**Title**

# Federal Policy and the Rise of Nonprofit Housing Providers



**Authors**
O'Regan, Katherine M.
Quigley, John M.

**Publication Date**
2000-10-01

Journal of Housing Research • Volume 11, Issue 2 **297**


# Federal Policy and the Rise of Nonprofit Housing Providers

Katherine M. O'Regan and John M. Quigley*


## *Abstract*

During the past decade, federal housing policy has shifted to recognize a key role for nonprofit housing providers in providing affordable housing. Two federal programs, Low-Income Housing Tax Credit and HOME, are now the primary federal housing production programs, and the legislation governing both programs provides explicit support for nonprofit providers of new housing. This article focuses on these two programs to document the change in emphasis, looking at the extent to which resources flow to nonprofit providers. We explicate the rationale for this shift and speculate on future federal policy toward nonprofits.

We find that both programs channeled sizable shares of their funding to nonprofits throughout the 1990s, in patterns consistent with program design. It is also possible that the scale and form of funding itself has affected the nonprofit sector. Changes in the funding of nonprofits have not been uniform spatially, and the nonprofit sector's share of such funding appears to have leveled off. As currently structured, these programs do little to simplify the complicated financial dealings and multiple sources of funding common among nonprofit housing providers. Shifts in policy priorities and emerging financial stresses may necessitate changes in federal policy toward the nonprofit sector.


**Keywords:** Community development corporations; Low-Income Housing Tax Credit program; Nonprofit housing

## Introduction

Nonprofit housing providers have been explicitly invited to participate in federal housing programs since the 1960s.[1] However, in the past decade—specifically, since the passage of the Tax Reform Act of 1986 (TRA86)—federal housing policy has promoted much more explicitly a distinct role for nonprofit housing providers. Shortly after TRA86 was enacted, Congress began a systematic reevaluation of federal housing policy. The final report of this effort (National Housing Task Force 1988) embraced a multisectored and decentralized housing delivery system in which nonprofit organizations play a critical role. Prescriptions for federal policy included government subsidy but also the notion of government partnerships with private orga-

* Katherine M. O'Regan is Associate Professor of Public Policy in the Wagner School of Public Service at New York University. John M. Quigley is I. Donald Terner Distinguished Professor and Professor of Economics at the University of California, Berkeley.

A previous version of this article was presented at the American Real Estate and Urban Economics Association Mid-Year Meeting, Washington, DC, May 29 through 31, 2000. The article benefited from the comments of Amy Bogdon as well as two anonymous reviewers. We are grateful to Ellen Myerson for research assistance. This work is sponsored by the Berkeley Program on Housing and Urban Policy.

[1] Significant participation by nonprofit housing providers began in 1959 with the Section 202 low-interest loan program for elderly housing, followed by the Below Market Interest Rate program in 1961.

nizations. This theme is reflected in many subsequent federal actions, most notably in the Cranston-Gonzalez National Affordable Housing Act (NAHA) of 1990.

Of particular note, two of the largest federal programs for providing affordable housing include requirements that a specific percentage (a set-aside) of funds be allocated to nonprofit organizations. The Low-Income Housing Tax Credit (LIHTC) program was modified in 1988 (barely two years after it was originally authorized) to require that states allocate at least 10 percent of their annual tax credits to projects sponsored by nonprofit organizations. In 1990, HOME was created as part of NAHA. The HOME program requires that 15 percent of funds be set aside for community-based housing organizations (CBOs), a particular subset of nonprofit providers of housing. While legislatively separate, these programs not only fund the same organizations but are frequently used to fund *the same housing units*.[2]

This article focuses on these two programs to explore a particular aspect of the new federal role: specifically, federal support of nonprofit provision of affordable housing. Our objective is rather modest. We do not seek to assess programmatic success in providing housing per se but rather to assess the success of these programs in channeling resources to nonprofit housing providers. We first consider reasons why federal support has heightened, based on expressed rationales for nonprofit provision. Some, but not all, objectives in federal housing policy affect the relative importance of nonprofit providers. Recent emphasis on these policy objectives contributes to the increased federal emphasis on nonprofits. We then examine the LIHTC and HOME programs, their design, and their implementation in light of these themes. Finally, we examine issues raised by the design and implementation of these programs for the future course of federal policy toward the nonprofit housing industry.

## Background

### *Nonprofit Organizations and Affordable Housing*

There is an extensive literature on the role of nonprofit providers of housing—and specifically on the dominant form of such providers, community development corporations (CDCs). For summaries, see Keating, Krumholz, and Star (1996), Stoutland (1999), Urban Institute (1995), and the U.S. Department of Housing and Urban Development (HUD) (1995). While this literature represents both supporters and detractors, there are common findings that provide the rationale underlying current federal emphasis on nonprofits.

The current model of nonprofit provision by CDCs has its roots in the late 1950s and early 1960s, in the civil rights movement, in urban unrest, and in reactions to the era of top-down urban renewal. Since that time, CDCs have dominated the nonprofit housing industry.[3] CDCs are nonprofits with a distinctly local focus, through resident representation on a governing board and a mission that generally targets a limited geographic area. Thus, CDCs tend to be

[2] The LIHTC program is under the oversight of the IRS, while the HOME program is administered by the U.S. Department of Housing and Urban Development.

[3] CDCs form the subset of CBOs that undertake development activities: housing development and management, real estate or commercial development, or general business development.

smaller organizations,[4] producing fewer units of housing, in smaller-scale projects than nonprofit providers that are not community-based, referred to here as regional nonprofits (HUD 1995).[5]

Nonprofits, and CDCs specifically, play a sizable role in providing affordable housing. For example, HUD has estimated that nonprofits produced more than 15 percent of all subsidized units from 1960 to 1990. In 1990, nonprofits produced 36,000 units (17 percent) of federally subsidized housing (HUD 1995). This total does not include units that are subsidized through the LIHTC program or through tax-exempt bonds. Nor does it include federally subsidized housing for the homeless or nonfederal public subsidies.[6] National surveys of CDCs suggest that by 1994, more than 400,000 units of housing had been produced by CDCs (National Congress for Community Economic Development [NCCED] 1995).

Nonprofit production (and capacity to produce) is not uniformly distributed spatially. Nonprofit providers are located disproportionately in larger cities and in the Middle Atlantic, the Pacific, and New England regions (HUD 1995; Urban Institute 1995).

While the importance of nonprofit organizations in the affordable housing industry is clear, the assessment of their performance in producing housing is less clear. Much of the literature on nonprofit housing provision is descriptive, and the case studies reported are not designed to test the relative performance of the organization.[7] Furthermore, assessments of these organizations are complicated by their multiple objectives. Limited information on production costs suggests that nonprofits incur higher costs, perhaps because of inexperience, scale, or the location of production (Bratt, Vidal, and Schwartz 1998; Cummings and DiPasquale 1999; HUD 1995). However, these organizations provide a wider range of services to poorer or more-difficult-to-serve populations (Briggs, Mueller, and Sullivan 1997; HUD 1995). They also seem to have improved over their early experiences, as measured by the costs incurred in construction and by financial management (Cummings and DiPasquale 1998; Stegman 1999a).

Federal support for nonprofit housing providers increased in a sector that had already been found to face particular challenges, most notably maintaining adequate financial support and technical capacity, and overcoming costly patchwork financing (Schwartz et al. 1996; Urban Institute 1995). In audits and surveys of subsidized housing developments, the operating margins of nonprofits were found to be extremely thin (Bratt, Vidal, and Schwartz 1998; Cummings and DiPasquale 1999).

---

[4] Although most CDCs are small, a significant number of them are quite large. While less than 5 percent of CDCs produce more than 100 units, this group accounts for 40 percent of all nonprofit housing produced in the United States (HUD 1995; National Congress for Community Economic Development [NCCED] 1995).

[5] However, the distinction among CBOs, CDCs, and regional nonprofits is worth making, since the underlying rationale for nonprofit provision of housing may differ for these organizational types.

[6] These production levels include at least two federal programs in which one-time developments are common and are not an activity of an ongoing CDC. Eliminating these from the comparison to NCCED's production levels for CDCs suggests that a sizable number of housing units are provided by nonprofits with no federal involvement at all (HUD 1995).

[7] For an excellent review of this literature see Stoutland (1999). See also HUD (1995), Rasey (1993), and Vidal (1996).

## *Rationale*

The rationale for participation by the nonprofit sector in subsidized housing production is somewhat distinct from the ability of the sector to compete with for-profit developers in minimizing production costs.[8] Three important factors distinguish the rationale from static efficiency comparisons of minimum-cost provision.

First, nonprofits are promoted as a critical component of the affordable housing industry because of their willingness to serve poorer tenants, who live in poorer neighborhoods and in projects with less financial security in economic returns (see, e.g., Urban Institute 1995; Vidal 1992). Arguments are seldom put forward that nonprofits will provide the *same* affordable housing at the *same* cost as for-profit firms, but rather that nonprofits will supply the housing that is the most difficult to induce from for-profit firms. Thus, to the extent that federal housing goals emphasize harder-to-serve populations or those with particularly low incomes, this rationale suggests a greater involvement of nonprofit providers.

Second, local CBOs may possess geographically specific information and knowledge about appropriate solutions to local housing problems. In its pure form, this consideration is similar to the one encountered in deciding upon the provision of public services in a federal system. Decentralization rewards local initiative and knowledge of local needs. Thus, federal devolution of housing programs to state governments and to localities also suggests an increased role for locally based housing providers.

Third, there are clearly articulated goals of housing subsidy policy that are only weakly related to the production of housing units—for example, attention to social and physical externalities, citizen control, and the development of local political organizations. To the extent that federal urban development goals are broader than the physical production of adequate housing, their achievement may be more consistent with production of housing by nonprofit rather than for-profit entities.[9] Note also that attention to these last two goals seems to be more consistent with CDC production than with production by regional nonprofit organizations.

## *Federal Housing Policy and the Historical Role of Nonprofits*

Large-scale federal support specifically for nonprofit housing arose with passage of the Section 202 Housing Program in 1959, a low-interest loan program providing housing for the elderly. The program was designed exclusively for nonprofit sponsorship.[10] During its first 10 years, more that 45,000 units were produced, all by nonprofits (Rasey 1993).[11] It seems clear that the original motivation for relying on the nonprofits was their presumed comparative advantage in serving the most disadvantaged.

[8] For similar arguments in somewhat different form, see Keating, Krumholz, and Star (1996) and Stoutland (1999).

[9] For a detailed description of this rationale, see Stoutland (1999).

[10] Cooperatives were added as potential service providers in 1961, and programs serving the physically disabled were added in 1964.

[11] As late as 1990, this program (and its successor, Section 811) still constituted the second largest source of federal funding for nonprofit housing (HUD 1995).

Creation of the U.S. cabinet-level department HUD in 1965 greatly increased the federal presence in housing provision, and the 1968 Housing Act set forth ambitious production goals. The impact of this legislation was seen in the surge of production during the early 1970s (Orlebeke 1993). Because nonprofits were already participating in this industry, they benefited from the increased federal spending on production. While participation by nonprofit institutions was encouraged by the provision of seed money and technical assistance, the motivation was primarily to meet the higher production targets (Rasey 1993).

This federal support for housing production (in which nonprofits actively participated) came to an abrupt halt in 1973 with the Nixon administration's moratorium on new federal housing subsidies. Reevaluation of federal policy resulted in the 1974 Housing and Community Development Act, which shifted federal emphasis in two particularly relevant ways.

First, the 1974 act created the Community Development Block Grant (CDBG) program, a formula grant program that originally consolidated seven separate HUD programs and gave states and localities more control over spending decisions. CDBG is more broadly concerned with development than with the more narrow provision of housing. And it provides funding for a wide range of activities. As suggested above, moving to a decentralized and broadly defined housing program should lead to an increased emphasis on nonprofit provision. This increased emphasis on broader development objectives favors CDCs specifically. In fact, it was reported in the early 1990s that CDBG funding was the single most important source of federal funding for CDC providers of housing (Vidal 1992).

The second major shift in the 1974 act was in reaction to the costs and efficiencies of prior programs. The law mandated a decrease in government housing production. The Section 8 program authorized by the act encouraged private, for-profit, and nonprofit production.

During the 1980s, there was further withdrawal of resources and a reshaping of federal commitments. Federal capital expenditures for housing declined,[12] and support shifted to demand-side housing subsidies, further reducing capital-intensive and production-oriented programs. And finally, the remaining federal resources dedicated to housing were increasingly focused. Several community development programs initiated during the Carter administration were eliminated. Together, these factors led to reduced federal support for nonprofit and community-based housing providers.[13]

The large funding gap arising from changes in federal emphasis was reduced by two particularly important forces. First, more aggressive state and local governments began to take a role in providing affordable housing by creating their own programs, including the creation of independent state housing finance agencies to issue tax-exempt bonds specifically for housing.

Second, private foundations also became more aggressive in their efforts to develop a network of nonprofit housing developers. Two national intermediaries, the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation, were created to operate as foundations,

[12] Budget authority for HUD-assisted housing decreased from $26.7 billion in 1980 to $8.3 billion in 1988, but annual budget outlays continued to rise.

[13] Some of this decrease in federal categorical funding for housing was offset by an increase in the portion of CDBG funds spent by localities on housing (Rich 1993).

specifically to address the issue of capacity-building in the nonprofit sector.[14] Both organizations provide financial and other assistance in support of neighborhood-based housing. A system of local intermediaries also began flourishing at this time, spurred in some cases by national or local foundations, in others by state and local governmental efforts.

By the late 1980s, CDCs were much less dependent on the federal government for their sources of funding. Diversified funding sources, increased financial security, and experience in housing provision each may have contributed to a more promising performance record during this period than during the 1960s. By 1990, 95 percent of U.S. cities reported CDCs as active developers of housing (Goetz 1992). This increase in the prevalence of nonprofit providers and the changing external perceptions of performance, itself, produced changes in federal policy options. While federal housing policy is not directly credited with these historical developments, current policy builds on the existence of a well-developed system of nonprofit providers whose performance is perceived to have improved substantially.

## Current Federal Programs: LIHTC and HOME

### *LIHTC*

One notable feature of TRA86 was the removal of a broad array of incentives for real estate development, including removal of accelerated depreciation schedules, the imposition of "at-risk" provisions for depreciation, and the imposition of "line of business" and "passive investor" restrictions on the use of business losses to offset other income.

In anticipation that these changes would reduce incentives for the provision of low-income housing, Congress passed a more narrowly focused tax credit for new production of low-income housing, LIHTC.

LIHTC is administered by the U.S. IRS and state allocating agencies. Each year, the federal government (through the IRS) allocates tax credits of $1.25 per resident to the states.[15] State agencies review applications submitted by developers and allocate the tax credits according to allocation criteria that reflect their own housing policy goals, within general federal guidelines. State plans must give priority to projects that serve the lowest-income tenants and those that ensure affordability for the longest period.[16] Projects may be developed by for-profit or nonprofit organizations, but states must set aside 10 percent of the LIHTC funds they receive for use by nonprofit organizations.

LIHTC projects generally require complicated financial support. Developers typically sell the credits to syndicators, using the proceeds to finance the initial investment. The syndicator acts as the broker between the developer and the ultimate investor in tax credits. The emergence

[14] LISC was created by the Ford Foundation in 1979. The efforts of developer James Rouse helped to establish the Enterprise Foundation in 1982.

[15] Each annual appropriation of more than $300 million provides 10 years of such benefits, amounting to almost $3 billion in federal commitments annually.

[16] The program requires that buildings remain in low-income use for at least 30 years, at which point the properties revert to the full control of property owners.

of syndicators, financial intermediaries with housing expertise, has been credited with the increased use of tax credits, and with their increased efficiency (Cummings and DiPasquale 1998; Stegman 1999a). Most LIHTC housing projects receive a variety of additional subsidies.

Several aspects of the LIHTC program suggest an enhanced role for nonprofits. LIHTC is a decentralized, supply-side program and invites the active participation of nonprofits. Allocations are made by state rather than federal agencies, which may benefit nonprofits, at least in those states in which a nonprofit system of housing delivery has been developed. While states may have an interest in using this program in conjunction with other programs to accomplish community development goals, the tax credit program itself does not embrace a broad view of housing services.[17] Thus, it is not surprising that the nonprofit set-asides are not specifically targeted for CBOs.

## *HOME*

HOME is the programmatic cornerstone of NAHA. It is a block grant program with objectives somewhat broader than housing production (including an emphasis on building flexible housing institutions for the provision of locally determined and appropriate housing). Its formal title, Home Investment Partnerships, reveals its emphasis on linkages (partnerships)—between levels of governments, and between for-profit and nonprofit organizations. The legislation explicitly relies on nonprofit housing developers, noting the importance of increasing the number of capable organizations and the coverage of their networks.

To receive HOME funding, states and localities must submit a five-year comprehensive housing affordability strategy.[18] These housing strategies require the coordination of activities with appropriate housing-related agencies in the private and nonprofit sectors as well as the public sector.

All participating jurisdictions, states as well as localities,[19] must set aside at least 15 percent of HOME funds for Community Housing Development Organizations (CHDOs), community-based housing organizations with at least one year of experience in housing.[20] HOME is thus a very decentralized housing program. States and localities are provided block funding that can be used to meet local needs—supply- or demand-side, ownership or rental. The legislative focus is on local determination of needs, and the broader community development focus suggests a key role for nonprofit CBOs.

[17] Allocating agencies are free to give priority to a variety of characteristics in their selection processes. It is possible for states to comply with federal priorities and yet give priority to projects that, for example, are located in particularly poor neighborhoods or that are directed toward local development goals.

[18] This document (updated yearly) considers local housing conditions and needs, relates housing program priorities to these needs, and plans for the leveraging of funds.

[19] HOME funds are allocated to participating jurisdictions by formula: 40 percent of formula-based funds are divided among the states, 60 percent are distributed to localities—cities and urban counties.

[20] The act also contains three smaller homeownership programs targeted to the poor (HOPE I, II, and III), which also provide financial support to nonprofits.

## Nonprofits in Current Federal Programs

In addition to embracing a larger role for nonprofits, NAHA also charged HUD with the task of assessing their record.[21] HUD's 1995 report includes information on the relative importance of nonprofits in a variety of different federal housing programs (HUD 1995). Table 1 reports on the five federal programs producing the largest number of subsidized units during the 1960 to 1990 period. These five programs account for approximately 85 percent of all federally subsidized units created during these three decades. For each of these programs, the table indicates the share of funding that goes to nonprofits.

*Table 1.* **Share of Funding Received by Nonprofits in the Five Largest Federal Subsidy Programs, 1960 to 1990**

| | Percent Nonprofit | |
|---|---|---|
| Program | 1960–90 | 1990 |
| Community development block grants[a] | 13.0 | 13.3 |
| Section 502 | 3.0 | 3.0 |
| Section 8 new construction | 9.0 | — |
| Section 236 rental[b] | 25.1 | 29.7 |
| Section 515 | 5.0 | 5.0 |
| Section 202[c] | 100.0 | 100.0 |

*Source:* HUD (1995).
[a] Housing portion only.
[b] New commitments for this program are made in Section 221(d)(3).
[c] All funds under Section 202 are reserved by law for nonprofits.

The variation in the share of funds to nonprofits is quite large. Programs oriented toward a harder-to-serve population (Section 202) and those encompassing broader definitions of housing (CDBG) rely more heavily on nonprofit provision. A comparison of the 1990 percentages to the three-decade averages suggests that the importance of nonprofits in these programs has not changed appreciatively over time.[22] While nonprofits may have increased their presence in housing provision overall during this time period, they did not do so within these federal programs.

Whether nonprofits have increased their federal participation during the decade of the 1990s depends in large part on whether the LIHTC and HOME programs are an ongoing and sizable portion of federal activity and whether nonprofits participate heavily in these programs. Table 2 addresses the first question. This table provides time series information on the number of subsidized units produced by a variety of federally sponsored programs. These numbers are estimates, given data limitations and some double counting (some units receive multiple subsidies).

Since 1987, the number of dwellings subsidized by the Section 515 rural housing program increased by almost 15 percent, while the number of public housing units declined by a similar proportion. Rent supplements and Section 236 subsidies have declined more modestly. In

[21] Section 582 specified that HUD examine how private nonprofits' initiatives to provide low-income housing development in local communities across the country have succeeded.

[22] Note that there was a decline in federal funding of these programs over this time.

*Table 2.* **Rental Dwelling Units Subsidized by Federal Programs, 1987 to 1998**

| Year | USDA Section 515 | HUD Public Housing | Rent Supplement | Section 236 | Section 8 | Home | IRS LIHTC* |
|---|---|---|---|---|---|---|---|
| 1987 | 349,178 | 1,390,098 | 23,487 | 528,174 | 2,239,503 | 0 | 34,491 |
| 1988 | 368,456 | 1,397,907 | 23,476 | 528,174 | 2,332,462 | 0 | 115,899 |
| 1989 | 385,677 | 1,403,816 | 20,000 | 528,000 | 2,419,866 | 0 | 242,099 |
| 1990 | 401,941 | 1,404,870 | 20,000 | 530,625 | 2,500,462 | 0 | 316,128 |
| 1991 | 417,998 | 1,410,137 | 20,000 | 528,115 | 2,547,995 | 0 | 428,098 |
| 1992 | 433,616 | 1,409,191 | 20,000 | 510,422 | 2,722,477 | ——— | 519,398 |
| 1993 | 448,767 | 1,407,923 | 19,270 | 510,105 | 2,812,008 | ——— | 623,154 |
| 1994 | 463,742 | 1,409,455 | 18,808 | 504,966 | 2,925,959 | ——— | 740,253 |
| 1995 | 476,213 | 1,397,205 | 20,860 | 508,353 | 2,911,692 | ——— | 826,596 |
| 1996 | 482,980 | 1,388,746 | 20,860 | 505,305 | 2,958,162 | 111,003 | 903,599 |
| 1997 | 482,980 | 1,372,260 | 20,860 | 494,121 | 2,943,635 | 166,086 | 940,052 |
| 1998 | 482,980 | 1,295,437 | 20,860 | 476,451 | 3,000,935 | 209,193 | 1,041,874 |
| 1999 | ——— | 1,286,588 | 20,860 | 446,658 | 3,135,850 | 266,523 | 1,103,777 |
| 2000 | ——— | 1,243,100 | 20,860 | 420,017 | 3,320,583 | 302,146 | ——— |

*Sources:* Danter Company (2001), HUD (1992–98b, 1995), National Council of State Housing Agencies (1992), Olsen (2000), Quigley (2000), and Wallace (1998).
*LIHTC numbers represent cumulative allocations. All other figures represent numbers of dwelling units actually subsidized.

contrast, the number of dwellings subsidized by Section 8 increased by almost half. Dwellings subsidized through the HOME and LIHTC programs have increased rapidly, and the number of LIHTC dwellings allocated is close to the number of dwellings in the public housing inventory. However, these two programs still constitute a small fraction of the entire inventory of federally subsidized rental units. We now analyze the extent to which nonprofits participate in these latter programs.

## *The Early Years of LIHTC and HOME*

Information on the LIHTC and HOME programs is quite limited. As noted previously, LIHTC is under the oversight of the IRS, which does not report data routinely on this program. There have been several attempts to fill this gap in the past few years; each attempt has surveyed the presence of nonprofits at some point in time. The earliest study, conducted by ICF, Incorporated (1991) found that approximately 9 percent of LIHTC housing projects were sponsored by nonprofit organizations during the first two program years. (This was the period before the mandated 10 percent set-aside for nonprofits.) A subsequent survey by HUD (1996) found nonprofit sponsorship to be increasing, from 18.4 percent of units in 1992 to 26.7 percent in 1994. This is consistent with more recent work by Cummings and DiPasquale (1998, 1999) who estimated that 31 percent of projects were sponsored by nonprofits. The Cummings and DiPasquale sample covers projects in service through 1996.

The HOME program is overseen by HUD but was slow to start (fiscal year 1992 was the first funding year), and the system for public provision of data is still under development.[23] Two reports have been published that tabulate information on the first few years of the program.

[23] Information from this system is presented in the following pages.

The first report relied on data for HOME commitments made through part of 1994. It found that both state and local jurisdictions committed almost 30 percent of HOME funding to nonprofits, similar to the proportion devoted to nonprofits in the LIHTC housing program (Urban Institute 1995). Slightly less than half of this was for CHDO-sponsored housing, almost equal to the minimum set-aside required by the law. Program administrators reported that meeting the 15 percent CHDO set-aside was a challenge. Subsequent changes in legislation have facilitated the funding of CHDOs by permitting several nonproject uses of HOME funds.[24] Moreover, if jurisdictions have difficulty spending their set-aside on CHDO-sponsored projects, up to 20 percent of the set-aside can be used to fund CHDO "capacity building."

In the more recent report, covering most of fiscal year 1996, jurisdictions reported fewer problems in meeting the CHDO set-aside regulations (Urban Institute 1999). Local jurisdictions reported that CHDOs were expected to receive 20 percent of jurisdictions' cumulative commitments, and nonprofits, as a class, were expected to receive approximately 26 percent.

To analyze more recent trends, we have compiled available data reflecting the cumulative share of funding allocated to nonprofits for each program for 1992 through 1998. Data for the LIHTC program are compiled from a state-level data source. Data for the HOME program are taken from HUD commitment reports. A few points are worth noting before turning to the evidence.

First, these data report the commitment of program allocations, rather than the number of completed units that have entered the inventory. Some fraction of allocations is made to projects that, for a variety of reasons, do not reach completion. Depending on the timing, these commitments may be reallocated (thereby showing up in future commitment data) or they may expire. Thus, to the extent that reallocations occur frequently, commitment data may not be representative of the actual share of resources going to nonprofits. For the LIHTC program, comparisons of units committed with units in service for the years for which both are available suggest that this is not a problem (O'Regan 2000). For the HOME program data, as commitments have expired or been reallocated, HUD has revised its cumulative data, removing the bulk of double counting. Therefore, these cumulative data more closely reflect the actual level of funding received through HOME.

However, reallocation does mean commitment data will overstate somewhat the aggregate flow of resources. Much of this double counting has been removed from the HUD HOME data. Under the LIHTC program, reallocation appears to have been much more common during the early years of the program.[25]

It is also worth noting that the LIHTC data report the dollar allocation of a tax credit for one year. In fact, these allocations each represent a 10-year stream of benefits. Specifically, each tax-credit dollar allocated provides its owner with 10 dollars of tax credits over a 10-year

[24] Up to 5 percent of all HOME funds can be spent on operating expenses of CHDOs. Of the CHDO set-aside, up to 10 percent can be used for technical assistance or for predevelopment loans.

[25] During the early years, close to 30 percent of commitments may have been returned for reallocation. By 1998, less than 10 percent were returned (O'Regan 2000).

time period. This should be kept in mind when focusing on the aggregate resources received by nonprofits and when comparing resources across programs.[26]

Table 3 presents state-level cumulative data for both programs, by region. As noted previously, the spatial distribution of nonprofit housing providers is not uniform. We thus find large regional differences in commitments of tax credits to nonprofits. Nonprofits received twice as large a share of tax-credit commitments in the Northeast as they did in the South.

*Table 3.* **LIHTC and HOME Allocations by Region (Percent of Allocations Committed to Nonprofits or CHDOs, 1992 to 1998)**

| | | Allocations (dollars in thousands) | | |
|---|---|---|---|---|
| Region | Program | Total | Nonprofit or CHDO | Percent to Nonprofits |
| Northeast | LIHTC* | 553,746 | 256,720 | 46.40 |
| | HOME (state) | 620,310 | 156,661 | 25.26 |
| | HOME (local) | 1,583,100 | 329,201 | 20.80 |
| Midwest | LIHTC* | 641,320 | 187,506 | 29.20 |
| | HOME (state) | 905,812 | 195,473 | 21.58 |
| | HOME (local) | 1,109,763 | 295,944 | 26.70 |
| South | LIHTC* | 919,022 | 186,799 | 20.30 |
| | HOME (state) | 1,426,186 | 237,227 | 16.63 |
| | HOME (local) | 1,291,857 | 259,010 | 20.00 |
| West | LIHTC* | 649,643 | 215,878 | 33.20 |
| | HOME (state) | 601,238 | 122,644 | 20.40 |
| | HOME (local) | 1,298,602 | 274,426 | 21.10 |
| Total U.S. | LIHTC* | 2,813,707 | 862,727 | 30.70 |
| | HOME (state) | 3,601,645 | 721,741 | 20.04 |
| | HOME (local) | 5,317,101 | 1,163,729 | 21.90 |

*Source:* HUD (1992–98a) and National Council of State Housing Agencies (1992–98).
*Each dollar committed represents a 10-year stream of benefits worth one dollar each year.

Overall, 30 percent of tax credit commitments have been made to nonprofit providers. Compared with other federal housing programs, this is a large fraction. This is also considerably higher than the 10 percent mandated by the law. To the extent that the LIHTC program becomes a more important component of the stock of assisted housing (as suggested in table 2), the presence of nonprofits also will increase.

Table 3 presents similar information for CHDO participation in the portions of the HOME program allocated to state and local governments. (Data for a broader definition of nonprofits are generally not available.) Nationally, the proportions of HOME allocations committed to CHDOs are quite similar for the portions controlled by states and localities, each near 20 percent. Again, this allocation is somewhat higher than the 15 percent required by legislation. Because CHDOs are only a portion of the nonprofit sector, the presence of nonprofits in the HOME program may be similar in magnitude to that found for LIHTC.

[26] In addition, the cash value of these credits may vary over time. As noted previously, these credits are generally sold by syndicators, and their yield has increased substantially over time.

Regional funding patterns for the state portion of HOME funds show a pattern quite similar to that for the LIHTC. Nonprofits (CHDOs) are most prominent in the Northeast and considerably less so in the South. In fact, almost a third of southern states did not meet the required 15 percent CHDO funding set-aside requirement during this time period.

### *Time Series Data*

While the data maintained by HUD do not permit a time series analysis, some annual data are available for both the LIHTC and state HOME programs through the National Council of State Housing Agencies (NCSHA). These data are limited, but they do permit us to examine trends over time. NCSHA is a nonprofit membership organization for state housing finance agencies (HFAs) that conducts an annual survey of HFA activities, including LIHTC (starting in 1987). Survey results are publicly available beginning with 1992. This source also publishes HOME data, but only for those state HFAs that also administer state HOME funds. Thus, the available data cover only a part of state HOME funds. By 1998, however, 38 of the 52 HOME state jurisdictions were covered by the NCSHA data. In terms of total HOME funding, this accounts for 65 percent of state-level HOME funds.

These data differ not only in coverage of the two programs but also in quality. For the LIHTC program, data reported in different sections of the source books appear to be consistent. They are also internally consistent over time and generally agree with the few external sources that can be used as benchmarks. Our confidence in the LIHTC data is quite high, particularly after the first two years of reporting. The HOME data appear somewhat less consistent.[27]

We speculate that there are two main factors contributing to differences in accuracy of the data. First, double counting is probably more important for HOME funds, since commitments have a longer holding time before expiring. Second, programmatic differences in the commitment processes may be reflected in the quality of data.

To assess the seriousness of these deficiencies, in table 4 we compare data for our sample of state administrators with the cumulative HUD data presented previously. To control for differences in sample coverage, we also report regional and national percentages using HUD data for the same states that are included in the NCSHA sample.

Nationally, the HUD data indicate a lower share of state HOME funds committed to CHDOs over this seven-year period than do the NCSHA data, 20 compared with 25 percent. Data for some regions and states match quite well; others do not match. The smallest differences are found in the Northeast, with above average CHDO participation reported in both data sources (approximately 28 and 29 percent for both sources using comparable samples).

In the West, the difference in reported regional rates is primarily caused by the difference in sample coverage.[28] In the Midwest and the South, however, the HUD data consistently report

[27] In some instances, states appear to claim a level of funding for CHDOs as high or higher than their overall funding. Occasionally, states appear to make aggregate commitments that exceed their allocations from HUD.

[28] Limiting the HUD data to those states that are in the NCSHA sample yields a 25 percent rate, compared with the 28 percent reported in the NCSHA data.

*Table 4.* **State HOME Allocations Reserved for CHDOs, 1992 to 1998 (Percent)**

| | HUD Data | NCSHA Sample | | HUD Data | NCSHA Sample |
|---|---|---|---|---|---|
| *Northeast* | | | *Midwest* | | |
| Connecticut | 23.1 | — | Illinois | 16.2 | 23.4 |
| Maine | 18.1 | 19.9 | Indiana | 31.8 | 37.5 |
| Massachusetts | 28.7 | 32.6 | Iowa | 14.3 | 17.2 |
| New Hampshire | 30.3 | 29.8 | Kansas | 15.8 | 28.9 |
| New Jersey | 18.2 | — | Michigan | 24.5 | 47.8 |
| New York | 29.6 | 24.0 | Minnesota | 22.1 | 22.3 |
| Pennsylvania | 17.0 | 44.8 | Missouri | 24.8 | 16.8 |
| Rhode Island | 58.1 | 51.1 | Nebraska | 60.2 | — |
| Vermont | 23.0 | — | North Dakota | 15.8 | — |
| Total Northeast | 25.3 | 29.1 | Ohio | 15.4 | — |
| using NCSHA sample* | 27.6 | | South Dakota | 16.8 | 12.7 |
| | | | Wisconsin | 21.9 | — |
| | | | Total Midwest | 22.6 | 30.5 |
| | | | using NCSHA sample* | 22.1 | |
| *South* | | | *West* | | |
| Alabama | 23.1 | 39.1 | Arizona | 17.2 | 27.8 |
| Arkansas | 21.9 | 24.1 | California | 17.8 | — |
| Delaware | 27.3 | 29.5 | Colorado | 14.8 | — |
| District of Columbia | 14.6 | — | Idaho | 33.5 | 30.5 |
| Florida | 15.8 | 16.5 | Montana | 43.8 | 43.9 |
| Georgia | 12.9 | 15.2 | Nevada | 29.5 | 19.8 |
| Kentucky | 15.7 | 20.9 | New Mexico | 15.2 | 14.4 |
| Louisiana | 15.2 | 15.2 | Oregon | 26.8 | 44.1 |
| Maryland | 22.0 | 29.8 | Utah | 15.7 | — |
| Mississippi | 18.9 | — | Washington | 19.6 | — |
| North Carolina | 13.8 | 21.1 | Wyoming | 17.6 | 16.4 |
| Oklahoma | 30.0 | 23.1 | Total West | 20.4 | 28.8 |
| South Carolina | 12.1 | 30.3 | using NCSHA sample* | 25.0 | |
| Tennessee | 12.8 | 25.4 | | | |
| Texas | 13.2 | 18.5 | | | |
| Virginia | 17.3 | 5.6 | | | |
| West Virginia | 16.7 | 16.4 | | | |
| Total South | 16.6 | 21.4 | Total U.S. | 20.0 | 25.2 |
| using NCSHA sample* | 15.7 | | using NCSHA sample* | 20.1 | |

*Sources:* HUD (1992–98a) and NCSHA (1992–98).
*Percentage of funds allocated to CHDOs based on HUD data for states that are in the NCSHA data.

lower CHDO commitment rates. As noted, the HUD data have been purged of "unsuccessful" commitments. Thus, the differences in reported rates suggest that states in these two regions have more consistently misjudged the translation of CHDO commitments into final projects, or else that these states have simply had more difficulty completing such projects. Significantly, these are the regions in which networks of nonprofits and CDC housing producers are less well developed.

Table 5 is based on the NCSHA data. It presents the share of commitments made to nonprofits generally, for each program in each year, by region. The final two columns provide a summary of allocations for different periods.

*Table 5.* **LIHTC and HOME Funds Allocated by State Housing Finance Agencies to Nonprofit Organizations, 1992 to 1998 (Percent)**

| | | Individual Years | | | | | | | Range of Years | |
|---|---|---|---|---|---|---|---|---|---|---|
| Region | Program | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1992–93 | 1994–98 |
| Northeast | LIHTC | 57.10 | 55.20 | 33.50 | 44.70 | 44.80 | 43.70 | 49.50 | 56.10 | 42.80 |
| | HOME | 79.93 | 53.40 | 53.24 | 47.75 | 68.93 | 48.78 | 18.10 | 55.76 | 46.99 |
| Midwest | LIHTC | 19.80 | 22.20 | 25.60 | 37.30 | 30.90 | 33.50 | 34.30 | 21.10 | 31.90 |
| | HOME | 36.49 | 43.88 | 46.65 | 32.54 | 38.15 | 58.64 | 35.88 | 40.60 | 43.18 |
| South | LIHTC | 15.60 | 12.60 | 17.30 | 25.90 | 23.50 | 23.50 | 23.30 | 13.70 | 22.50 |
| | HOME | 35.92 | 36.40 | 38.31 | 37.55 | 42.46 | 51.37 | 39.52 | 36.20 | 41.67 |
| West | LIHTC | 49.10 | 34.90 | 41.20 | 35.00 | 18.50 | 21.80 | 24.30 | 41.50 | 29.30 |
| | HOME | 42.93 | 90.90 | 59.64 | 57.26 | 35.81 | 52.90 | 33.72 | 66.82 | 47.34 |
| U.S. | LIHTC | 35.20 | 28.20 | 28.10 | 34.90 | 28.20 | 30.00 | 31.00 | 31.30 | 30.40 |
| | HOME | 38.40 | 45.48 | 44.63 | 39.55 | 44.94 | 53.49 | 35.48 | 42.87 | 43.67 |

*Source:* NCSHA (1992–98).

As expected, the share of state-level HOME funding committed to nonprofits is higher than for CHDOs. In fact, the share is 50 percent higher. In each region, nonprofits receive a larger portion of HOME funding than of LIHTC funding. In light of the comparisons in table 4, however, some of this difference may simply be attributable to overly optimistic reports of HOME nonprofit commitments. Even if the national rate for HOME is only slightly higher than for LIHTC, however, this would result in more than 30 percent of state HOME resources going to nonprofit housing providers.[29]

Table 5 also provides a time series, nationally and by region. Nationally, neither of these programs shows much change in reliance on nonprofits over time. This is consistent with the pattern observed in table 1 for several other federal housing programs. This finding is quite surprising for the HOME program, in light of the extensive discussion among policy makers of capacity-building. As noted earlier, there has been a growth in the participation of nonprofits in the LIHTC program since its formative years. The growth reported during the first years of the program appears to have stopped, however.

While the national figures are remarkably constant, there have been some changes within each of the regions. In the Northeast and the West, the two regions with the largest share of commitments to nonprofits for both programs, the share of funds allocated to nonprofits has declined since the early 1990s. In the Midwest and the South, two regions in which nonprofits had the lowest LIHTC participation as of 1992, the share of commitments to nonprofits continued to grow through the mid-1990s. If capacity-building for nonprofits is reflected by the minimum presence of nonprofits, this pattern is consistent with a growth in underlying capacity.

The NCSHA data also indicate the total number of CHDOs by state. Table 6 summarizes these data, which may reflect the building of capacity and the growth of nonprofits by region. To control for variations in size among states and regions, we also present the number of CHDOs per million dollars of initial-year HOME allocations.

There was a remarkable growth in the number of CHDOs between 1992 and 1998. The growth has been continuous through 1998 and has occurred in all regions. We note that this growth is in the organizations recognized by the state government as providing community-based housing. It is possible that much of this growth occurred because an increased number of preexisting providers have undertaken state qualification. This is particularly likely during the first years of the program.

From 1994 onward, CHDO numbers have continued to increase in each region, except the South. In fact, almost all nonsouthern states experienced continual CHDO growth. If some of the increase in the number of CHDOs represents the increased capacity of the local nonprofit housing sector, this pattern suggests only mixed success. The South, which has historically lagged in its CDC provision of housing, continues to lag. But much of the Midwest, which had also lagged in CDC housing provision, has experienced a high rate of CHDO growth.

[29] Of course, an increased presence in the federally subsidized market need not translate into an increased presence in the overall affordable housing market or an increased production of affordable housing overall.

*Table 6.* **Number of CHDOs and Percent of HOME Funds Spent on Nonproject Uses, 1992 to 1998**

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|
| *Number of CHDOs* | | | | | | | |
| Northwest | 31 | 103 | 145 | 151 | 221 | 230 | 248 |
| Midwest | 63 | 81 | 139 | 154 | 217 | 259 | 244 |
| South | 108 | 194 | 313 | 365 | 312 | 328 | 383 |
| West | 26 | 31 | 58 | 91 | 106 | 116 | 111 |
| U.S. | 229 | 413 | 660 | 769 | 865 | 942 | 990 |
| *CHDOs per million dollars** | | | | | | | |
| Northwest | 1.21 | 2.40 | 2.73 | 2.84 | 4.16 | 4.33 | 4.67 |
| Midwest | 1.54 | 1.79 | 3.06 | 3.40 | 3.87 | 4.62 | 4.38 |
| South | 1.03 | 1.64 | 2.63 | 2.66 | 2.28 | 2.64 | 2.79 |
| West | 1.62 | 2.39 | 2.51 | 3.45 | 4.02 | 4.40 | 4.21 |
| U.S. | 1.20 | 1.84 | 2.70 | 2.82 | 3.12 | 3.56 | 3.57 |
| *Nonproject expenditures (percent)* | | | | | | | |
| Northwest | 24.3 | 0.6 | 2.2 | 27.5 | 1.2 | 5.5 | 0.9 |
| Midwest | 5.4 | 2.4 | 8.8 | 11.3 | 6.4 | 9.2 | 4.2 |
| South | 1.6 | 3.6 | 6.6 | 5.0 | 5.0 | 5.4 | 6.6 |
| West | 0.0 | 2.1 | 5.3 | 7.7 | 11.8 | 6.8 | 7.6 |
| U.S. | 5.4 | 2.3 | 6.1 | 8.9 | 5.0 | 7.1 | 5.4 |

*Source:* NCSHA (1992–98).
*Number of CHDOs divided by initial year (1992) allocation in millions of dollars.

The increase in number of CHDOs has far outpaced the growth in HOME funding, so it is difficult to attribute the CHDO growth to HOME funding alone. The growth in CHDOs does not appear to be the result of large increases in funding through capacity-building grants or through the funding of operating expenses, either. The share of CHDO funding that goes for nonproject expenses is quite low, and, as noted in table 6, there is no clear trend.

We have compared the simple correlations across states with various measures of the allocations of funds under the HOME and LIHTC programs. Table 7 reports a series of simple correlation coefficients, computed separately for each year between 1992 and 1998. In comparing programs, we find small but positive correlations between state shares of funding going to nonprofits in the two programs. This is not surprising, since these state programs operate within the same nonprofit housing networks and local housing conditions.[30] LIHTC funding for nonprofits is much less correlated with the portion of HOME commitments going specifically to CHDOs, however.

The expectation that the availability of nonprofit institutions would affect the share of nonprofit funding is only partially borne out in the data. During the first year or two of the HOME program, states with greater representation of CHDOs spent a significantly larger portion of their funding on both CHDOs specifically and nonprofits generally. But surprisingly, there is essentially no correlation between the level of funding for nonprofits (CHDOs) and the availability of CHDOs after 1993. States with a larger representation of CBOs are not spending a greater share of state HOME funding on nonprofits (CHDOs).[31]

[30] In fact, for this portion of state HOME funds, these separate program decisions are made within the same administrative organization.

[31] In most years, there is also no correlation at all between nonproject funding and the number of CHDOs.

*Table 7.* **Simple Correlations among State Allocations**

| Correlation between | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|
| Share of LIHTC allocated to nonprofits and | | | | | | | |
| Share of HOME to nonprofits | –0.12 | 0.53 | 0.39 | 0.21 | 0.27 | 0.08 | 0.37 |
| Share of HOME to CHDOs | –0.24 | 0.13 | 0.31 | 0.07 | 0.17 | –0.02 | 0.12 |
| CHDOs per million | –0.02 | 0.09 | 0.03 | 0.34 | 0.33 | 0.30 | 0.21 |
| CHDOs per million dollars and | | | | | | | |
| HOME share to nonprofits | 0.69 | –0.04 | –0.07 | –0.04 | –0.20 | –0.25 | –0.02 |
| HOME share to CHDOs | 0.73 | 0.39 | –0.04 | 0.16 | –0.20 | –0.19 | 0.00 |
| Share of CHDOs to nonproject uses | 0.20 | –0.04 | 0.25 | 0.04 | 0.35 | –0.02 | 0.14 |

*Source:* Authors' calculations based on data reported in NCSHA (1992–98).

However, after 1993, there is a positive and significant correlation between the presence of CHDOs and LIHTC allocations to nonprofits. States that have a larger number of CHDOs spend a greater share of their LIHTC funding on nonprofits. These results are consistent with the recent evaluation of a national effort to increase CDC funding and capacity that was conducted by the Urban Institute (1998). This evaluation concluded that CDC capacity and LIHTC funding had become much more highly correlated through the 1990s.

Finally, the federal focus on nonprofit providers is based on an assumption that these organizations provide a different product or serve a more disadvantaged clientele than do other providers. Even with the limited data available, it is possible to investigate this assumption. We have assembled state data, from 1992 through 1998, on the share of LIHTC units that serve the lowest income population and the share located in particularly poor census tracts. For the HOME program, we have data only for 1996 to 1998 and only by income category. Simple correlations across states by year are reported in table 8.

There are consistent positive and significant correlations between the characteristics that represent harder-to-serve populations in harder-to-serve neighborhoods and the share of LIHTC allocations committed to nonprofits. These results are consistent with our expectations about the role of nonprofits. However, the limited data for the HOME program provides little positive evidence.

## Concluding Comments

In our examination of the LIHTC and HOME programs, we find that nonprofits do, in fact, receive a larger portion of funding in these programs than they have in other historically important sources of low-income housing production. This suggests that the federal partnering with nonprofits has been more than a rhetorical flourish.

*Table 8.* **Simple Correlations between State Allocations and Uses for Hard-to-Serve Populations**

| Correlation between | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|
| Share of LIHTC allocated to nonprofits and | | | | | | | |
| Share of LIHTC units in poor census tracts | 0.35 | 0.26 | 0.38 | 0.39 | 0.28 | 0.16 | 0.13 |
| Share of LIHTC units to lowest-income households | 0.01 | 0.32 | 0.20 | 0.48 | 0.34 | 0.30 | 0.29 |
| Share of HOME allocated to lowest-income households and | | | | | | | |
| Share of HOME to nonprofits | —— | —— | —— | —— | 0.20 | 0.15 | –0.13 |
| Share of HOME to CHDOs | —— | —— | —— | —— | 0.27 | 0.07 | –0.04 |

*Source:* Authors' calculations based on data reported in NCSHA (1992–98).

The share of federal funding going to nonprofits under these two programs does not appear to have increased significantly after the first few years of operation. The introduction of the LIHTC and HOME programs seems to have caused a one-time increase in the overall level of federal funding for nonprofits. However, the change in regional patterns indicates that some regions have experienced significant growth in local nonprofit providers, and these are the regions where LIHTC funding has been particularly focused on nonprofits.

This is completely consistent with the existence of a market niche, or a narrow comparative advantage for nonprofit housing providers. Rough evidence from the LIHTC program is consistent with state reliance on nonprofits for exactly these purposes. If this is correct, we should expect to observe a portion, but a stable portion, of funding going to nonprofits.

What is the future of federal policy toward nonprofit housing providers? Support for nonprofit housing providers is likely to depend on the extent to which federal policy emphasizes the factors for which nonprofit provision has a comparative advantage. Earlier, we suggested three trends in housing policy that converged in the 1990s to increase the participation by nonprofit organizations. Federal efforts to address harder-to-serve populations, to decentralize decision making, and to emphasize broader development objectives are likely to continue. All of these reinforce the position of nonprofit providers. The most likely source of a shift away from federal support for this sector would be an increased emphasis on demand-oriented housing subsidies rather than supply-side funding. Federal housing policy has moved slowly in this direction during the past quarter century.

The future of demand-side subsidies itself raises questions for nonprofit providers. The current LIHTC subsidy level is simply not deep enough to reach particularly low-income households. Yet states have been using LIHTC to serve low-income populations by combining subsidies, including Section 8 certificates. In 1996, for example, 40 percent of LIHTC households also were receiving direct rental subsidies (U.S. General Accounting Office 1997).[32] If this sub-

[32] A 1997 survey found that 69 percent of LIHTC projects also received HOME subsidy (Shashaty 1997).

sidy were curtailed substantially, it would be far more difficult to serve this population using newly constructed LIHTC housing. Moreover, most existing nonprofit housing developments would face serious financial dislocations.

Furthermore, if federal policy generally continues to support activities in which nonprofits specialize, both the HOME and LIHTC programs will be decentralized, with priorities set by state and local jurisdictions. In the LIHTC program, states have decreased their percentages of funds set aside for nonprofits, suggesting that nonprofits will be competing more directly with other housing providers on the basis of state priorities for project characteristics (Stegman 1999b). Some priorities, such as serving poorer populations or neighborhoods, may suggest continued support of nonprofits. Others, however, may not. For example, several states have explicitly favored preservation of existing stock over production; others have expanded their use of tax credits for public-housing HOPE VI projects. These latter changes in state priorities move resources away from areas in which nonprofit housing activity has been traditionally active.

In summary, it seems clear that the LIHTC and HOME programs have increased federal housing resources for nonprofits. At a time when adequacy of resources was the principal concern for nonprofit performance, this general programmatic characteristic fit the circumstances.[33] However, nonprofit housing finance is complicated by an uncertain system of patchwork financing. This is costly and often requires expertise and capacity that many organizations simply lack. The LIHTC and HOME programs do nothing to address this concern. To the extent that these federal programs continue to support nonprofits, their form could be improved.[34] Improvements in performance are needed beyond those that nonprofits face as housing producers. And those improvements include their performance as managers if they are to have an important role in maintaining the stock of affordable housing.[35] The financial thinness of nonprofit housing projects has been highlighted in recent assessments of nonprofit housing management, suggesting that current forms of programs encouraging nonprofit suppliers are far from ideal.

## *References*

Bratt, Rachel, Avis Vidal, and Alex Schwartz. 1998. The Status of Nonprofit-Owned Affordable Housing: Short-Term Successes and Long-Term Challenges. *Journal of the American Planning Association* 64(winter):39–51.

Briggs, Xavier de Souza, Elizabeth Mueller, and Mercer Sullivan. 1997. *From Neighborhood to Community: Evidence on the Social Effects of Community Development*. New York: New School for Social Research, Community Development Research Center.

Cummings, Jean L., and Denise DiPasquale. 1998. *Building Affordable Rental Housing*. Boston: City Research.

[33] For discussion of other current challenges facing nonprofits, see Stoutland (1999) and Walker (1993).

[34] For example, Stegman (1999a) has suggested a modification to the LIHTC with a deeper subsidy, one that increases when serving lower-income residents.

[35] For a summary of these issues, see Bratt, Vidal, and Schwartz (1998) and Schwartz et al. (1996).

Cummings, Jean L., and Denise DiPasquale. 1999. The Low-Income Housing Tax Credit: An Analysis of the First Ten Years. *Housing Policy Debate* 10(2):251–308.

Danter Company. 2001. 1999 Tax Credit Allocation Data. World Wide Web page <http://www.danter.com/taxcredit/stats.htm> (accessed May 4).

Goetz, Edward. 1992. Local Government Support for Nonprofit Housing: A Survey of U.S. Cities. *Urban Affairs Quarterly* 27(4):420–35.

ICF, Incorporated. 1991. *Evaluation of the Low-Income Housing Tax Credit.* Final Report. Washington, DC.

Keating, W. Dennis, Norman Krumholz, and Philip Star, eds. 1996. *Revitalizing Urban Neighborhoods.* Lawrence, KS: University of Kansas Press.

National Congress for Community Economic Development. 1995. *Taking Hold*. Washington, DC.

National Council of State Housing Agencies. 1992–98. *Factbook*. Washington, DC.

National Housing Task Force. 1988. *A Decent Place to Live.* Washington, DC.

O'Regan, Katherine. 2000. The Low Income Housing Tax Credit: Adding States to the Analysis. Unpublished paper.

Olsen, Edgar O. 2000. What Do We Know About the Effects of U.S. Housing Programs for the Poor? Paper prepared for the NBER Conference on Means-Tested Transfer Programs in the U.S.

Orlebeke, Charles J. 1993. Federal Housing Policies. In *Affordable Housing and Public Policy: Strategies for Metropolitan Chicago,* ed. Lawrence B. Joseph. Champaign, IL: University of Illinois Press.

Quigley, John M. 2000. A Decent Home: Housing Policy in Perspective. *Brookings Papers on Urban Affairs* 1(1):53–88.

Rasey, Keith P. 1993. The Role of Neighborhood-Based Housing Nonprofits in the Ownership and Control of Housing in U.S. Cities. In *Ownership*, *Control and the Future of Housing Policy,* ed. R. Allen Hays. Westport, CT: Greenwood Press.

Rich, Michael J. 1993. Federal Policymaking and the Poor: National Goals, Local Choices, and Distributional Consequences. Princeton, NJ: Princeton University.

Schwartz, Alex, Rachel Bratt, Avis Vidal, and Langley Keyes. 1996. Nonprofit Housing Organizations and Institutional Support: The Management Challenge. *Journal of Urban Affairs* 18(4):389–407.

Shashaty, Andre. 1997. Tax Credits: Celebrating a Hollow Victory. *Affordable Housing Finance* 5(4):4.

Stegman, Michael. 1999a. Comment on Jean L. Cummings and Denise DiPasquale's "The Low Income Housing Tax Credit: An Analysis of the First Ten Years: Lifting the Veil of Ignorance." *Housing Policy Debate* 10(2):251–308.

Stegman, Michael. 1999b. *State and Local Affordable Housing Programs: A Rich Tapestry.* Washington, DC: Urban Land Institute.

Stoutland, Sara. 1999. Community Development Corporations: Mission, Strategy, and Accomplishments. In *Urban Problems and Community Development,* ed. Ronald Fergusan and William Dickens. Washington, DC: Brookings Institution.

Urban Institute. 1995. Implementing Block Grants for Housing: An Evaluation of the First Year of HOME, HC-5898. Washington, DC: U.S. Department of Housing and Urban Development.

Urban Institute. 1998. Community Development in the 1990s, ed. Christopher Walker and Mark Weinheimer. Washington, DC: U.S. Department of Housing and Urban Development.

Urban Institute. 1999. *Expanding the Nation's Supply of Affordable Housing: An Evaluation of the HOME Investment Partnership Program*. Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

U.S. Department of Housing and Urban Development. 1992–98a. CHDO Reservation Report. Washington, DC.

U.S. Department of Housing and Urban Development. 1992–98b. HOME Production Report. Washington, DC.

U.S. Department of Housing and Urban Development. 1995. *Status and Prospects of the Nonprofit Housing Sector*. HUD Report 6758. Washington, DC: Office of Policy Development and Research.

U.S. Department of Housing and Urban Development. 1996. *Development and Analysis of the National Low-Income Housing Tax Credit Database*. Washington, DC.

U.S. General Accounting Office. 1997. *Tax Credits: Opportunities to Improve the Oversight of the Low-Income Housing Program*. Washington, DC.

Vidal, Avis. 1992. *Rebuilding Communities: A National Study of Urban Community Development Corporations.* New York: New School for Social Research, Graduate School of Management and Urban Policy, Community Development Research Center.

Vidal, Avis. 1996. CDCs as Agents of Neighborhood Change: The State of the Art. In *Revitalizing Urban Neighborhoods,* eds. W. Dennis Keating, Norman Krumholz, and Philip Star. Lawrence, KS: University Press of Kansas.

Walker, Christopher. 1993. Nonprofit Housing Development: Status, Trends, and Prospects. *Housing Policy Debate* 4(3):369–414.

Wallace, James E. 1998. Evaluating the Low Income Housing Tax Credit. In *Evaluating Tax Expenditures: Tools and Techniques for Assessing Outcomes.* San Francisco: Jossey Bass.