm that this study was in compliance with accepted research norms regarding human subjects, the Institutional Review Board at Texas State University reviewed the

specific procedures to be used prior to its execution and approved this research as exempt under the established guidelines (Approval # 2011D5659).

### **Chapter Summary**

This chapter discussed the methodology used for this study, including the development of the survey questionnaire linked to the working hypotheses and used to acquire data on CDCs operating across the United States. In addition, the population and sample used were detailed, as well as the underlying rationale behind the selection of an appropriate study sample. Finally, the precautions taken to ensure the protection of human participants in the research were outlined. The results of the data analysis conducted using the survey and census data are discussed in the following chapter.

## CHAPTER 6- Results

### Chapter Purpose

This chapter discusses the results of the online survey administered to executive directors of CDCs across the U.S. Thus, it summarizes the nature of the responses collected and provides descriptive information regarding the CDCs studied. Finally, it presents the results of the bivariate linear regressions performed to determine the significance of the independent variables investigated on the number of funding sources, the revenue-expense balance, and the number of housing units produced or rehabilitated.

### Survey Response

Of the 126 non-profits contacted and given access to the online survey, a substantial number (19 total) were linked to email addresses that proved to be defunct or that otherwise resulted in responses that indicated mail sent to those addresses was undeliverable. Nonetheless, the results obtained indicate that of the 107 CDCs for which a valid email address was located, 45 responded by clicking the link and answering at least the first question. This translates into a response rate of approximately 42%. Since the first item on the survey was a screening question designed to ensure that only those groups currently involved in the production or rehabilitation of affordable housing participated in the study, it was expected that several organizations would be mistakenly contacted under the belief that they were currently active in the affordable housing field. As the results below indicate, eight CDC directors responded negatively to this first question, meaning that 37 were qualified to answer the questions posed by this study as non-profit community-based groups currently involved in the affordable housing industry.

**Table 6.1: CDC Housing Activity**

	Does this CDC develop or rehabilitate housing as part of its mission?	
	<b>Yes</b>	<b>No</b>
<b>Response #</b>	37	8
<b>%</b>	82.2	17.8

Furthermore, of those 37 organizations responding affirmatively to the screening question, 24 had executive directors who fully completed the survey; the remaining surveys were lacking answers to one or more questions and thus were excluded from the subsequent statistical analysis. To pave the way for the data analysis performed, the aggregate responses gathered are discussed below according to subject area in a concise summary format (The complete set of responses is shown in its entirety in Appendix B).

### ***Background Characteristics***

In the area of general background traits, the average CDC surveyed was created slightly more than seventeen years ago. Furthermore, the youngest organization was only established two years ago, while the oldest has been around nearly four decades. In terms of the size of the organizations responding, the mean number of full-time employees was 22.5, though the range varied from a low of zero to 136 at the high end. Assets held also displayed considerable variation, from \$0 to \$50 million with an average of \$9.9 million.

## ***Staffing***

The results obtained in the area of executive director experience also demonstrate a lack of uniformity across the responding CDCs. Total experience in the CDC industry of any form was found to be on average 14.75 years, with values ranging from 3 to 34. Similarly, years of experience as an executive director of any non-profit housing development organization also varied greatly, with a mean of 10.5 and a range from 0 to 22. Finally, length of tenure among directors at their current organization averaged 9.33 years, with a low of 1 and a high of 22.

Unfortunately, the figures acquired related to the average number of years experience among full-time staff members at the CDCs surveyed could not be used given the evident ambiguity contained in the wording of the question. After viewing the results, it immediately became apparent that the directors surveyed interpreted the question differently, with some providing the average number of years experience per staff member while others gave a cumulative year figure to encompass their entire full-time staff. Since it was not possible in all cases to ascertain the intent of the respondents, the results for this questionnaire item had to be excluded from any analysis investigating the impact of staff experience on the dependent performance measures studied.

## ***Ties to Intermediaries***

The two facets of CDC network capacity studied here, formal and informal links to industry intermediaries and other non-profits tied to the affordable housing field, demonstrated a great variety across the 24 responding organizations. Formal ties, which were operationalized to effectively encompass those arrangements solidified in writing, ranged from 0 to 100, though on average the typical CDC had just less than 17 such partnerships. On the informal side, the range

seen again spanned the gamut from 0 to 100, though the average figure was a more modest 13.38.

### ***Community Participation***

In the area of political capacity and the nature of each CDC's effort to involve the local community in the organization's operations, the survey results indicate that the mean number of informative newsletters sent out to residents per year is 3.21. In terms of the effort put forward to establish boards that are representative of the community through the inclusion of current residents, the average board percentage was just under 55%. As with all of the categories studied, there was once again great variation in the responses obtained, ranging from 0-100% in this area. Finally, community outreach meetings occurred on average 7.13 times per year, and the mean number of resident volunteers was just under 31 for each non-profit.

### ***Performance Measures***

The responding CDCs averaged slightly more than 20 units of single-family housing units produced or rehabilitated last year, with a substantial number indicating that zero units of housing were produced. Since the screening question ensures that only those groups involved in affordable housing completed the survey, it became obvious that ideally the questionnaire instrument should have addressed both single and multi-family housing. This omission will be addressed further in the recommendations for future study section within the conclusion.

In the area of organization finances, the mean revenue amount generated in 2010 by the responding CDCs was approximately \$3.5 million. The range in this case varied from a low of only \$83,000 to a high of \$27.9 million. The analogous figures for the expense side of the



equation were very similar, with 2010 expenses averaging just more than \$3.5 million. In this case, the values ranged from \$45,000 to \$27.8 million. Finally, the results obtained regarding the number of funding sources held by each CDC showed a mean figure of 11.21, with values ranging from 2 to 50.

### **Statistical Analysis**

For each of pair of relationships linking an aspect of CDC capacity to one of the three outcome measures studied, a two-step process was used to determine whether the independent variable under consideration is in fact linked to the successful attainment of organizational objectives. First, a Pearson's  $r$  correlation value was calculated in each case using the SPSS software package. As a measure of association between two variables, this statistic takes on values between -1 and +1; these two extremes represent perfect negative or positive correlation, respectively (Caldwell 2004, 269). The following breakdown is typically used to interpret calculated Pearson's  $r$  values:

$0 < r < 0.2$	Very weak relationship
$0.2 < r < 0.4$	Weak relationship
$0.4 < r < 0.6$	Moderate relationship
$0.6 < r < 0.8$	Strong relationship
$0.8 < r < 1.0$	Very strong relationship

Though this statistic in no way implies a causal relationship exists between the two variables being studied, it does indicate the degree to which changes in one are related to variations in the other.

After the Pearson's  $r$  figures were calculated (along with the corresponding p-value for determining the significance of the association), a linear regression analysis was also performed

to quantify the nature of the relationship between the variables studied. In this case, the  $R^2$  value obtained is otherwise known as the coefficient of determination. It is used to describe “the amount of variation in one variable that is attributable to variation in the other variable” (Caldwell 2004, 277). In addition, a t value test statistic is also calculated, with the significance threshold established at the 0.05 level.

### ***Organizational Capacity-Staff Turnover***

As discussed in the literature review, non-profits with less employee turnover and thus more experienced staff members overall should be more capable of fostering the specialized skill sets needed to establish ties with funding sources and put together the complex projects needed to development. Though a fundamental misinterpretation of survey question wording on the part of multiple respondents rendered the full-time employee experience data unusable as part of the statistical analysis, the information gathered on executive director tenure can highlight the important leadership role played by these individuals in securing access to sources, enhancing revenues, and furthering housing production. The first working hypothesis developed in this area was the following:

*WH1a: CDCs with lower levels of staff turnover will have more funding sources.*

The relevant table for the relationship between executive director tenure at their current position and the number of funding sources held by each CDC is given below. As seen in Table 6.2, the

**Table 6.2: Regression Results for Director Tenure and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	3.641	3.637	.328
Experience	.811	.325	.021
<b>r = 0.470 (p=.021)</b>			

calculated Pearson's r value between director tenure at their current position and the number of funding sources available for each CDC is 0.47, indicating a moderate relationship exists between these two variables. The corresponding R<sup>2</sup> value denoting the coefficient of determination between the two factors studied is 0.221; this result establishes that more than one fifth of the variation in sources across the CDCs surveyed can be attributed to the corresponding variation in executive director tenure. Moreover, the two-tailed p-value of 0.021 establishes this moderate relationship between the total years spent as director of their current CDC and funding sources as significant at the 0.05 level. Finally, the regression results suggest that every additional year of experience among executive directors increases funding sources by 0.811. Based on these statistics, one can conclude that working hypothesis *WH1a* is supported by the empirical evidence gathered from the surveyed sample of 24 CDC executive directors.

Beyond the theorized link between lower turnover (or alternatively, more time in one's current director position) and greater access to funding sources, it was also established previously that executive director tenure is instrumental in ensuring the capable management of non-profit organizations. In this regard, the second working hypothesis put forward in this area was as follows:

*WH1b: CDCs with lower levels of staff turnover will demonstrate a more stable revenue-expense ratio.*

The results of the correlation and regression analyses for these two variables are presented below. Once again, the data are interpreted in a similar fashion, though in this instance the

**Table 6.3: Regression Results for Director Tenure and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.624	.354	.000
Experience	-.033	.032	.301
<b>r = -.220 (p=.301)</b>			

apparently negative weak association found between executive director tenure and the CDC revenue-expense ratio is not significant at the 0.05 level. In terms of the regression results, the negative coefficient is also not significant. As a result, no conclusions can be reached regarding the nature of this relationship based on the data acquired from the 24 CDC executive directors, and *WH1b* is not supported by the empirical evidence.

In relation to the third performance variable evaluated, that of the number of housing units produced weighted against organizational expenses, the length of executive director tenure was again expected to correlate with increases in CDC productivity. Thus, the final working hypothesis advanced in the area of staff turnover was as follows:

*WH1c: CDCs with lower levels of staff turnover will produce more housing units annually per total operating costs.*

The results of the regression analysis for this relationship are presented below. As in the

**Table 6.4: Regression Results for Director Tenure and Units per Costs**

	Coefficient	Error	p-value (2-tailed)
Constant	7.584E-5	.000	.211
Experience	-3.692E-6	.000	.490
<b>r = -.148 (p=.490)</b>			

comparison between director tenure and the revenue-expense ratio, the correlation obtained was negative and weak. Furthermore, the regression coefficient quantifying the link between years of tenure and units produced or rehabilitated per total costs was also negative. However, because in both cases the significance level was not below the 0.05 threshold, the results do not allow for a definitive conclusion regarding this relationship. Thus, *WH1c* is not supported, and the number of funding sources was the only performance variable significantly correlated with executive director tenure.

***Network Capacity-Ties to Intermediaries***

As mentioned earlier, the development of ties to intermediary groups and the formation of partnerships with other non-profits and private interests is likely to enhance the credibility of CDCs and ultimately result in greater access to potential sources of development funding.

Cooperative endeavors with other non-profit affordable housing developers are able to generate a multiplicative effect through the sharing of financial expertise needed to ensure access to funds.

Given this theoretical foundation, the following working hypothesis was put forward:

*WH2a: CDCs with more ties to other non-profits and industry intermediaries will have more funding sources.*

To provide a more detailed picture of this relationship, the question of ties was split into formal, written agreements and those that are merely informal and not put into writing. The regression data exploring the important association between formal agreements and access to funding sources is shown below. In this case, the Pearson correlation statistic indicating a weak

**Table 6.5: Regression Results for Formal Ties and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	8.679	2.496	.002
Formal Ties	.150	.079	.071
<b>r = .375 (p=.071)</b>			

association between formal ties and sources was just above the 0.05 significance threshold, meaning that ultimately no conclusions regarding the relationship between these two variables can be drawn. Similarly, the linear regression data showing the likely effect on funding sources produced by an increase in the number of formal ties held by a CDC does not allow for any generalizations to be made in relation to this association. In short, *WH2a* is not supported by the evidence gathered from the 24 executive directors surveyed, at least in the area of formal ties.

Besides exploring the nature of the relationship between formal industry linkages and access to funding, this study also sought to determine whether informal, unwritten agreements are positively correlated with an organization’s sources. The data on this aspect of network capacity are given below. As seen in Table 6.6, the Pearson’s r value indicates that there is a

**Table 6.6: Regression Results for Informal Ties and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	6.022	1.700	.002
Informal Ties	.388	.068	.000
<b>r = .775 (p=.000)</b>			

strong and positive association between the number of informal ties established with other partners and intermediaries and the number of funding sources made available to the CDC. The corresponding R<sup>2</sup> value signifies that approximately 60% of the variation in sources can be attributed to differences in the number of informal ties established by the surveyed organizations. Table 6.6 also shows that every additional informal link results in a 0.388 increase in sources available. Considering informal ties alone, *WH2a* is supported by the evidence.

The development of partnerships with network organizations also enhances the ability of CDCs to withstand periods of financial distress and remain fiscally solvent as developers of affordable housing. Given this, the following working hypothesis was advanced:

*WH2b: CDCs with more ties to other non-profits and industry intermediaries will have a more stable revenue-expense ratio.*

The correlation and regression results used to explore the relationship between formal ties and a CDCs financial picture are shown below. As Table 6.7 shows, the nature of the association

**Table 6.7: Regression Results for Formal Ties and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.417	.233	.000
Formal Ties	-.006	.007	.411
<b>r = -.176 (p=.411)</b>			

between formal ties and the revenue-expense ratio is slightly negative, yet the significance of the relationship is much greater than 0.05 and precludes any firm conclusions either way. Given this result, *WH2b* was not supported in this case.

The data related to the association between informal ties maintained by CDCs and their revenue-expense ratio is given below. Once again, the evidence presented in Table 6.8 does not

**Table 6.8: Regression Results for Informal Ties and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.426	.232	.000
Informal Ties	-.009	.009	.365
<b>r = -.193 (p=.365)</b>			

support the notion that the development of further informal ties to industry intermediaries and partners is positively associated with an organization's revenue-expense ratio. Though the suggestion is that there is actually a very weak negative relationship between the two variables,



the results are not statistically significant. In any case, *WH2b* is not supported by the empirical data.

As a CDC becomes more firmly embedded in within the institutional support networks that exist at the local, state, and federal levels, it is also expected that added pressures emphasizing the importance of developing and rehabilitating more affordable housing units will be brought to bear. As a consequence, the following working hypothesis was advanced:

*WH2c: CDCs with more ties to other non-profits and industry intermediaries will produce more units per total operating costs.*

The results obtained for the association between formal, written agreements and the number of single-family housing units produced or rehabilitated per each CDC's total costs are given below. Though the Pearson's *r* value suggests a negative and very weak association between

**Table 6.9: Regression Results for Formal Ties and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	5.220E-5	.000	.190
Formal Ties	-6.391E-7	.000	.605
<b>r = -.111 (p=.605)</b>			

formal ties and units produced per costs, the figure is not statistically significant and prevents the formation of firm conclusions regarding this relationship. The regression analysis likewise does not permit any firm conclusions to be reached on the impact of this aspect of network capacity

on housing production, as the t-test value is not significant despite the suggestion of a negative relationship. Given the data collected, *WH2c* is not supported.

The data analysis for the relationship between informal bonds established by CDCs and the amount of housing production achieved per accumulated expenses is shown below. Once

**Table 6.10: Regression Results for Informal Ties and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	5.570E-5	.000	.161
Informal Ties	-1.070E-6	.000	.490
<b>r = -.148 (p=.490)</b>			

again, the correlation statistic suggesting a very weak negative association between informal ties and housing units is not significant, and the results of the linear regression can not be used to make a statement regarding the nature of the bivariate relationship. Based on the data, *WH2c* is not supported by the evidence.

***Political Capacity- Community Involvement***

Citizen support is instrumental in enabling CDCs to maintain access to adequate funding, as those that fail to demonstrate buy-in from the local community are often at a disadvantage in convincing potential donors to embrace their organizational goals. In this regard, the active participation of the community is rightfully considered an accurate barometer of the likelihood of achieving the goals of non-profit developers; simply put, funding organizations are unwilling to place bets on ventures that have a low probability of success in the long run. In light of this link between community involvement and access to funding, the following working hypothesis in this area was proposed:

*WH3a: CDCs with greater community involvement in their operations will have more funding sources.*

Below are the results of the analyses conducted for the first of four community involvement indicators studied, the number of organization newsletters sent out annually. As Table 6.11

**Table 6.11: Regression Results for Annual Newsletters and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	7.669	3.058	.020
Newsletters	1.103	.678	.118
<b>r = .328 (p=.118)</b>			

indicates, though the Pearson's r value suggests a weak, positive association between the frequency of newsletter distribution to community residents and the number of sources held by a CDC, the result is not significant. Thus, no conclusions can be reached regarding this relationship. Likewise, the regression statistics in this area were not significant, and *WH3a* is not supported by this indicator.

The second indicator used to gauge the nature of the relationship between a CDC's political capacity and its ability to acquire funding sources was the percentage of the board of directors living within the community served. The statistics for this relationship are shown below. In this case, the results of the correlation and regression calculations were not statistically significant (with values greater than 0.05), and the theorized link between greater community representation on governing boards and access to funding sources was not supported by the survey data. Based on this evidence, *WH3a* is not supported.

The detailed statistical analysis conducted for the next aspect of political capacity

**Table 6.12: Regression Results for Board Percentage and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	16.047	3.746	.000
Board Percentage	-.088	.056	.128
<b>r = .328 (p=.128)</b>			

studied, that of the number of community outreach meeting held by CDCs annually, is shown below. As seen in Table 6.13, the correlation coefficient of 0.526 is statistically significant,

**Table 6.13: Regression Results for Annual Outreach Meetings and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	5.738	2.703	.045
Outreach Meetings	.768	.265	.008
<b>r = .526 (p=.008)</b>			

indicating that there is a moderate association between the number of outreach meetings held per year and the number of sources held by a CDC. The R<sup>2</sup> value, or coefficient of determination, shows that approximately 28% of the variation in sources can be attributed to differences in outreach meeting frequency among the twenty-four organizations surveyed. Finally, the regression results in Table 6.13 show that every additional outreach meeting produces a corresponding increase in sources of 0.768. Based on these results, *WH3a* is supported.

The final aspect of CDC operations meant to operationalize political capacity and the involvement of the local community relates to the number of resident volunteers assisting the organization. The relationship between this variable and funding sources is presented below.

**Table 6.14: Regression Results for Volunteers and Funding Sources**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	7.919	2.161	.001
Volunteers	.106	.034	.005
<b>r = .557 (p=.005)</b>			

As Table 6.14 indicates, there is a moderate, positive association between the number of volunteers assisting a CDC and its ability to obtain access to funding sources. The associated R<sup>2</sup> value suggests that approximately 31% of the variation in sources can be attributed to differences in the number of volunteers assisting the CDCs surveyed. Also, the statistically significant regression results specify that each additional volunteer is responsible for an increase in sources of 0.106. Given these results for the volunteer aspect of political capacity, *WH3a* is supported.

Besides aiding with a CDC's ability to access funding sources, it was previously established based on the literature that those non-profits capable of demonstrating a greater degree of participation and buy-in on the part of community residents will necessarily lead to a moderation in project expenses that benefits the financial bottom line. Thus, the following working hypothesis in this area was proposed:

*WH3b: CDCs with greater community involvement in  
their operations will have a more stable revenue-expense ratio.*

The relationship between the first indicator of political capacity, the number of newsletters sent out to residents per year, and the revenue-expense ratio is outlined below. In this instance, the

**Table 6.15: Regression Results for Annual Newsletters and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.436	.282	.000
Annual Newsletters	-.039	.063	.543
<b>r = -.131 (p=.543)</b>			

correlation and regression values obtained were not significant, and no conclusions can be reached on the nature of the relationship between the frequency of newsletter distribution and the revenue-expense ratio. Based on the data collected, *WH3b* is not supported.

The results for the association between the percentage of the board occupied by current residents from the service community and the revenue-expense ratio are shown below. Once again, the

**Table 6.16: Regression Results for Board Percentage and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.229	.347	.002
Board Percentage	.002	.005	.772
<b>r = .062 (p=.772)</b>			

p-value indicating significance was much greater than the 0.05 threshold, and the correlation and linear regression results do not permit any conclusions to be drawn on the relationship between board percentage and CDC finances. Based on these results, *WH3b* is not supported.

The results for the association between the number of outreach meetings held per year and the revenue-expense ratio is provided below. As seen in Table 6.17, the Pearson's r value of

**Table 6.17: Regression Results for Annual Outreach Meetings and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.423	.278	.000
Outreach Meetings	-.015	.027	.575
<b>r = -.121 (p=.575)</b>			

-0.121 is not statistically significant, indicating that no conclusions can be reached regarding the nature of this relationship. Given these results, *WH3b* is not supported.

The data on the association between the number of volunteers and a CDC's revenue-expense ratio are given below. Again, though the data suggest a negative correlation between

**Table 6.18: Regression Results for Volunteers and Revenue-Expense Ratio**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.411	.225	.000
Volunteers	-.003	.004	.374
<b>r = -.190 (p=.374)</b>			

volunteers and the revenue-expense balance, the results are not significant and do not provide any definitive picture of the relationship between the two variables. Once again, *WH3b* is not supported.

Finally, in addition to improving both access to funding sources and the overall financial bottom line of the organization, the ability to engage community residents in the decision-making of the CDC as stakeholders was theorized to be strongly correlated with strengthened development and revitalization efforts. With this link between citizen involvement and housing development in mind, the following working hypothesis was offered:

*WH3c: CDCs with greater community involvement in their operations  
will produce more units per total operating costs.*

The statistics on the relationship between the frequency of newsletter distribution and an organization’s units produced or rehabilitated per total expenses is discussed below. Again, the

**Table 6.19: Regression Results for Annual Newsletters and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	4.467E-5	.000	.349
Annual Newsletters	-1.024E-6	.000	.922
<b>r = -.021 (p=.922)</b>			

correlation value of -0.021 in Table 6.19 was not significant, and the results of the linear regression do not allow for the conclusion that there is a relationship between these two variables. Given this, *WH3c* is not upheld by the evidence.

The analysis between the second indicator of political capacity among CDCs, the percentage of the board consisting of community residents, and the number of units produced or rehabilitated per annual costs is shown below. As with the previous case, the results do not indicate that an



association exists between the makeup of CDC boards and the number of affordable housing units that they are able to produce or rehabilitate; *WH3c* is not supported.

**Table 6.20: Regression Results for Board Percentage and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	1.309E-5	.000	.819
Board Percentage	5.155E-7	.000	.547
<b>r = .129 (p=.547)</b>			

The data summary on the relationship between annual community outreach meeting held per year and the quantity of housing units developed or rehabilitated per total costs is given below. As with the previous comparison between variables, the correlation coefficient is not

**Table 6.21: Regression Results for Annual Outreach Meetings and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	5.876E-5	.000	.211
Outreach Meetings	-2.439E-6	.000	.590
<b>r = -.116 (p=.590)</b>			

significant, and thus does not suggest that a relationship exists between the frequency of community outreach meetings per year and the number of units produced or rehabilitated. As a result, *WH3c* is not upheld.

The final comparison, between the number of volunteers and the production of affordable housing units, is provided below. With a p-value of 0.56 for the correlation coefficient between

volunteer number and units per total costs, there was no evident association for these two variables. Given this, *WH3c* is not supported.

**Table 6.22: Regression Results for Volunteers and Units per Costs**

	<u>Coefficient</u>	<u>Error</u>	<u>p-value (2-tailed)</u>
Constant	5.205E-5	.000	.176
Volunteers	-3.447E-7	.000	.560
<b>r = -.125 (p=.560)</b>			

### Chapter Summary

This section presented both a summary of the responses to the online survey as well as the results of the bivariate linear regression analyses conducted to determine the impact of the studied independent capacity variables on important performance outcomes associated with community development organizations.

## CHAPTER 7- Conclusions

### Chapter Purpose

This chapter discusses the implications of the bivariate correlation and linear regression analyses performed using the combined data obtained from the online survey of CDC executive directors. Furthermore, it discusses some of the shortcomings tied to the present study of non-profit affordable housing developers, and suggests several areas where future research may direct further investigative focus.

### Discussion of Working Hypotheses

To shed further light on the nature of the relationships between the independent variables affecting CDCs and performance objective, the working hypotheses posited based on a review of the literature are presented again. In Table 7.1 below, each hypothesis is shown again, along with the verdict reached as to whether or not each was supported based on the statistical analysis discussed previously.

As seen in Table 7.1, the only independent variable found to have a categorical and statistically significant positive correlation with any of the three performance measures was that of executive director tenure. Director longevity in the respondents' current position had a moderate positive correlation with the number of funding sources available to the organization and provided evidence to support *WH1a* suggesting that reductions in staff turnover are associated with greater access to funds. As mentioned previously, ambiguities in question wording precluded the use of the data collected in regard to the experience level of full-time staff members at the CDCs surveyed; thus, the conclusions reached in the area of staff turnover are limited to the executive director position.

**Table 7.1: Summary of Support for Working Hypotheses**

<b>WH1a</b>	<i>CDCs with lower levels of staff turnover will have more funding sources</i>	Supported
<b>WH1b</b>	<i>CDCs with lower levels of staff turnover will demonstrate a more stable revenue-expense ratio</i>	Not Supported
<b>WH1c</b>	<i>CDCs with lower levels of staff turnover will produce more housing units annually per total operating costs</i>	Not Supported
<b>WH2a</b>	<i>CDCs with more ties to other non-profits and industry intermediaries will have more funding sources</i>	Partially Supported
<b>WH2b</b>	<i>CDCs with more ties to other non-profits and industry intermediaries will have a more stable revenue-expense ratio</i>	Not Supported
<b>WH2c</b>	<i>CDCs with more ties to other non-profits and industry intermediaries will produce more units per total operating costs</i>	Not Supported
<b>WH3a</b>	<i>CDCs with greater community involvement in their operations will have more funding sources</i>	Partially Supported
<b>WH3b</b>	<i>CDCs with greater community involvement in their operations will have a more stable revenue-expense ratio</i>	Not Supported
<b>WH3c</b>	<i>CDCs with greater community involvement in their operations will produce more units per total operating costs</i>	Not Supported

Besides the unequivocal support established for *WH1a* using the survey data, both *WH2a* and *WH3a* were partially supported by the evidence gathered. More specifically, there was a significant and strong positive correlation ( $r=0.775$ ) between the number of informal ties maintained by a CDC and the number of funding sources available. In terms of formal ties and funding sources, the weak correlation was not statistically significant. Thus, one of the two indicators of network capacity was determined to be positively linked to the funding source aspect of CDC performance, providing partial support for *WH2a*.

For *WH3a*, the results were similarly mixed, with half of the indicators used to capture CDC political capacity providing support for the link between community engagement and access to funding. In these instances, both the frequency of community outreach meetings held annually and the number of volunteers assisting the organization were positively associated with greater access to funding; the percentage of the board consisting of community residents and the number of newsletters sent out each year had no correlation with the number of sources held by the surveyed CDCs.

Beyond the impact of each area of capacity on CDC funding sources summarized above, variations in turnover (i.e. executive director tenure), ties to intermediaries, and community involvement among the twenty-four housing non-profits that responded to the online survey were not found to have any significant correlation with either the revenue-expense ratio or the number of single-family housing units produced or rehabilitated per total costs, the other two performance measures. In fact, though none of these relationships were found to be significant, all but two correlation values in these areas suggested a negative link between the elements of CDC capacity studied and the revenue-expense ratio and units produced or rehabilitated (the percentage of the board consisting of residents from the community served being the exception).

Since the survey asked only about single-family housing units produced or rehabilitated and should in retrospect have included a more comprehensive treatment of all affordable housing units, the collected data include a large percentage of CDCs that indicated that zero units were developed. Though the data for this performance variable was not as complete as desired at the outset, the fact that an adjustment was made to account for CDC size by dividing the unit figures by total expenses should have ensured that any artifacts created as a result of this oversight were minimized. Indeed, it was found that many of the correlations between the capacity indicators used as independent variables and units produced or rehabilitated alone were actually significant when this adjustment for organization size was not taken into account. This finding provides proof of the necessity of controlling for CDC size in some form or fashion to ensure that statistically significant results are not drawn based on artificial associations that have no basis in reality.

Similarly, though in many instances correlations calculated between the capacity variables studied and revenues alone produced statistically significant associations, when revenues were adjusted by dividing by total costs, it was found that none of the factors investigated were linked to the performance measures. This evidence also bolsters the argument taken from the literature and used here for using a performance variable that takes into account revenues over expenses when trying to link certain aspects of CDC capacity to a non-profit organization's financial bottom line. In the absence of such adjustments, it is far too easy to obtain results that appear to be statistically significant when in fact such conclusions can be attributed to other neglected factors.

## **Implications for CDCs**

Given the conclusions reached here based on the collected survey data, several suggestions can be made to CDCs as they seek to enhance their performance in the three areas investigated: funding sources, revenue-expense balance, and housing units. Since executive director tenure is moderately associated with greater access to funding sources, with the results indicating that each additional year of experience in the CDC industry corresponds to 0.811 more sources, struggling organizations should look to develop seasoned leaders capable of guiding housing non-profits during tumultuous economic times and minimize unnecessary turnover at this position.

Furthermore, the results here also suggest that other measures may make a difference in increasing an organization's access to additional sources of funding. In the area of network capacity, it may also be beneficial to promote the further development of informal ties with other affordable housing intermediaries and industry partners. Since the number of such informal ties was determined to be strongly associated with a greater diversity of funding sources, CDCs may advance their interests in this regard through an added emphasis on fostering informal, unwritten collaborative arrangements to enhance their organizational output.

It is also recommended that CDCs act in two areas related to an organization's political capacity: increase the frequency of community outreach meetings held and facilitate the growth and expansion of a volunteer corps that is consistently active and able to provide assistance in many functional areas. The outcomes documented here indicate that both are moderately linked to the possession of greater funding sources, and CDCs hoping to augment their available financial resources would do well to consider adopting such measures going forward.

Finally, it is worth noting that all of the big-picture recommendations relate to improvements in access to funding alone; since none of the independent variables studied were found to be significantly associated with enhancements in either a CDC's revenue-expense ratio or the quantity of housing units produced or rehabilitated per costs, no proposals can be offered to support improvements in these two dependent variables serving as measures of CDC performance.

### **Directions for Future Research**

Throughout the course of this research, several limitations associated with the methods used became apparent as the study unfolded. Some of these shortcomings can be linked to the difficulties encountered in obtaining access to email contact information for a sufficiently large sample of CDC executive directors throughout the nation. Much time and effort was expended in seeking to locate a convenient list of non-profit organizations involved in affordable housing with readily available contact information for each, and membership lists of statewide CDC associations were found lacking in this regard. Furthermore, relying exclusively on such groups for the research sample was felt to have the possibility of biasing the results due to the use of an unrepresentative group of CDCs, especially given that this study focused on ties to intermediaries as one facet of housing non-profits. Despite these concerns, the reliance on Guidestar.com as a source for potential CDCs ultimately led to a cumbersome process for locating possible recipients of the survey, and it is recommended that further studies locate and make use of nationwide lists of housing non-profits to ease the survey process.

Furthermore, it is recommended that additional studies be conducted using multiple linear regression to control for other potential factors that may impact the attainment of CDC goals.



Thus, rather than limiting the data analysis stage to a series of bivariate relationships to explain organizational performance, research should be directed at developing a more complete picture of the many variables involved in determining the success or failure of CDCs. In order to account for environmental factors that may play a role in determining the relative success of each CDC in achieving certain outcome measures, it may be possible to include additional information related to the median household income or poverty level within each organization's service area. In including these other aspects in a multiple regression model (as well as the size and assets of each organization, for example), further research may control for and thus eliminate some of the other factors that could potentially explain the variation in CDC performance observed across the sampled organizations.

Beyond these recommended avenues for further research in the area of CDC performance, it is also suggested that future investigations inquire about both single- and multi-family housing to assure that a complete picture of organization activity in this area is acquired. Were additional time available in this case, it would have been possible to resend the questionnaire using a modified survey instrument to gather this more comprehensive picture of CDC participation in the development and rehabilitation of affordable housing.

## **Chapter Summary**

This chapter presented the big-picture implications of the results obtained through the online survey of CDC executive directors across the United States. Moreover, several potential avenues for future research in this area were proposed, building upon some of the more obvious limitations encountered during the course of this study

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## **Appendix A: Survey Instrument**

### **Overview**

This survey is intended to explore the link between certain CDC attributes and the attainment of organizational objectives. It is being carried out as part of a graduate research project for the Masters of Public Administration degree at Texas State University and has been approved by the University's Institutional Review Board (#2011D5659).

The survey should take approximately 10 minutes to complete. Please use the previous and next buttons at the bottom of each page to navigate between pages. Participation is completely voluntary, and respondents may choose to end the survey at any time. However, please try to answer all questions on the survey. Any questions should be sent to Ryan Lawhon at RL1235@txstate.edu

First, I would like to see if the services provided by your organization fit the purpose of this study.

**1. Does this CDC develop or rehabilitate housing as part of its mission?**

### **Background & Personnel**

Excellent, your organization qualifies for participation.  
Now I would like to ask several general questions regarding your non-profit organization.

**2. How many years has your organization been in existence?**

**3. How many years of experience do you have working in the CDC industry in any capacity?**

**4. How many years of experience do you have working as the executive director of ANY CDC?**

**5. How long have you served as executive director of your CURRENT CDC?**



**6. How many full-time employees currently work for your organization?**

**7. Please estimate the average number of years experience in the CDC industry among those in your organization?**

### **Project Portfolio**

Thank you.

Now that the background questions have been completed, let's move on to aspects of your organization's project portfolio.

**8. Please estimate how many single-family housing units were produced OR rehabilitated by your organization during 2010.**

**9. Approximately how many funding sources does your organization currently have access to?**

**10. Estimate the value of all net assets held by your organization at the end of 2010.**

**11. Estimate your CDC's total operating REVENUES at the end of 2010.**

**12. Estimate your CDC's total operating EXPENSES at the end of 2010.**

### **Network Ties/Community Participation**

Thank you.

The final page deals with your organization's industry ties and community involvement.

**13. Estimate how many FORMAL, WRITTEN agreements your organization has for collaborating with other industry partners (including non-profits, business groups, supportive foundations, etc.)**

**14. Estimate how many INFORMAL, UNWRITTEN agreements your organization has for collaborating with other industry partners (including non-profits, business groups, supportive foundations, etc.)**

**15. Approximately how many times per year does your organization distribute a newsletter to residents?**

**16. What percentage of your board of directors would you estimate consists of current residents from the community served?**

**17. Approximately how many times per year does your CDC hold community outreach meetings?**

**18. Approximately how many resident volunteers currently assist your CDC in any capacity?**

Please click NEXT to finish the survey.

Thanks again for your time!  
Please CLICK DONE to finish.

## Appendix B-Complete Survey Results

### *Background and Organizational Capacity Indicators*

<b>CDC #</b>	<b>Housing</b>	<b>Age</b>	<b>Total Exp.</b>	<b>Dir. Exp.</b>	<b>Curr. CDC FTEs</b>	<b>Exp. FTEs</b>	
1	Yes	11	6	5	5	3	9
2	Yes	10	21	18	5	2	35
3	Yes	30	34	20	13	136	5
4	Yes	11	11	11	11	0	11
5	Yes	2	10	2	2	1	5
6	Yes	19	19	19	19	3	30
7	Yes	32	3	3	2	1	20
8	Yes	25	26	22	22	110	3
9	Yes	16	10	1	1	120	5
10	Yes	9	3	3	3	3	21
11	Yes	11	5	0	5	2	3
12	Yes	6	6	6	6	3	6
13	Yes	17	4	4	4	1	9
14	Yes	8	20	20	8	1	20
15	Yes	20	24	15	15	1	35
16	Yes	23	23	11	11	6	15
17	Yes	15	10	10	10	2	12
18	Yes	10	8	8	8	5	6
19	Yes	10	10	10	10	2	10
20	Yes	19	27	19	19	8	80
21	Yes	29	30	21	21	70	5
22	Yes	22	14	7	7	5	8
23	Yes	20	15	14	14	45	7
24	Yes	39	15	3	3	11	6

## Appendix B-Complete Survey Results (cont.)

### *Performance Measures*

<b>CDC #</b>	<b>Units</b>	<b>Sources</b>	<b>Assets</b>	<b>Revenues</b>	<b>Expenses</b>
<b>1</b>	35	2	4500	250000	45000
<b>2</b>	5	10	1000000	486000	285000
<b>3</b>	87	20	19000000	27900000	27800000
<b>4</b>	3	2	400000	100000	95000
<b>5</b>	0	3	0	135000	72000
<b>6</b>	12	5	2000000	1000000	956000
<b>7</b>	0	12	3000000	125000	105000
<b>8</b>	0	50	25000000	18000000	18000000
<b>9</b>	50	20	30000000	10000000	10000000
<b>10</b>	7	6	3000000	1000000	1250000
<b>11</b>	3	2	350000	310000	350000
<b>12</b>	6	2	3500000	600000	500000
<b>13</b>	4	2	250000	83000	62000
<b>14</b>	0	10	8000000	2000000	1700000
<b>15</b>	0	4	366000	176000	176000
<b>16</b>	0	10	6328931	1355421	1641929
<b>17</b>	0	3	1000000	500000	240000
<b>18</b>	6	8	1200000	350000	400000
<b>19</b>	0	12	45000000	400000	400000
<b>20</b>	42	15	2050000	2915000	3170000
<b>21</b>	200	20	16000000	10000000	10000000
<b>22</b>	1	6	9000000	1000000	1000000
<b>23</b>	25	25	50000000	4500000	4400000
<b>24</b>	0	20	2318000	1600000	1700000

## Appendix B-Complete Survey Results (cont.)

### *Network and Political Capacity Indicators*

<b>CDC #</b>	<b>Formal</b>	<b>Informal</b>	<b>Letter/Yr</b>	<b>% Board</b>	<b>Reach/Yr</b>	<b>Volunteers</b>
<b>1</b>	3	0	3	75	4	0
<b>2</b>	4	2	1	2	4	20
<b>3</b>	100	20	4	60	24	0
<b>4</b>	3	7	4	100	4	20
<b>5</b>	2	1	0	100	15	0
<b>6</b>	5	3	4	100	4	4
<b>7</b>	4	24	12	100	2	6
<b>8</b>	10	100	4	16	20	120
<b>9</b>	30	10	2	2	10	30
<b>10</b>	5	2	1	0	2	5
<b>11</b>	3	3	0	50	1	0
<b>12</b>	8	1	0	66	0	2
<b>13</b>	4	2	0	85	3	10
<b>14</b>	8	30	0	0	0	0
<b>15</b>	10	15	0	100	12	10
<b>16</b>	4	5	2	100	3	15
<b>17</b>	0	0	0	0	0	0
<b>18</b>	0	5	7	33	2	6
<b>19</b>	40	4	6	33	25	15
<b>20</b>	15	50	10	56	6	120
<b>21</b>	100	10	6	100	5	50
<b>22</b>	8	12	3	65	4	20
<b>23</b>	25	10	4	3	6	40
<b>24</b>	15	5	4	71	15	250

### Appendix C- Aggregate Survey Data\*

	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Age of CDC</b>	17.25	2	39
<b>Total dir. experience in CDC industry</b>	14.75	3	34
<b>Years as exec. direc. at any CDC</b>	10.5	0	22
<b>Years as exec. dir. at current CDC</b>	9.33	1	22
<b>Full-time employees</b>	22.54	0	136
<b>Employee experience</b>	15.25	3	80
<b>Single-family units</b>	20.25	0	200
<b>Funding sources</b>	11.21	2	50
<b>Assets</b>	\$9,906,976.29	0	\$50,000,000.00
<b>Revenues</b>	\$3,532,725.88	\$83,000.00	\$27,900,000.00
<b>Expenses</b>	\$3,514,497.04	\$45,000.00	\$27,800,000.00
<b>Formal agreements</b>	16.92	0	100
<b>Informal agreements</b>	13.38	0	100
<b>Newsletters/yr</b>	3.21	0	12
<b>Board percentage</b>	54.88	0	100
<b>Outreach meetings/yr</b>	7.13	0	25
<b>Resident volunteers</b>	30.96	0	250

\*based on analysis of twenty-four complete survey responses only

## **Appendix D- Survey Cover Letter**

Dear Sir or Madam,

My name is Ryan Lawhon, and I am a graduate student in the Public Administration Master's Degree program at Texas State University. At the present time, I am seeking to complete my Applied Research Project examining non-profit community development organizations. **Your participation in a brief survey would be greatly appreciated.**

The survey is anonymous and your name or your organization's name will not be used in any way. A summary of the results can be sent to you in early May if you wish. If you have any questions or concerns, please feel free to contact my project advisor Dr. Thomas Longoria at [tl28@txstate.edu](mailto:tl28@txstate.edu).

The survey is designed to be completed in 10-15 minutes. Please click on the link below to access and complete the survey.

<https://www.surveymonkey.com/s/T5RNWCH>

Thank you in advance for your time and consideration.

Sincerely,

Ryan Lawhon  
MPA Program  
Texas State University  
[RL1235@txstate.edu](mailto:RL1235@txstate.edu)