

Partners in Housing: Virginia's Nonprofit Housing Sector

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Partners in Housing

Nonprofit housing organizations primarily exist to address the housing needs of low-income Virginians, those whose housing needs are not sufficiently met by the for-profit sector or by government. NHOs are private corporations with a board of directors who volunteer their time and services, and most have paid staff. Nonprofit housing organizations are very similar to for-profit housing corporations in their size, productivity and commitment to the “bottom line.” But unlike for-profit firms, NHOs are “mission driven” instead of profit maximizing corporations. And their mission is solidly public rather than private. As hybrids, these organizations are expected to join the management discipline of the private sector with the public purpose of government. They are said to focus on a “double bottom line”, attending to their social purpose with sound business practices.

The number of nonprofit housing organizations (NHOs) in Virginia has grown steadily over the 1990s. This survey, conducted in 1998, revealed a nonprofit housing sector that:

- is maturing into an important component of housing markets throughout the state;
- provides a wide range of services to low-income Virginians;
- is characterized by several small organizations and a few large ones;
- depends heavily on partnerships with government, foundations, banks, and other institutions; and,
- is distinguished by the leadership and service of numerous volunteers.

The nonprofit housing sector is maturing into an important component of housing markets throughout the state.

- Virginia's nonprofit housing sector has grown steadily over the 1990s.
- The combined payroll of these organizations is well over \$42 million for the 92 organizations surveyed, and might exceed \$100 million for all NHOs.
- The typical NHO in Virginia has a budget slightly over \$400,000 and assets of a nearly equal amount.
- The typical NHO provides services to about 150 people per year in a multi-county area.
- Virginia's nonprofit housing organizations are estimated to serve over 150,000 residents annually.
- Through 1997, the surveyed organizations produced over 10,000 single family units and nearly 20,000 multi-family units.
- According to the National Association of Home Builders, "the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction-related industries; \$79 million in wages; and \$42 million in combined federal, state and local revenues and fees. The construction of 1,000 multifamily units generates 1,030 full-time jobs in construction and construction-related industries; \$34 million in wages; and \$18 million in combined federal, state and local tax revenues and fees."
- If the sector continues to mature with the proper support, its output and contributions to the citizens of Virginia can be expected to increase significantly

The nonprofit housing sector provides a wide range of services to low-income Virginians.

- NHOs provide services ranging from housing construction to childcare.
- Housing referral and housing counseling are the most widely provided services and are offered by about two-thirds of NHOs.
- NHOs create a wide range of housing, including single-family homes, multi-family apartments, shelters, single-room occupancy group facilities, and transitional housing.
- The majority of the surveyed organizations were involved in single-family housing development or rehabilitation.
- The variety of populations served also reflects the broad scope and diversity of nonprofit housing, as well as a commitment to serve those who are not served by for-profit housing providers. The vast majority of NHOs focus on low-to-moderate income people and families. The elderly, children, disabled, and abused are also key populations served by these organizations.
- Half of the units produced by NHOs are for very low-income families—those with less than 50% of the median family income, approximately \$25,000 for a four-person family in 1998.

The nonprofit housing sector is characterized by several small organizations and a few large ones.

- Most NHOs have five or fewer employees—which is quite similar to many for-profit housing organizations.
- Only 15% of NHOs have 50 or more employees, those with 10 or fewer employees constitute 65% of the total.
- The production capacity of these few large organizations greatly raises the average output of the sector. Virginia’s NHOs are characterized by the so-called “80/20 rule,” which indicates that 80% of group output is made by 20% of the group.
- Only 8% of the NHOs in Virginia have total annual budgets of \$5 million or more, but these organizations account for 52% of the total combined budget for all NHOs.
- The top 13% of organizations have assets valued at \$5 million or more, while the top 12% have created over \$10 million in total capital investment.
- Fourteen percent of NHOs serve 1000 or more people annually.

The nonprofit housing sector depends heavily on partnerships with government, foundations, banks and other institutions.

- Local governments head the list of NHO partners (88%), followed closely by the state government (75%) and the federal government (70%).
- Fifty-three percent of NHOs have collaborated with foundations and 33% collaborated with regional or national housing intermediaries in the previous five years.
- Many NHOs have been created by faith-based organizations and there is a long-standing relationship between the two communities. Seventy-three percent of NHOs have collaborated with religious groups in the previous five years.
- The organizations most likely to be “very involved” with NHOs are local governments (48%), state government (45%), federal government (38%), religious organizations (45%), financial organizations (31%), and the Virginia Housing Development Authority (30%).
- In addition to public sector partners, NHOs work closely with private businesses, particularly financial institutions.

The nonprofit housing sector is distinguished by the leadership and service of numerous volunteers.

- Virginia's NHOs attract nearly 500,000 hours of service from volunteers per year, with a typical NHO having 5 volunteers.
- Even when valued at the minimum wage, the contribution of volunteers through NHOs is worth \$2.5 million annually.
- The board of directors, which is always composed of volunteers, establishes the mission of the organization and the population to be served.
- Board committees provide their organizations with professional and community expertise and guidance, most often through an executive committee.

Introduction

“Impressive growth in nonprofit housing organizations in Virginia has been in response to the serious housing problems of low-income Virginians—problems that have increased dramatically during this same period.”

The number of nonprofit housing organizations (NHOs) in Virginia has grown steadily over the 1990s, in contrast to the national trend where the growth in nonprofit housing organizations has slowed considerably. According to the National Center for Charitable Statistics, there were 233 charitable organizations in Virginia providing housing or shelter services in 1996 for Virginia, almost 25 percent more than just two years earlier and well more than double the 101 organizations reported for 1989 (Stevenson et al., 1997, p.320). (Charitable organizations are those nonprofits designated to receive tax deductible donations.) This impressive growth in nonprofit housing organizations in Virginia has been in response to the serious housing problems of low-income Virginians—problems that have increased dramatically during this same period—and to the retrenchment of federal and state support for affordable housing. A strong record of growth under favorable circumstances would be impressive; accomplishing this growth in the face of serious obstacles is exceptional.

During the 1990s, a strong economy, low interest rates, and a highly productive private housing market have provided most Virginians with quality housing at a price they can afford. Low-income Virginians have not fared as well. A recent examination of incomes and rental housing costs has identified troubling erosion of housing affordability during the 1990s for these households. By 1995 (the most recent year for which data was available), the rent for a modest but decent apartment would have taken 82% of the

median gross income of low-income families in the State, up from 58% in 1989. The housing cost burden for low-income families ranged from a low of 46% in King William County to a high of 166% in Westmoreland County and Petersburg City. Annualized rent for such an apartment exceeded median income for low-income families in 44 counties and cities.

The general rule, however, is that housing costs should not exceed 30% of income, a situation that is seldom enjoyed by low-income families. Rents for decent housing virtually confiscate the incomes of these families and leave little money left for other necessities or require the family to consume housing of very low quality. Housing affordability negatively affects a significant proportion of the population in virtually every jurisdiction of the state. The need for more affordable housing for low-income Virginians has never been greater in several decades.

Nonprofit housing organizations primarily exist to address the housing needs of low income Virginians, those whose housing needs are not sufficiently met by the for-profit sector or by government. NHOs are private corporations with a board of directors who volunteer their time and services, and most have paid staff. But unlike for-profit firms in the private sector, NHOs are “mission driven” instead of profit maximizing corporations. And their mission is solidly public rather than private. As hybrids, these organizations are expected to join the management discipline of the private sector with the public purpose of government. They are said to focus on a “double bottom line” (Bratt et al., 1995, p.71), attending to their social purpose with sound business practices.

Many people are probably unaware of the importance of nonprofit housing in trying to stem the housing crisis experienced by low-income families. Except for occasional stories about the success of individual NHOs in providing shelter to the homeless and in producing housing affordable to low-income Virginians, little is known about these organizations. This survey, covering 92 NHOs throughout the Commonwealth, provides a comprehensive profile of their length of operation, scope of services, size, productivity, partners, and governance. The survey was conducted by the Virginia Commonwealth University's Survey Research Laboratory during 1998. The sample was taken from NHOs listed in the 1998 Virginia Housing Directory and was drawn to reflect NHOs involved to some degree in the production or management of affordable housing, rather than those exclusively oriented to providing housing counseling, homeless shelter services or other services unrelated to housing production.

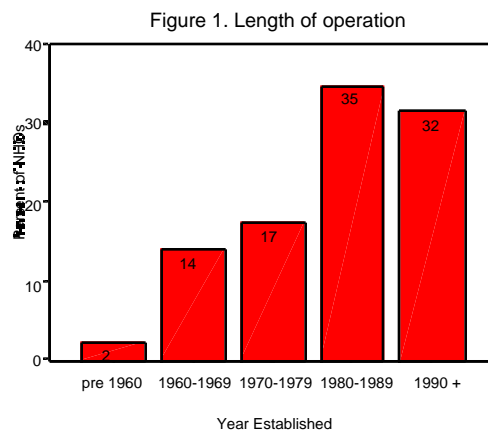
"This survey, covering 92 NHOs throughout the Commonwealth, provides a comprehensive profile of their length of operation, scope of services, size, productivity, partners, and governance."

The survey reveals a nonprofit housing sector that is maturing into a important component of housing markets throughout the state; a sector characterized by several small and a few large organizations; a sector providing a wide range of services in partnership with government, businesses, and community organizations; and, a sector that is distinguished by the leadership and service of numerous volunteers.

Length of Operation

Nonprofit housing organizations are not new to Virginia—the oldest organization included in the survey was established in 1941! However, NHOs did not start to appear with any frequency until the 1960s and 1970s (some of which have since ceased operations). Reflective of more recent growth in nonprofit housing in Virginia, two-thirds of the surveyed organizations were established in the 1980s and 1990s (the median is 1986). The sharp decline shown in Figure 1 in the number of organizations established before 1980 is an indication, perhaps, of significant attrition in these organizations as they become 15 to 20 years old. (This cannot be firmly established because there is no census of NHOs from previous years.)

“Older organizations typically provide a greater variety of services, produce more housing, and operate under significantly larger budgets than do younger organizations.”



The age of an organization also indicates the level of service and production capabilities of NHOs. Older organizations typically provide a greater variety of services, produce more housing, and operate under significantly larger budgets than do younger organizations. Many organizations do not provide housing services or produce housing

when they are first created. On average, NHOs began to provide housing services 3 years after they were established and produced their first housing unit 5 years after they were established. This lag in output is probably due to the time required for fundraising and to develop organizational capacity, and to the significant pre-development preparation currently required for affordable housing.

Scope

The surveyed NHOs provide a wide variety of services throughout the Commonwealth, mostly at the regional (multi-county) level, which is the service area for 57% of the organizations. The next most prevalent service area (29%) is the single county, city, or town. Only one-in-ten provide services limited to specific neighborhoods. (There are numerous neighborhood level community development corporations that do not engage in housing production and were not included in this survey.) Organizations providing state-wide services are rare—only 3% of the respondents—and only 9% of the sample reported activity outside of the Commonwealth.

NHOs traditionally have operated as local organizations pursuing goals addressing local community needs. Consistent with this tradition, most of the surveyed NHOs operate as a single organization (71%), while another 13% operate as a single entity affiliated with a national organization. Ten percent of the respondents are parent corporations with subsidiaries, while only 6% are a subsidiary of a large parent organization.

“Housing information and referral and housing counseling are the most widely provided services.”

The types of services that an NHO offers are often a reflection of the perceived needs of the community. Housing information and referral and housing counseling are the most widely provided services and are offered by 65% and 61% of the respondents. Single-family housing development (including rehab) is the prominent form of development and is provided by 53% of the NHOs. Less frequently provided are multi-family housing development and rehabilitation (29%), transitional and temporary housing

Table 1. Services Provided by NHOs

Type of Service	Percent of Organizations
Development	
Single Family Housing Development / Rehab.	53%
Special Needs Housing*	32%
Multi-Family Housing Development / Rehab.	29%
Transitional / Temporary Housing	19%
Emergency Shelter Development	15%
SRO Development	4%
Operation	
Special Needs Housing Operation*	23%
Transitional Housing Operation	21%
Emergency Shelter Operation	15%
SRO Operation	3%
Administration / Management	
Property Management	29%
Income Certificates for Section 8	17%
Services	
Housing Information & Referral	65%
Housing Counseling	61%
Home Ownership Education	57%
Housing Repairs	40%
Homeless Prevention	38%
Eligibility Determination	36%
Loan Prescreening / Pre-qualification	35%
Other	34%
Employment Assistance / Job Training	32%
Program Marketing & Outreach	30%
Legal Assistance / Referral	23%
Indoor Plumbing	22%
Technical Assistance / Training	22%

Fair Housing Counseling	22%
Weatherization	21%
Child Care	20%

*Special needs is defined for the purposes of this study as an individual / family requiring specially designed physical accommodations and / or supportive services to live independently, e.g. - elderly, substance abusers, disabled.

development (19%), and emergency shelter development (15%). Although fewer organizations provide these services than provide single family development, these forms of housing hold the potential to assist a far greater number of people. Nonetheless, 37% of NHOs in Virginia own rental housing units, while thirty-one percent manage rental housing units.

The variety of populations served also reflects the broad scope and diversity of nonprofit housing. NHOs in Virginia target a number of populations, with the majority focusing on low-to-moderate income persons (89%) and on families (60%); the elderly (40%) and homeless (39%) are also key groups targeted. Much rarer are NHOs providing programs for HIV-infected or affected persons (13%) and substance abusers (9%).

Table 2. Populations Targeted by NHOs

Group Served	Percent of Organizations
Low / Moderate Income	89%
Families	60%
Elderly	40%
Homeless	39%
Children	35%
At-Risk of Becoming Homeless	32%
Single Persons	30%
Mentally Disabled	22%
Physically Disabled	22%
Abused Spouses	15%
HIV-infected / affected	13%
Substance Abusers	9%
Other Populations	8%
Immigrants / Refugees	4%

Size

NHOs across Virginia also vary greatly in size, as reflected by number of

employees, number of volunteers and volunteer hours, and annual budgets.

The number of employees and the number of volunteers are often a useful gauge in assessing an organization's ability to provide services. Full time employees average 25 per organization, although the median value is only 5. The largest number of full time employees for any of the organizations is 406. This unusually large NHO has 150 more employees than the next closest organization. A few large organizations skew the average per organization and smaller organizations with fewer than 10 employees actually are much more common than big NHOs.

Figure 2. Number of full-time employees

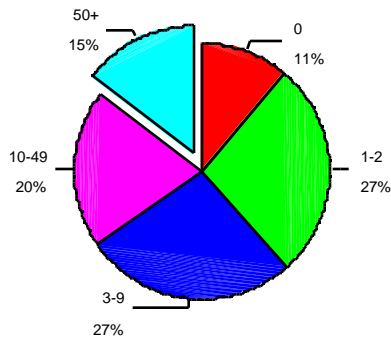
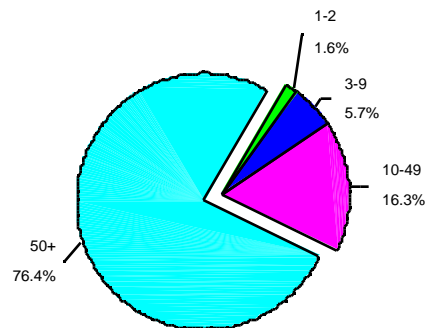


Figure 3. Percent of total employment



Large NHOs with 50 or more employees only constitute 15% of the total number of organizations (Figure 2). Smaller organizations with fewer than 10 full-time employees are 65% of the total sample. Eleven percent employ no full time staff and 27% have 1 to 2 full-time employees, while another 27% have 3 to 9 full time employees. Medium size NHOs, those with 10 to 49 employees, account for 20% of all organizations.

The impact of large NHOs on total employment is apparent in Figure 3. Although only one-fifth of NHOs have 50 or more full-time employees, these large NHOs account for three-fourths of total full-time employment by NHOs. And while

two-thirds of the NHOs have 10 or fewer full-time employees, these smaller NHOs account for only 7% of total full-time employment.

The average number of part-time employees (12) is similarly affected by a few large organizations. The median of 2 employees is more typical. The largest number of part-time employees is 126. NHOs typically have one part-time employee for every three full-time positions.

The combined payroll of these organizations is well over \$42 million, with an average of nearly \$500,000 and a median of \$144,000. Since the sample organizations represent less than half of the total, the overall payroll of NHOs in the state might well exceed \$100 million.

These employment and payroll figures, although impressive on their own, understate the capacity of NHOs to provide services. One of the distinguishing characteristics of the nonprofit sector is its ability to attract volunteers who support the organizations' particular missions. In fact, the nonprofit sector is often called the "voluntary" sector. The importance of volunteers in nonprofit housing is exemplified by organizations like Habitat for Humanity, whose local chapters attract significant numbers of volunteers to help build affordable houses through a community effort.

Virginia's NHOs attract nearly 500,000 hours of service from volunteers per year, with an average of 280 volunteers and over 5,000 volunteered hours per organization. One organization accounts for about one-fifth of the total voluntary effort reported and some organizations have few, if any, volunteers (exclusive of board members). The median value of 5 volunteers per year is more reflective of the typical experience. The

median number of hours given per volunteer is 15. The importance of volunteers in the lives of these organizations is only partially reflected in these statistics. NHOs are created through the dedication of a few volunteers committed to improving their communities. Volunteer boards continue this community commitment and oversight throughout the lives of these organizations. And it is not unusual for some NHOs to continue to depend heavily on volunteers to accomplish their missions.

“For the surveyed organizations alone, Virginians volunteer nearly 500,000 hours of service per year to help improve housing conditions throughout the state.”

A few NHOs rely on sizable volunteer support, as demonstrated in Figures 4 and 5. NHOs with 1000 or more volunteers per year constitute only 7 percent of the survey, but these organizations account for 58% of the total number of volunteers. In contrast, 60% of the organizations have less than 100 volunteers per year and account for only 5% of the total number of volunteers.

Figure 4. Number of annual volunteers

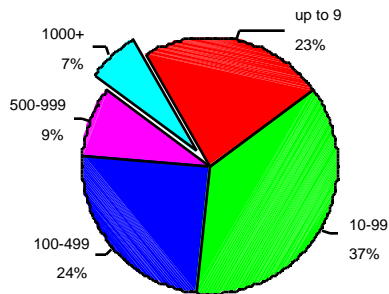
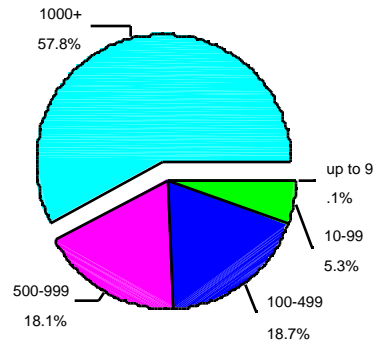


Figure 5. Percent of total annual volunteers



Total annual budget figures also reflect the effect of a few large organizations on the NHO sector as a whole. The average annual budget for all organizations is nearly \$1.7 million, while the median value is slightly above \$400,000. Fifty-one percent of the

organizations report budgets less than \$500,000 (Figure 6). Only 8% of the NHOs have total annual budgets of \$5 million or more. However, these larger organizations account for 52% of the combined budgets for all the organizations surveyed (Figure 7).

Figure 6. Percent of NHOs by size of annual budget

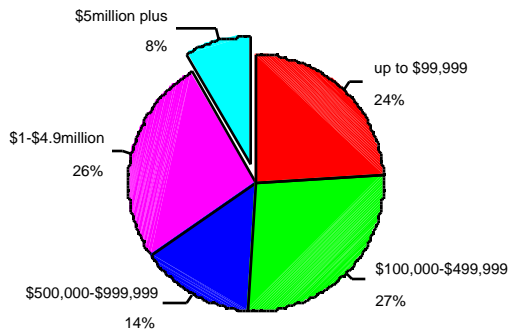
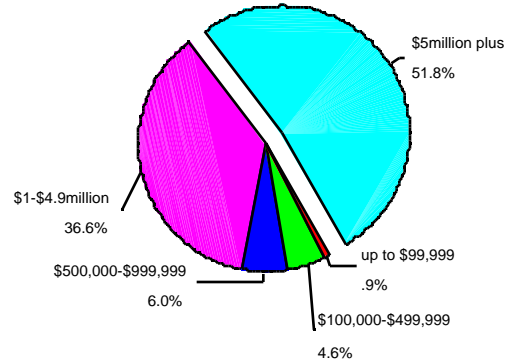


Figure 7. Percent of aggregate budget by NHO size



The age of the NHO impacts the budgetary level that the organization operates within (Table 3). Two-thirds of young organizations (in existence 10 or less years) have total annual budgets below \$500,000, while nearly half of older NHOs have total annual budgets of \$1 million or more. Less than one-in-five young NHOs operate with budgets of \$1 million or more. It appears that these organizations build capacity as they mature and develop larger budgets as a consequence.

Table 3. Budget of NHOs by Length of Operation

Amount of Budget	NHOs Greater Than 10 Years	NHOs Less Than or Equal to 10 Years Old
Up to \$99,999	13%	38%
\$100,000 - \$499,999	26%	30%
\$500,000 - \$999,999	15%	13%
\$1 million - \$4.9 million	34%	16%
\$5 million plus	12%	3%
Total	100%	100%

The total annual budget includes the budgets for administration, property management/services, construction, contractual services, and other. Construction costs

carried the highest average at \$441,789. Administrative costs had a mean value of \$277,490 and property management/services averaged \$198,890. Contractual services required the smallest amount of the budget with an average of \$54,424. “Other” costs averaged \$349,643. As a percentage of the total budget, these items rank as follows: construction 33%, other 28%, administrative 20%, property management/services 15%, and contractual 4%.

The budget averages are highly affected by large organizations with atypically large budgets, while many of the organizations reported that no money was budgeted for particular costs. For example, 51% of the NHOs in the sample reported no construction costs; 72% had no budget for contractual services; and, 49% incurred no property management/service costs. However, only 14% of the sample had no administrative budget. Construction, the highest average budget item, is a prime example of the impact that large organizations have on the sector as a whole. Only 10% of the organizations budgeted over \$1 million in construction costs in 1997, but these organizations accounted for 82% of all dollars directed toward construction costs. Similarly, 9% of the NHOs logged over \$1 million in administrative costs, but constituted 54% of the total dollars spent by all of the organizations on administrative costs.

Assets, Capital Investment, and Housing Units Produced

Total assets further reflect the general rule that a small proportion of a group often accounts for a large proportion of the group’s output (the so-called “80/20 rule”, which indicates that 80% of group output is by 20% of the group). The average value of

NHOs' total assets is over \$2.3 million, while the median is \$400,000, which is much more typical of the sector. Fifty-two percent of the sample had less than \$500,000 in total assets and only the top 13% had assets valued at \$5 million or more. Clearly, a few large organizations possess the bulk of the sector's assets.

Total capital investment created during the lifetime of an organization provides an indication of the capital production capacity an organization has exhibited since its inception. Forty-four percent of the organizations had created less than \$1 million each in total capital investment, including 18% that created less than \$100,000. Another 44% have created between \$1 million and \$9.9 million in total capital investment, while the remaining 12% have created over \$10 million. In this highest capital investment category, 75% of the organizations are more than 10 years old, in contrast to only 38% of the organizations creating less than \$1 million in capital investment. Given the creation of a large number of NHOs during the past ten years, capital investment created by the state's nonprofit housing sector might grow substantially during the next decade.

The NHOs in the sample owned on average 198 units (and a median of 35 units), with the largest single total being 1,665 units. Units managed by organizations averaged 134 (with a median of 35 units), and the largest value was 1600 units. Although most of the rental units are in multi-family structures, a few are single-family houses.

“Average production in 1997 was highest for multi-family development and single-family repair or weatherization.”

As reported earlier, single-family housing construction or rehabilitation is the most frequent development service provided by NHOs, at least in the proportion of NHOs

providing this service (53%). Slightly fewer NHOs (40%) provide home repair services and even fewer provide multi-family development (29%), indoor plumbing program services (22%), or weatherization (21%). Over the lifetime of the organizations surveyed, single family repair and weatherization involve the largest number of units “produced”, with an average of 664 (Table 4). Multi-family development and single-family development followed in average lifetime production. Average production in 1997 was highest for multi-family development and single-family repair or weatherization.

Table 4. Average Units Produced

Type of Production	1997	Total Lifetime of Organization
Single Family New Construction / Major Rehabilitation	10	114
Multi-family New Construction / Major Rehabilitation	70	213
Single Family Repair / Weatherization	63	664
Multi-family Repair / Weatherization	13	16

People Served

Without doubt, nonprofit housing organizations would say their most important characteristic is the people they serve—the families and individuals who would otherwise be inadequately housed, would have to devote more of their limited incomes to housing than they can afford, or who would be homeless. Consequently, of the information offered in this report, the number of people served is probably the most important. The number of people served directly reflects the actual impact that these organizations are having on their communities. A total of 43,843 people and 27,540 households are served annually by the surveyed organizations and the average NHO serves 664 people and 399

households annually. The median numbers of people and households served annually are 150 and 105, respectively.

“...over 150,000 residents are estimated to be served annually through the housing programs of all the NHOs in the state.”

Again reflecting the 80/20 rule, a few organizations account for a large proportion of those served (Figures 8 & 9). Fourteen percent of the NHOs serve 1,000 or more people annually and account for over 70% of the total people served by the sector as a whole.

Figure 8. NHOs by number of people served

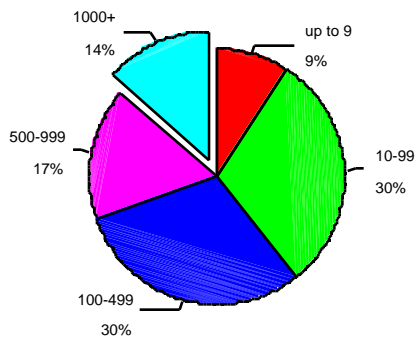
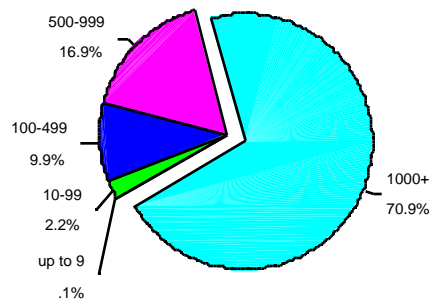


Figure 9. Percent of total served by size of NHO



NHOs serve the citizens of the Commonwealth through a number of different programs (Table 5). Rental housing serves the greatest number of people (23,620). Homeless shelters serve 3,709 people per year. The home ownership program serves 2,342 people per year. The comparatively lower rate of people served by home ownership

Table 5. Number of People Served Annually per Organization by Type of Service

Type of Service	Total Served by Sample	Number of Providers N=92	Average People Served per Provider
Rental Units	23,620	25	945
Shelter Services	3,709	13	285
Home Ownership	2,342	34	69

Home Repairs	1,383	21	66
Weatherization	1,263	12	105
Transitional Housing	1,115	20	56
Special Needs Housing	610	17	36
Indoor Plumbing	325	12	27
Other Services	11,540	26	444

programs reflects differences between programs where the units continue to be owned and operated by the NHO (such as shelters and apartments) and home ownership, which only reflects annual production. More specialized programs serve fewer people per year.

The income level of those served reflects the mission of these organizations to provide affordable housing to low income Virginians. Low-income households are typically identified as those with incomes at or below 80% of the median family income, and those below 50% of the median family income are classified as very-low income. The vast majority of the households served by the NHOs in this survey are in the low-income category. Ninety-four percent of the units produced by the sample are for households below 80% of the median family income and half (51%) of the units produced are for those with very-low incomes. Virginia’s NHOs are obviously reaching out to those that need them most.

“Ninety-four percent of the units produced by the sample are for households below 80% of the median family income half of the units produced are for those with very low incomes.”

Table 6. Units Produced During 1997 by Household Income of Occupant

Household % of MFI	Total Produced by Sample N=92	Percent of Total Units Produced	Average Units Produced per Provider
30% of MFI and below	946	14%	39 (n=24)
31% to 40% of MFI	734	11%	31 (n=24)

41% to 50% of MFI	1780	26%	56 (n=32)
51% to 60% of MFI	1985	29%	74 (n=27)
61% to 80% of MFI	957	14%	34 (n=28)
81% of MFI and above	410	6%	32 (n=13)

Service diversity has allowed NHOs in Virginia to assist a sizable number of people in need. Using the average from the sample, and including all of the NHOs in the state circa 1996, over 150,000 residents are served annually through housing programs. If the trend continues, this number will continue to grow along with the number of organizations operating in the state.

Partnership

The ability of NHOs to form productive partnerships with government, banks, equity investors, and a variety of other organizations is a key to their success. The nonprofit sector by its very definition does not generate profits to be distributed to investors, therefore it cannot attract capital through investments the way for-profit corporations can. Additionally, the commitment of NHOs to providing affordable, quality housing to low-income families is inherently “unprofitable”. Accomplishing this formidable task requires the packaging of government subsidies and the good will and financial commitments of several organizations. This can only be done through partnerships with government, foundations, regional and national nonprofit intermediaries, banks, and a variety of other potential partners.

“NHOs are experts in building partnerships between government, business, and community institutions—particularly faith-based institutions—in their efforts to meet the housing needs of low-income Virginians.”

Building partnerships has become so necessary and routine in the lives of NHOs that it is easy to overlook how extremely difficult this is to do. The partners have to establish trust on personal and organizational levels; they have to agree to specific objectives and tasks; and, they have to commitment resources. And then, the NHO has to make sure that objectives are accomplished in a short enough period to make continuation of the partnership beneficial.

“Local governments head the list of NHO partners in the past five years, followed closely by the state government and the federal government.”

Affordable housing for low-income families requires some degree of public funding, thus federal, state, and local governments are essential to NHOs in achieving their goals and are their most important partners. But as the number of NHOs increases, so does the competition for these traditional sources of funds. This condition has sparked innovative organizations to search for support from other sources and, in response, various nonprofit intermediaries and foundations have emerged to help NHOs create partnerships with banks and investors. Thirty percent of the surveyed organizations reported collaboration with regional or national intermediaries in the previous five years. Fifty-three percent have collaborated with foundations over the same time period. Government support is still utilized by the highest number of organizations. Local governments head the list of NHO partners (88%) in the past five years, followed closely

by the state government (75%) and the federal government (70%).

Financial organizations are also regular partners of NHOs in Virginia. Seventy-three percent of the organizations report relations with financial institutions over the past five years. Adequate funding for affordable housing is a necessity, but government cannot be the sole source of funds. Banking institutions are the traditional source of construction financing and permanent financing for housing. By partnering with banks, NHOs can leverage substantial loan monies with their public funds and equity investments. Less common are partnerships with for-profit homebuilders (17%), although these could be an important source of development and building expertise for NHOs.

Faith-based organizations also play a vital role in low-cost housing production in the state. Seventy-three percent of the NHOs have collaborated with religious groups in the previous five years. Many NHOs have been created by faith-based organizations and there is a long-standing close relationship between the two communities.

The survey also asked NHOs to identify their level of involvement of the organizations with which they have collaborated. The organizations most likely to be “very involved” with the NHO are local government (48%), state government (45%), federal government (38%), religious organizations (45%), financial organizations (31%), and the Virginia Housing Development Authority (30%). Although 69% of the organizations have collaborated with housing authorities in the past five years, only 10% classify them as being very involved with the NHO.

NHOs also form partnerships to enhance the opportunity for increased funding. This report examines sources of funding for project financing and administrative expenses.

The federal government, state government, VHDA, local government, and selected other sources offer a number of funding opportunities to NHOs. Most of these funds were utilized for project financing rather than administrative income, probably due to the restrictions placed on many of the funding programs. Table 7 provides the percentage of NHOs that used the specified programs as current sources of project financing. The most frequent are the Community Development Block Grant program, HOME, and Emergency Home Repair.

The Low Income Housing Tax Credit (LIHTC) is the nation’s primary subsidy program for producing low-income housing. This tax credit program is an incentive for private investors to provide equity funds for the development of affordable rental housing. Between 1988 and 1997, the LIHTC accounted for approximately one-third of the total number of multi-family units constructed in the Commonwealth. Nonprofit housing corporations, as general partners with the LIHTC investors, are frequently the developers of these properties, although only 11% of the surveyed NHOs had participated in this program.

Table 7. Sources of project financing by percent of NHOs*

Source of Project Financing	Percent of NHOs currently using funding
Federal	
Community Development Block Grant (CDBG)	39%
Homeownership Assistance (HOME)	27%
Federal Home Loan Bank (FHLB)	19%
Multi-family (HOME)	17%
Emergency Shelter Grant (ESG)	14%
Supportive Housing	14%
Fannie Mae / Freddie Mac	13%
Affordable Housing Preservation (HOME)	12%
CHDO Support (HOME)	11%
Weatherization	11%

State

Emergency home repair	20%
Homeownership Assistance (VHP)	17%
Weatherization	12%
SHARE expansion	11%
Indoor plumbing	11%
VA. Housing Development Authority (VHDA)	
Virginia Housing Fund	19%
Basic home purchase loan	13%
Low-income housing tax credits	11%
Multifamily loan program	10%
Local Government	13%
Other Sources	
Foundation grants, gifts, private contributions	64%
Fees / rents	33%
Other	27%

*Items in table represent only those with 10% or greater participation.

The respondents reported few sources of funding administrative expenses in any significant amount. Foundation grants, gifts, and private contributions were utilized by 55% of the organizations for administrative expenses. Fees and rents were used by 32% of the organizations for administrative expenses, and the Community Development Block Grant program was used by 30%. Another 10% reported that although they were not currently using CDBG funds for administrative expenses, they had done so in the past. All NHOs face an ongoing challenge to fund administrative expenses that are required to keep the organization functioning.

Governance

Governance of NHOs consists of a volunteer board of directors utilizing array of supporting committees. The board of directors is usually composed of members of sponsoring organizations, neighborhood or broader community members, professionals,

and clients of the NHO. The board is integral in identifying the mission of the organization and the population to be served.

“Volunteers establish NHOs, are often their first and sometimes their only staff, and continue to provide leadership through service on boards of directors.”

Virtually all (98%) of these NHOs have a board of directors. Seventy-nine percent of the boards have 20 or fewer members, including 23% with 10 or fewer members. Only 21% of the organizations have boards with more than 20 members. The majority (60%) of the boards meets on a monthly basis; 15% meet on a quarterly basis; while 1% meet semi-annually. (Twenty-four percent of the organizations responded to the “other” category, which would probably allude to a bimonthly meeting.)

Board committees provide their organizations more detailed expertise and guidance. The general opinion in the nonprofit sector is that fewer, well-selected committees offer the most effective complement to the board of directors and the executive director. The primary decision-making committee in most organizations is the executive committee. Eighty-three percent of the organizations surveyed had an executive committee and all but one was allowed to make decisions on behalf of the board. Fundraising (57%), personnel (53%), and “other” (64%) were also cited as part of the organization’s governing structure. Most boards operate with only a few committees. For example, 51% had both an executive and fundraising committee, but only 35% have executive, fundraising, and personnel committees.

Conclusion

Nonprofit housing is vitally important in meeting the housing needs of low-income Virginians. The number of NHOs have increased in the state in response to worsening low-income housing problems and to the success of partnerships of NHOs, government, and institutions in responding to these needs. This report provides the first thorough profile of NHOs and documents the size and diversity of the sector; its focus on low-income housing needs; the level of voluntary support for the sector; the amount of housing capital produced by the sector; the number of people served. Given the relative youth of most of these organizations, the sector should continue to grow in the future if resources are available through government, foundations, and private institutions.

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