

Chapter 1

Nonprofit Housing: Theory, Research, and Policy

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The Crisis in Housing Policy

American housing policy is stalled at an intersection of several paths. Many believe the path we have been on is in the wrong direction, yet we sit frozen in the face of uncertainties about alternatives. Sitting idle in our indecision, we cut back on what we had been doing without setting a new direction. We seem to be sitting still, running our resources lower and lower.

There is no more poignant image of the failure of American housing policy than the physical dilapidation and social decay that exists in many of our public housing sites. Windows are broken; walls sprayed with graffiti; ground strewn with debris. Men cluster in daily idleness—out of work, out of money, out of hope. Drugs are both an escape and an economy. Women with children struggle to survive, unprepared for the awesome responsibilities of motherhood amid concentrated poverty and untrained for the low-skill jobs that are available. Some cope with drugs and prostitution. Others strive constantly to eke out the best life possible for their children despite overwhelming adversity. In one of the ultimate ironies of public policy, those who forsake housing assistance and devote nearly all their available cash for housing, live in better neighborhoods than those receiving governmental housing assistance (Koebel 1997).

The failure of government to directly provide decent housing for low-income families is now accepted as a given. New housing is rarely developed directly by government. The focus has shifted to demolishing the worst of the existing stock of public housing. Yet the private sector has also failed as a mechanism to produce low-income housing on behalf of government. Many privately owned housing developments that were built and supported with public subsidies

are in as despicable shape as the worst public housing. Profiteering and greed can easily join bureaucratic incompetence as whipping boys for our failures.

With a legacy of both government and market failures, housing policy has increasingly turned to the nonprofit sector. The nonprofit housing sector, despite its small size in the United States and serious problems with production and management capacity, benefits in the public eye from the positive aura of nonprofit volunteerism coupled with vague hopes of shifting governmental fiscal burdens to philanthropy and private charity. It is not by accident that the nonprofit sector has escaped the opprobrium heaped on others delivering subsidized housing to the poor. The nation's churches and charitable organizations led the effort to address the shelter needs of homeless adults and families. Nonprofit community development organizations have gained prestige for their redevelopment efforts in distressed neighborhoods. From local grassroots efforts to national organizations, the nonprofit housing sector has become more visible and its successes are routinely touted. Although still providing a much smaller proportion of assisted housing than either government or the for-profit sector, the rising favor of the nonprofit sector can be seen in the preference for nonprofit provision expressed in a variety of federal, state, and local housing programs. In addition to provision of housing services through nonprofit organizations, public-private housing partnerships are universally acclaimed for wedding the complementary capabilities of government, for-profit firms, and nonprofit organizations. Housing advocates point to the hard won successes of nonprofit housing providers and the much larger nonprofit housing sectors in many European countries as evidence that nonprofit housing should be the central building block of domestic housing policy (Goetz 1993; Davis 1994).

The favorable aura of nonprofit housing notwithstanding, governments and housing advocates in the United States display limited understanding about the sector. Notions of substituting voluntarism and philanthropy for government funding are naive at best and intentionally deceitful and manipulative at worst. Half-truths abound in both the rhetoric of politicians who see the sector as solving the nation's domestic problems on the cheap and in the rhetoric of advocates who pay scant attention to the sector's limitations and shortcomings. Meanwhile, advances made in developing theoretical and empirical knowledge about the nonprofit sector in general have been only infrequently applied to housing, depriving policy makers, administrators, advocates, and researchers of much needed models to guide their actions.

The Importance of Theory, Research, and Policy

This book is intended to help advance our understanding of the nonprofit housing sector by addressing theory, research, and policy. An outgrowth of a lecture series sponsored by the Federal National Mortgage Association (Fannie

Mae), the papers were commissioned to provide an in-depth discussion of our current understanding of nonprofit housing. The goal was to move beyond the descriptions that are otherwise available of current nonprofit housing providers and the programs they use. A deeper level of understanding of the nonprofit housing sector requires a dynamic interplay of theory, research, and policy. As a consequence, this is not a "how-to" manual or a description of nonprofit housing programs. Nonetheless, it is intended to provide the policy maker, administrator, and advocate, along with the scholar and student, the theoretical and research grounding from which to develop better policies, practices, and research. At the same time, this is only a start. Current theory is overbroad and needs to be refined to provide insight into the fine-grained texture of nonprofit housing. This book attempts to establish a fruitful direction for the significant work that has to follow.

Theories of the nonprofit sector are of relatively recent mintage. Although the mediating role of voluntary associations was noted by Tocqueville (1840), academic interest in the sector was largely dormant until the 1970s. The prevailing view until then was that the nonprofit sector was reduced to insignificance by the universal coverage of the welfare state. But far from withering, the sector had become a vital partner in the welfare state's provision of social services. Following the introduction in 1971 of the *Journal of Voluntary Action Research* (now *Nonprofit and Voluntary Sector Quarterly*) and the creation of the Association for Research on Nonprofit Organizations and Voluntary Action, academic interest in the sector was further promoted by Weisbrod's (1975) introduction of an economic theory of the nonprofit sector in response to government failure and Berger and Neuhaus's (1977) work on mediating structures. Simultaneously, the Filer Commission (Filer 1975) drew public attention to the importance of philanthropy and the need for continued research on the "independent" or nonprofit sector. In the 1980s, the concepts of contract failure, voluntary failure, and third-party government were introduced and developed by Hansmann (1980) and Salamon (1987), among others.

Increased interest in the sector has been both scholarly and normative. Berger and Neuhaus promoted the sector as a positive counterbalance to the coercive and impersonal powers of the state, thus making the sector's mediating role a desirable goal to maximize. Similarly, the nonprofit sector was seen as a mechanism of reasserting grass-roots democracy and local autonomy in response to the centralization of power at the national level, leading to calls for "devolution" of power and responsibility back to groups closest to the problem being addressed. Putnam's (1993) study of democracy in Italy identified a rich variety of voluntary associations promoting cooperative endeavors as the necessary currency for creating social capital and "making democracy work." Social capital links the associational life of the community to its overall ability to mount effective collective action.

Although the term *social capital* appears to have been first introduced by Jane Jacobs in the 1960s, it has recently received widespread attention due to the work of Putnam. Putnam found that the effectiveness of democratic government in Italy was closely associated with the vitality of "networks of civic engagement." These networks were largely nongovernmental, voluntary associations of people brought together to pursue mutual interests and respond to community problems. For Putnam, social capital refers to features of "social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (167). It is the mortar that binds individuals in collective action.

Putnam attributed the social capital benefits of voluntary associations to their horizontal organization and reliance on reciprocity, which help create networks of civic engagement. According to Putnam (1993: 173–74) "networks of civic engagement increase the potential costs to a defector in any individual transaction"; "foster robust norms of reciprocity"; "facilitate communication and improve the flow of information about the trustworthiness of individuals"; and "embody past success at collaboration, which can serve as a culturally-defined template for future collaboration." Further, these benefits supposedly are restricted to horizontal organizations, rather than the vertical structures of government: "A vertical network, no matter how dense and no matter how important to its participants, cannot sustain trust and cooperation" (174). Social capital is increased through its use—the more we devote to voluntary association, the more trusting, reciprocal, cooperative, and effective we become. Communities with a more active associational life will be more effective communities because of the trust established, the availability of networks for responding to community problems, and the reduction in uncertainty surrounding joint ventures.

American advocates of nonprofit housing have looked with envy on the much larger and well-established nonprofit housing sectors in many countries of western Europe, where the concept of *subsidiarity* has provided strong normative underpinning for nonprofit delivery (Mierlo 1990). A similar but much richer concept than devolution, subsidiarity emphasizes national funding of local responses to social problems, often through the nonprofit sector. Subsidiarity, however, places priority on responses that are organized closest to the individual needing service, favoring a progression from the family, the church or association, the locality, up to the national government. More remote levels can fund the services of those closer to the individual, but would provide those services directly only when a closer level has clearly failed to do so. Consequently, the subsidiarity principle has provided a strong normative justification for nonprofit provision of public services throughout western Europe. Rooted in Catholic theology and European tradition, subsidiarity has never gained currency as an American norm (Wolfe 1995).

Lacking the normative justification of the subsidiarity principle, justifications for nonprofit provision in the United States and England have been a more diverse interweaving of democratic principles and economic concepts. Expanding on Tocqueville, nonprofit organizations are believed to be "agents of democracy" in several ways (Ware 1989). They countervail the powers of the state and the market; provide avenues for participation in collective activities; facilitate social and political integration; promote diversity of opinion; mobilize minority interests and demands; provide goods not provided by the market or the state; and provide such goods more effectively or more trustworthy than the market or the state. Justifications of nonprofit provision specific to housing are its permanence; better maintenance; neighborhood stability and development; leveraging of governmental subsidies, philanthropy, and volunteerism; constancy of tenancy; and greater concern for client needs (Adams 1990; Fallis 1993). These assertions have been only partially addressed by theoretical and empirical investigations.

Much of the public attention and academic research on nonprofit housing organizations (NHOs) in the United States has been on community development corporations (CDCs). CDCs are distinguished by being indigenous to the distressed communities they serve; located in low-income neighborhoods; comprehensive in approach; and productive of tangible results (Steinbach 1995). Other nonprofit housing organizations include those that produce and manage low-income housing in several areas of a city or broader region; provide homeless shelters and related services; provide housing counseling and fair-housing services; and those that provide intermediary technical and financial assistance. The field is very diverse. Most organizations have multiple functions and are difficult to classify with precision.

Significant research has been done on nonprofit housing describing the size and functions of the sector, evaluating output and, to a lesser extent, evaluating the management performance of the sector. This research has been done primarily on nonprofit builders rather than providers of homeless shelters, housing counseling, fair housing programs, and related nonconstruction programs. When housing services are studied, nonprofit provision is rarely questioned or a subject of examination. Instead, such studies focus on the problem being addressed (e.g., homelessness), program outputs, or the relative effectiveness of treatment options.

Nonprofit housing cannot be discussed without attention to its interorganizational context, its involvement with neighborhood redevelopment, and its role in advocacy and policy formation. NHOs do not operate in isolation. They depend on a variety of funding, technical assistance, and political networks. Sometimes these networks are formally identified as *partnerships*, a term of great favor but often little precision. Without its own resources other than perhaps voluntary service and philanthropy, the nonprofit sector is reliant on government

and to a lesser extent on the for-profit sector for the funds necessary to provide services. This is particularly the case with housing and neighborhood redevelopment, which are extremely capital intensive. Consequently, implicit or explicit public-private partnerships are the norm. Interpersonal and interorganizational networks are the essence of the implementation structures that are increasingly required to "set goals, mobilize resources, coordinate . . . actions," and provide the expertise to produce services (Porter 1990).

Even within the contracting relationship that binds many nonprofit organizations to government, the relationship is not simply hierarchical. Putnam's assertions notwithstanding, these vertical relationships are often rooted in bargaining and trust, with the potential for stable contracting to evolve as an implicit partnership. Indeed, Salamon (1989) describes the relationship between government and the nonprofit sector in the United States as the "paradigm of partnership":

Government-nonprofit cooperation appears . . . as a productive adaptation of the traditional welfare state that takes advantage of government's peculiar strengths in raising resources and ensuring equity through a democratic political process and the voluntary sector's advantages as a deliverer of services in a more informal, smaller-scale fashion than large government bureaucracies frequently make possible. (44)

Unfortunately, this partnership has never been integrated into a sustaining ideology or popularly understood principle such as subsidiarity. Consequently, recent responses to the complexities of managing public-private partnership have been distorted by misunderstandings that "threaten to throw out the baby with the bath water. . . . These changes seem likely to change the character of the voluntary sector in fundamental ways and remove the partnership between government and the nonprofit sector from its place as the central organizing principle of the American welfare state" (Salamon 45).

Salamon identifies five recent changes affecting this partnership: government retrenchment and budget cuts; shifting from categorical aid to universal entitlements (including shifting from low-income categorical funding to middle-class entitlements); shifting from producer to consumer subsidies; demographic shifts (such as aging, higher female participation in the labor force, changes in family structures, and the emergence of an urban underclass); and erosion of support for social services as a response to poverty.

The shift away from production to consumer subsidies is particularly notable in housing. This shift has not so much reduced the role of NHOs as changed that role. Under consumer subsidies, the service NHOs offer becomes marketized. In order to maintain income, NHOs operate increasingly as commercial businesses in competition with for-profit firms. The distinctiveness of

nonprofit housing can be eroded as competition forces NHOs to look more and more like for-profit firms. Voluntary and charitable support lapse in importance. The rise of "commercial nonprofits" has led to proposals for the elimination of favorable tax treatment of all nonprofit organizations or at least those that are not clearly supported by donations (Hansmann 1989).

Recent threats to the government-nonprofit partnership relationship that underpins the welfare state illustrate the dynamic nature of partnerships. Partnerships are inherently built on trust and performance—delivering the goods, so to speak. Painstakingly difficult to establish, partnerships have certain self-sustaining forces. For one, the time invested in establishing partnership relationships and the reduction in partnership maintenance costs over time help keep partnerships in place. Additionally, the economic and political rewards from partnership accomplishments provide incentives to continue the partnership. Partnerships are, in these ways, very similar to Stone's urban regimes (1989). Although they are not necessarily part of such regimes, their potential role in urban governance broadly understood is illuminated by regime theory.

An urban regime is defined by "*the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions*" (Stone 6). These governing decisions manage conflict and adapt to social change rather than exercise extensive control over the city. Although the informal arrangements characterizing the urban regime vary, they always attend to institutional scope and cooperation. Institutional scope reflects "the need to encompass a wide enough scope of institutions to mobilize the resources required to make and implement governing decisions," whereas cooperation is required for "the diverse participants to reach decisions and sustain action in support of those decisions." Two arenas of community leadership are central to governing regimes: popularly elected community leaders and business leaders. The reasons for including elected leaders are obvious. The centrality of business leaders, although often assumed, warrants some explanation.

Business investment is essential for the economy of any area. If governing regimes excluded business leaders, they would risk disfavor in decisions affecting location and expansion. Few areas, particularly central cities, have such strong economic pull that elected leaders would not automatically seek to include business leaders in the discussions and deliberations that influence the city. Additionally, "businesses control politically important resources and are rarely absent totally from the scene" (7). Certain businesses, such as banks and the real estate sector, are directly affected by community decisions and engage in civic affairs out of self-interest. Their engagement includes political contributions but ranges well beyond. It is a rare community where the elected leadership can implement its economic agenda without the resources and assistance of the business community.

Urban regime theory also provides insight and normative guidance into a central function of many NHOs—community development. Housing is

inherently associated with place and space, thus the real estate chestnut that its three most important features are "location, location, location." This has naturally led NHOs to address the problems of place, which are substantial for many low-income households. Building a few new or rehabilitated houses does little to overcome the multiplicity of physical, social, and economic problems faced in old, poor neighborhoods. These NHOs (mostly community development corporations) are confronted squarely with the dilemmas of neighborhood redevelopment.

The issues of equity and economic redistribution are inevitably joined in neighborhood redevelopment. One school of thought attributes neighborhood decay to capitalist exploitation. It argues that CDCs should attend to political organization and opposition rather than to building a few structures and participating in inherently unequal partnerships that produce co-optation instead of progress (Stoecker 1996; Twelvetrees 1989; Kantor 1995). Even when a radical agenda is not articulated, the underlying ideology of most community developers assumes that the current managerial and capitalist city alienates the individual from himself and his neighbors (Steinberger 1985: 88). Thus a community approach rooted in communalism (a less volatile term than socialism) is required to liberate these neighborhoods. The communalist approach would limit action to organizing neighborhoods in opposition to exploitation and waiting for the demise of capitalism and the evolution of a new social order. This is not a very appealing agenda for most NHOs and clearly not a basis for the development of improved intersectoral networks within the current culture and economy. Nonetheless, this perspective contributes a valuable emphasis on the importance of politics and the need for community organizing to obtain political influence.

Steinberger identifies two other ideologies that are pertinent to neighborhood redevelopment—*managerialism* and *possessive-individualism*. Managerialism approaches neighborhood redevelopment as a rational "engineering" problem rather than a problem that is fundamentally political. The focus is on finding the right technical solutions, such as improved infrastructure, nonprofit housing, or public-private partnerships. The managerialist approach will continue as the siren's call to the professional leadership of NHOs. Although its political perspective is patently naive, its central tenet is virtually a truism. NHOs have to be competent producers of outcomes that are seen by most citizens as beneficial. The production of affordable housing requires technical skill and know-how; the production of redevelopment even more so. A technically incompetent NHO is probably as damaging as a politically naive one.

The dominant American ideology is possessive-individualism. In the economy, this is expressed as capitalism and competitive markets. It is hard to ignore that competitive markets have produced a level of housing quality in America that pleases the vast majority of consumers. Competitive housing markets and the exercise of consumer choice should be tapped whenever possible in redress-

ing contemporary housing and neighborhood problems. It is equally hard to ignore that competitive markets have left many poor families ill-housed in deteriorated neighborhoods. NHOs exist to redress this inequity and must somehow blend capitalism, managerialism, and communalism in order to achieve their ends. This is obviously difficult and it may be impossible, but there is evidence to suggest otherwise.

Stone's (1989) study of redevelopment in Atlanta, and more particularly Monti's (1990) study of redevelopment in St. Louis, point to the potential for progressive redevelopment that does not necessarily exclude the poor (also see Stone and Sanders 1987). Stone's regime politics and Monti's description of successful redevelopment politics are very similar. Monti suggests that urban regimes:

Can be responsive to the demands of groups often excluded from the redevelopment process. . . . Pluralism became an important goal. Developers were encouraged to find ways to include low-income persons in their plans. Representatives of these same low-income people were much more involved in helping to fashion a place for themselves in the city. They did not always get everything they wanted, but their interests no longer were ignored. (40-41)

According to Steinberger, CDCs are the embodiment of communalism's principles of self-rule and empowerment (76). NHOs, however, do not need to advocate neighborhood democracy. They are eminently compatible with the market ideology of possessive-individualism and to managerialism's emphasis on performance. NHOs are naturally tied to the central elements of development coalitions participating in many governing regimes—banks, developers, contractors, and city hall. The argument for nonprofit provision reflects a view of both government and profit-motivated private action as limited in their abilities to deliver certain goods and services. It will always appear to be intellectually weaker than the arguments for communalism and individualism, because it is a blend of both. Consequently the lines are not clearly drawn and neither ends of the spectrum are rejected. NHOs are quasi-governmental and quasi-market. However unappealing this might be to those who like clear lines drawn in the conceptual sand, it might better reflect the experience of those working to improve housing for those who are inadequately served by government and the market.

The requirements of political action are more of a challenge for NHOs. They are dependent on the resources of others, as are their clients, and can hardly risk being strident in their advocacy. At the same time, they routinely engage in advocacy at the policy and program levels. They can help give their clients greater voice through their own influence. They should also promote the political organization and activism of their clients, so that they can exercise

power directly, including the power of political protest. A more powerful client constituency could provide NHOs a counterweight to disproportionate power and coveted resources of their for-profit and government partners. Encouraging client protest to gain bargaining power is a difficult and potentially dangerous task. If such actions are recognized by others in their network, NHOs risk damaging the very trust that enables partnerships to work. It is probably better for NHOs to recognize the importance of politically empowering the poor and to advocate it, but not directly encourage political protest.

Even if NHOs can avoid the political land mines surrounding client organization and protest, there are other risks. The social capital of NHOs requires performance and delivering on promises. Once deals are struck, they cannot be easily rejected. NHOs are expected to deliver their constituents. If an organized clientele rejects its intermediaries and continues to protest, the intermediaries breach their partnership agreements and risk being seen as ineffectual. In some instances, knowing what is at stake could modify behavior. But there are no guarantees. By any stretch of the imagination, this is not an easy business to be in.

Organization of the Book

Despite the importance of the nonprofit sector and public-private partnerships in the delivery of housing services, little attention has been paid to developing theories of nonprofit housing and public-private partnerships. The first step toward a theory of nonprofit housing and of public-private partnerships is to locate these within the context of existing descriptions and theories of the nonprofit sector. Theories of nonprofit provision have largely addressed why nonprofit provision would occur in place of for-profit or government provision (see, for example, Weisbrod 1975; Hansmann 1980; Salamon 1987) and its contributions to democracy (Putnam 1993). Modern studies of the nonprofit sector originated with sociologists, who focused on why people volunteer, an interesting sociological question, but not a foundation for broader understanding of the nonprofit sector. Contemporary theoretical speculation was prompted among economists and political scientists by the continued existence of nonprofit provision. Economists wondered why nonprofit provision would coexist with profit provision in a market economy, and political scientists wondered why nonprofit provision would coexist with the welfare state. Consequently nonprofit theory has been preoccupied with explaining the existence of the nonprofit sector and its democratic benefits (employing such concepts as market failure, contract failure, government failure, mediating structure, and social capital). Detailed theories about the performance of the sector remain to be developed. Much of what is considered nonprofit theory is devoted to description and prescription rather than explanation.

Although nonprofit theory is still very rudimentary, the available theoretical constructs such as contract failure, government failure, and the contract state, provide significant insight into nonprofit housing. A broad conceptual understanding of the role of nonprofit housing is provided in the first section of this book, consisting of chapters 2, 3, and 4. It is beyond the scope of this book to develop a unified theory of nonprofit housing. But these chapters lay the groundwork for future theoretical work and provide a loose framework for guiding empirical research and the development of concepts and norms to support public policies for the provision of housing through nonprofit networks. The second section, consisting of chapters 5 through 10, provides historical, descriptive, and evaluative research on nonprofit housing provision. These chapters allow a deeper understanding of the historical development of nonprofit housing in the United States and Europe, as well as the contemporary performance of the nonprofit sector in the delivery of housing. Reflective of the nascent state of nonprofit theory, these chapters echo the conceptualizations of nonprofit provision presented earlier rather than having derived research explicitly from theory. Research on nonprofit housing has been based primarily on description and performance evaluation rather than theory. By itself, this is not a problem, since the study of nonprofit housing is obviously a very pragmatic, applied field. But the ability of research to instruct and inform policy is seriously limited without broader, theoretical conceptualizations of the nonprofit sector. The last section of this book is devoted to furthering the development of nonprofit housing policy. Policy prescriptions are inherently a blend of explicit and implicit conceptualizations and norms, as well as pragmatic knowledge derived from experience and research.

Chapters 2, 3, and 4 apply general theories of the nonprofit sector to nonprofit housing, the extension of nonprofit theory to public-private partnerships, and the political context of intersectoral cooperation. Richard Steinberg reviews the general theories of the nonprofit sector and demonstrates their application to housing in chapter 2. Koebel, Steinberg, and Dyck develop a taxonomy of intersectoral cooperation ranging from competitive contracting to public-private partnerships in chapter 3. Although rhetorical attention to partnerships is greatest in the U.S., this chapter finds more evidence of true partnership in the intersectoral networks for delivering social housing in several European countries than in the contracting and franchise relationships that dominate in the United States. Bishwapriya Sanyal addresses the importance of political imperatives in understanding the relationship between government and nonprofit organizations in chapter 4. Sanyal criticizes the general theories of the nonprofit sector for overlooking "the political character of a place." Looking at the long-standing promotion of partnerships between government and nonprofit organizations (NPOs) in providing employment and shelter in developing countries, Sanyal questions why such partnership takes root in some settings

but not in others. The answer is found in an all too often overlooked factor: politics matters.

The next six chapters present research on intersectoral cooperation in the delivery of publicly assisted housing. Peter Drier (chapter 5) provides a detailed historical perspective of the past 100 years of housing philanthropy in the United States, starting with the housing reforms of the Progressive Movement. Particular attention is paid to the recent roles of charitable foundations in fashioning responses to homelessness and to neighborhood redevelopment. Evidence of government and market failure, as well as nonprofit response, can be found throughout this history. The historical development of nonprofit housing in the U.S. is further examined by Rachell Bratt in chapter 6. The perception of a linear progression from the reform movement of the turn-of-the-century to current nonprofit development is challenged. Reflective of Sanyal's emphasis in chapter 3 on political economy, Bratt's "central argument is that at each period during which NHOs have arisen, the decision by government to use NHOs is the outcome of a series of political, economic, and social needs. The NHOs, themselves, are not the key actors in the story and federal initiatives have generally not been concerned with how to make these organizations and the nonprofit sector work more efficiently. NHOs, it is argued, are a subplot." The lack of a "nonprofit-centric housing policy" is identified as a key flaw in the provision of housing in the United States. Lacking such a policy, NHOs risk potentially disastrous reactions by accepting and supporting a policy framework that uses but does not promote the nonprofit sector.

In contrast to the U.S., nonprofit housing sectors are historically well developed in several European countries. In chapter 7, Boelhouwer and Heijden place the evolution of housing policy in western Europe and its reliance on the nonprofit sector through four historical stages: I, addressing housing shortages; II, increasing housing quality; III, strengthening private markets; IV, the return of housing shortages. The role of the nonprofit sector in resisting the marginalization and stigmatization of social housing is addressed.

William Rohe provides a comprehensive review of research conducted on the performance of the nonprofit housing sector in the United States in chapter 8. Several claims have been made about the nonprofit housing sector. Nonprofit housing organizations (NHOs), particularly community development corporations (CDCs), are frequently expected to exceed either government or for-profit firms in responding to community needs, applying a comprehensive approach to development, committing to community capacity building and leveraging funds. They are also claimed to be more efficient and effective than government agencies. Many of these claims have been addressed in the several descriptive and evaluative studies reviewed by Rohe.

The efficiency of NHOs and the comparative cost of nonprofit housing development are examined by Wallace and Hebert in chapter 9. One of the fun-

damental questions about nonprofit housing provision is the efficiency of the sector in comparison with profit-motivated developers. Some nonprofit housing developers operate only as general contractors and do not maintain their own construction capacity. These NHOs contract with for-profit firms for construction. Other NHOs provide all or some construction with in-house crews. (The degree of mixed nonprofit and for-profit contracting has not been documented.) Operating without attention to profit and without the attention to minimizing costs that is forced by competition, NHOs are often suspected of being inherently inefficient and wasteful organizations.

The existing production subsidy system used for nonprofit housing in the United States requires the use of multiple sources of funding. Although nonprofit housing corporations have emerged as successful packagers of various subsidy programs, the time required and complexity involved with this system can be overwhelming. Koebel (chapter 10) provides a detailed case study of one such development, the conversion to a single-room only (SRO) facility of a previously renovated but unmarketable inner-city hotel. The development project was in many ways typical of current nonprofit housing production, with a multiyear predevelopment period, multiple funding sources, and numerous crises that would push many organizations to failure.

Based on the performance of current U.S. policies for low-income housing, the performance of the nonprofit housing sector, as well as the achievements of nonprofit housing sectors in Europe, Robert Whittlesey presents a detailed critique of U.S. housing policies in chapter 11. The requirements for a simpler, more efficient system to produce low-income housing are identified, including financing, equity, per-unit costs, asset management, and institutions.

The concluding chapter (Koebel) identifies critical issues facing the nonprofit housing sector in the United States. While most of the current discussion about nonprofit housing centers on the reduced funding of federal housing programs and promotes nonprofit provision as the foundation of progressive housing policy, the fundamental empirical and normative issues raised in this chapter must be addressed before nonprofit housing can live up to such high expectations.

A Note on Terminology

When possible, this book refers to nonprofit housing organizations (NHOs), but related terms are impossible to avoid. Community development corporations (CDCs) are NHOs with a commitment to improving specific neighborhoods and are often rooted in those neighborhoods. The term nongovernmental organization (NGO) or nonprofit organization (NPO) is frequently used in the literature to refer to NHOs and other nonprofit organizations. These terms are used to refer to a broader set of organizations that include but are not limited to NHOs. The unhyphenated "nonprofit" is preferred, as is its hyphenated

counterpart "for-profit." "Nonprofit" is typically used as an adjective, but at times is used as a noun, but only in the plural (i.e., "nonprofits"). Although subtle distinctions are occasionally made, the terms "nonprofit sector," "voluntary sector," and "third sector" are generally interchangeable.

"Social housing" or "social rental sector" is used to refer broadly to governmentally assisted housing. "Public housing" is restricted to the American housing program of the same name, wherein federal subsidies are used for social housing owned and operated by a local housing authority.

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