NONPROFIT HOUSING SPONSORS:

An Evaluative Study

by

Rita Michèle Disario
B.A. Radcliffe College
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Submitted in Partial Fulfillment
of the Requirements for
the Degree of
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Since the middle 1950's, each new federal housing act has increased the role of nonprofit organizations in sponsoring low and moderate cost housing. The legislation was passed with little official inquiry into the ability of nonprofit organizations to produce such housing, while the goals of the nonprofit programs were seldom articulated. Nevertheless, the 1968 Housing Act creates new programs providing both technical assistance and money to nonprofit housing groups, and continues to use nonprofits in the major housing programs. Whether the accomplishments of nonprofit sponsors justify such special attention is the subject under investigation here.

Boston has had 221(d)(3) nonprofit housing developments since 1962, seven of which form the basis of this study: Charlame Park Homes, Marksdale Gardens, Academy Homes, Tremont Street Methodist Church, Tuckerman Memorial, and the South End Community Development Corporation. The church-affiliated sponsors have had less iniative, less expertise, fewer resources, and more narrowly defined goals than groups formed specifically to sponsor housing. Ironically, the former type of sponsor is preferred by the FHA.

Contrary to many criticisms, most sponsors have sufficient time to devote to their project and director is not chained to the decisions of the sponsoring board. However, most groups lack expertise in housing and are without funds to hire a professional director. Unable to prepare proposals on his own, the sponsor relies heavily on his developer and, frequently, crucial decisions are entirely out of the hands of the sponsor. Few other organizations are able to assist the sponsor, although the BRA and the FHA have offered limited advice. What assistance is available is often of little use to sponsors without a moderate degree of expertise.

The housing produced by nonprofit sponsors indicates a responsiveness to social needs. Although many decisions concerning the type of housing produced and the type of tenant eligible for occupancy are defined by the FHA, nonprofit sponsors have been able to offer larger units at lower rentals than their limited dividend counterparts. More three, four and five bedroom apartments are to be found in nonprofit developments, while rents are lower because the nonprofits have been able to receive subsidies by building in urban renewal areas. Nonprofits have assigned more units to the Leased Housing Program than have profit-making sponsors, allowing low income families to become tenants.

Within the different parameters of income and family size defined by profit and nonprofit developments, tenant selection policies are similar. Both groups, facing the same set of constraints in management, seek the more responsible and better behaved segment of the eligible population. However, where nonprofit groups are heavily subsidized, they are willing to experiment with tenant selection criteria. Because many nonprofit sponsors are interested in actively involving tenants in decision-making, many plan to transfer the development to a cooperative.

Despite their difficulties in developing housing, nonprofit sponsors have made significant contributions to attacking social problems. However, with rising costs, their ability to continue to do so is disappearing, while few programs to increase their capabilities promise to be effective.

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Until 1954 the federal experience with nonprofit housing groups was limited. Before this time, the Housing and Home Finance Administration had used nonprofits as the recipients of greenbelt towns conveyed from public to private ownership. Later universities and colleges received special attention when they became eligible for direct loans for college housing. In the late 1950's the use of nonprofit organizations expanded rapidly to allow unions, churches and fraternal organizations to sponsor housing for the elderly, and later, for lower income families. The 221(d)(3) program of low-interest federal loans for housing low and moderate income families is based largely on the use of nonprofit sponsorship, yet the concept of nonprofit sponsorship grew with little comment from the relevant federal officials. Why this particular type of program should emerge to assume increasing responsibility in housing lower income families remains unexplained.

The Emergence of Nonprofit Housing

Legislative history indicates that 221(d)(3) housing arose as a response to growing criticisms of public housing. Because Congress was reluctant to extend appropriations for public housing, a new program was needed that would both meet the increasing need for housing and avoid the wide range of criticisms that public housing evoked.

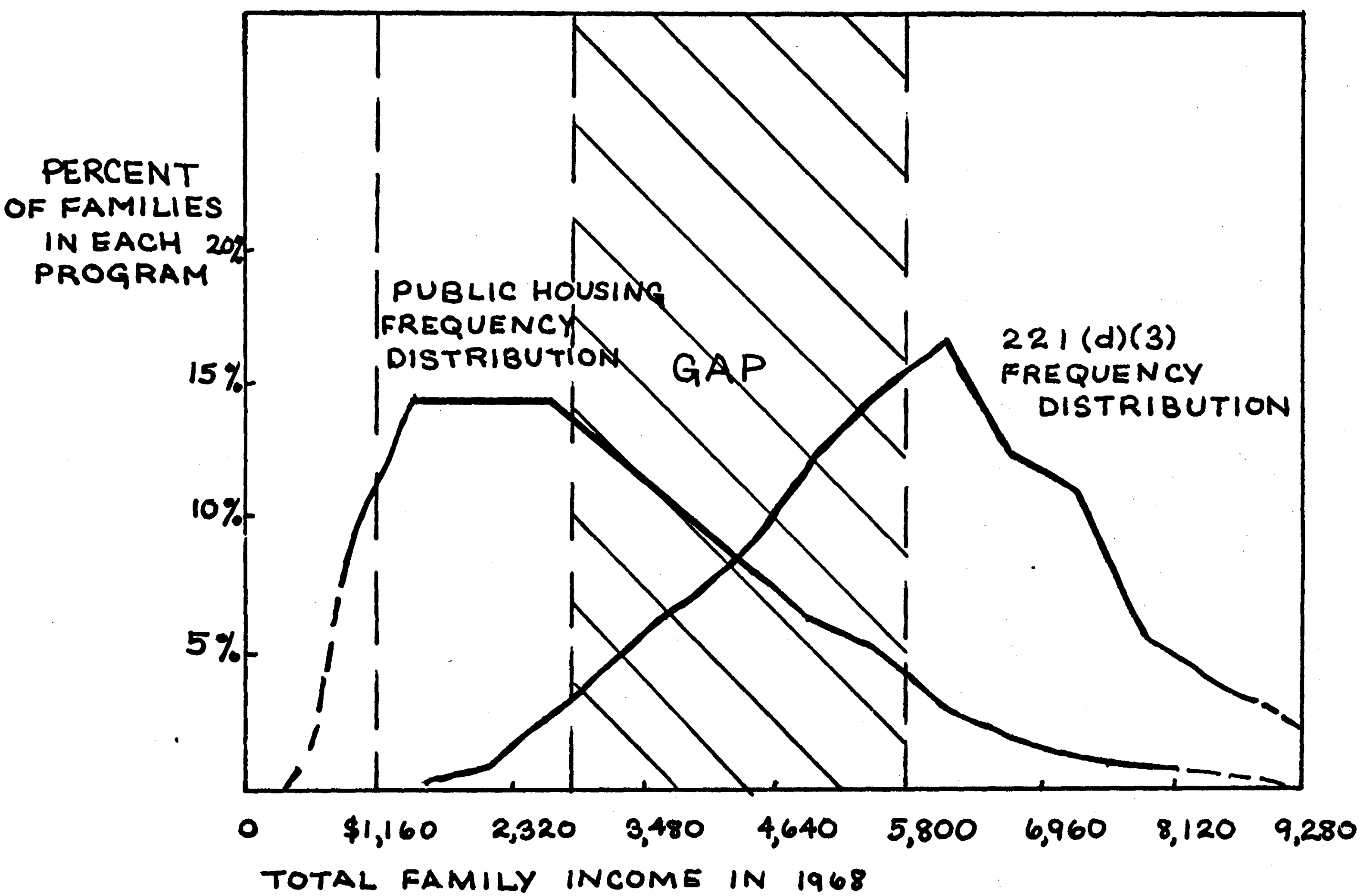
"Public housing is espousing an ideology which is not in keeping with the free enterprise system. We believe it...encourages parasites and cheating at the expense of the rest of the population, saps the vitality of our people and encourages progressive steps toward eventual socialism."[1]

"Public housing necessarily competes with private building for labor, materials, and investment funds, adding further to increasing costs of all construction."[2] "Our idea on public housing is that it is much too expensive...It costs the taxpayers too much."[3] However, the section 221 programs were never intended to supplant public housing, but to supplement it by easing the pressure on public housing. Eligible tenants in 1954 were first restricted to those families displaced by governmental action; these displacees were admitted to public housing although they were believed to be able to pay more than public housing rents. Removing these tenants to another form of housing would leave more units for the truly poor. Nevertheless, the 221 loan insurance programs were quickly supported by those who interpreted them as an alternative to public housing. The National Association of Real Estate Boards, after a scathing attack on public housing in 1956 (see above), said in 1959, "We see section 221 a vehicle which will prevent expansion of public housing. Section 221 still makes a homeowner of the individual, and it provides it within the framework of private enterprise."[4]

Expectations for Nonprofits

In a sense, the nonprofit concept crept unnoticed into the housing legislation. It was not closely scrutinized and argued against by those groups that guard against socialism, because nonprofit groups, like charities, are a legitimate part of the free enterprise system. At the same time special attention by the government to nonprofit groups is not in direct competition with private enterprise, but supplementary to it. On the other hand, the liberals could not criticize the government for

SOURCE: THE REPORT OF THE PRESIDENT'S COMMITTEE ON URBAN HOUSING, A DECENT HOME, 1968, p. 68.



COMPARISON OF THE MARKET FOR PUBLIC HOUSING AND 221(d)(3) HOUSING abdicating its social responsibility. After all, 100% financing at 3% for 40 years as provided in Section 221(d)(3) was a substantial overture to the low income groups, (albeit the results of the program would be subjected to some criticism.) The Internal Revenue Service had already set a precedent of special attention to nonprofits in granting them a tax exempt status. Hence, the nonprofit concept and the subsequent enlargement of the nonprofit housing programs retained a measure of incontestability few government actions have enjoyed.

Because nonprofit sponsorship has encountered few critics, it has needed few defenders and thus the nonprofit role is little discussed in congressional hearings. It is hard to determine why the administrations of the 1950's and 1960's have decided to use nonprofits or what special performances they expect of nonprofits to single them out so from professional builders. Certainly any program would have been a more feasible political alternative than increasing appropriations for public housing.

Although the government itself is silent on its reasons for giving special attention to nonprofit groups, other spokesmen have offered opinions, most of which are based on the assumption that nonprofit groups can offer special benefits to low income families. Nonprofit groups are thought to be "organizations whose interest is the well-being of the members and the persons whom it serves. There is no desire to profiteer; there is no desire to cheat. There is a desire only to give the maximum service for the money available..."[5] "Nonprofit, low rental projects can and will operate more efficiently than public housing, and without the regimentation that develops in public institutionalized operations."[6] Furthermore, the idea is frequently expressed that nonprofit groups are in a position to subsidize housing heavily because they are supported by charitable donations. However, the most succinct statement to explain the use of nonprofit sponsors has been made by Paul Niebanck[7] who said that nonprofit organizations are "in vogue."

No definitive explanation of the government's dependency on nonprofit housing groups arises, while the reasoning becomes less clear due to the number of criticisms the typical nonprofit group receives. The National Association of Homebuilders testified before Congress on the use of direct loans to nonprofit groups: "We believe that the production of homes to meet this need will go forward more quickly and efficiently if the facilities and energies of private industry are properly utilized..."[8] Even Robert Weaver, as Administrator of HHFA, saw some deficiencies in the ability of nonprofit groups: "One of the great difficulties here, of course, is the fact that so many of the agencies that come in which are nonprofit don't have the business sophistication that a private developer might have. So it is going to be more time consuming and we are going to have to give a great deal more assistance to help these people..."[9]

With such lack of confidence expressed in the results of nonprofit sponsorship, it is not obvious why the government stayed with this type of program. Yet the government has continued to maintain, and even increase, its reliance on nonprofit groups. The Housing Act of 1968 depends heavily on them -- for rehabilitated dwellings in Section 235 and rental housing in Section 236. Furthermore, the 1968 Act provides both technical assistance and interest-free loans to nonprofit sponsors in Section 106. It forms the National Housing Partnerships, part of whose purpose is to provide technical assistance, loans and grants to nonprofit corporations carrying out housing programs for low and moderate income families, the National Homeownership Foundation with similar assistance to groups providing homeownership opportunities.

Thus, as a political alternative to public housing, and a compromise between "Socialism" and free enterprise, nonprofit housing became a significant part of housing legislation. Because of a desire to serve a group ignored by private industry and to provide social services, despite misgivings on the expertise and efficiencies of such groups, the government adhered to nonprofit programs. They continue to escape careful scrutiny and little attempt has been made to see if they deserve to receive such special attention and increasing responsibility in housing. Who these groups are, their type of organization, their motivations, goals and accomplishments will be dealt with in the following pages.

Commentaries on Nonprofit Housing Sponsors

Several images of the role and ability of nonprofit housing sponsors abound among those concerned with housing. It is frequently asserted that most of the nonprofit sponsors using the 221 and 202 housing programs lack technical expertise and sufficient money to carry out a successful program. Urban America, Inc. has produced a series of reports concerning housing development funds, all of which contain provisions for technical assistance to inexperienced sponsors. "Non-profit groups have been woefully short of operating funds, with the result that they have been unable to attract necessary technical skills to handle complex projects."[10] "In addition to financial burdens, many sponsors lack the technical knowledge required to plan and carry through the development and management of a project."[11] Similar statements have been made about the ability of sponsors in the Boston area. "Nonprofit groups usually have neither the initial funds to start housing developments nor the funds to acquire technical expertise."[12] A proposal has been made in Boston to set up "an organization of technical personnel ready to help the nonprofit group shape its proposal into something practical."[13] The federal government also supports this view, having established a housing assistance fund for Appalachia to aid nonprofit sponsors in 1965 and a similar program for all nonprofits in 1968.

Although the recipient of little discussion at the federal level, nonprofit groups are the source of considerable talk, pro, con, and indifferent in the Boston area. Boston has at least thirty-six nonprofit housing groups.[14] The groups come and go, merge and subdivide, but the number remains fairly large. More have done more talking than producing, but nonprofit housing production has existed since 1962. The seven-year span has been time enough for opinions to form, myths to grow, ideology to sprout concerning their role and accomplishments.

The Critics

The prevailing image of the nonprofit sponsor is that of the lone minister wanting "to do something about the urban problem" who undertakes a housing program on behalf of his church. He does not know what he is getting into, and his parish duties leave him little time to learn. His financial resources are those allocated by the church for charitable purposes. With such meager credentials, it is believed, he cannot compete with highly competitive private business. "Nonprofits are completely ineffective. Why, Cooperative Ministries of Boston hired a minister to direct their housing venture. He doesn't know anything about housing. He doesn't even know where to go to get things to start happening."[15]

The lack of expertise has one of two results: the nonprofit group makes no definite move toward starting a housing program, or when it does, relies entirely on the developer. "They hire a developer and let him make all the decisions. There is a complete abdication of responsibility. The nonprofit relies too much on the professional."[16] The role of the developer is not always seen as such a negative influence. The FHA office in Boston commented, "Most nonprofits are fairly successful when they come up with a competent contractor or consultant. Many are using the same contractor as limited dividend groups, so they are as capable."[17] Whether the reliance on the developer is considered a blessing or a hindrance is a matter of opinion; nevertheless, this reliance is perceived to be an inevitable consequence of nonprofit sponsorship.

Decision making by the sponsor is usually described as a committee effort. "Church groups always have to go back to the board to make any decisions."[18] This is not considered the proper way to run a business. In fact, church sponsored projects have been compared to the proverbial camel -- the camel which is a horse built by a committee. Their business sense and efficiency, as well as their dedication, is further questioned by the fact that non-profit organizations which fail have nothing to lose but their reputations, and even that might not be lost because "their intentions were good." Business oriented people feel that a financial commitment to a project is one guarantee for a well-run operation. If the project fails, a substantial investment may be lost, or future earnings, or time, where time means money. But a nonprofit board makes no investment, because it can get 100% financing, and what "front money" is necessary comes from donations. The individuals may only partly identify with the project because of full-time commitments elsewhere, and so devote less time and attention to developing a good project than is necessary. The structure of the nonprofit program as well as the expertise of the individuals involved is said to mitigate against a successful project.

Also contributing to this alleged inefficiency is the short-term orientation attributed to nonprofits. Most are thought to have only one project in mind, and when that one is completed, they depart from the housing production business. Such an attitude precludes an interest in becoming an expert in housing and re-enforces a willingness to leave the responsibility elsewhere.

The Proponents

Along with these critical perceptions of the nonprofit method exist equally ardent proponents. The prevailing assumption is that nonprofits are doing a job that the private market is ignoring.

> "There are special problems in dealing with residents of low-income housing, problems for which the nonprofit groups are much better suited, both in temperament and conviction, to deal with than those groups whose main interest has been in making the project pay...Many nonprofit groups, as a part of their normal functioning, take on the social problems which often make low-income housing management difficult. Undoubtedly, these were the reasons that the nonprofit corporations were given a special place in the federal legislation."[19]

Furthermore, it is popularly believed that nonprofits are providing housing at lower rents by waiving the profit margin. "The only way to get housing at the lowest rents is to cut all the corners and go nonprofit."[20] Their existence is frequently justified by a belief that nonprofits are doing what private business does not do. "A nonprofit shouldn't operate like a profit. If a profit group will do it, nonprofits shouldn't exist. The nonprofit should do only what profits won't."[21] The commitment here is not to nonprofit groups as such, but to a need unfilled by other groups in society.

Another accomplishment attributed to nonprofit sponsors is innovation. It is thought that these groups have the flexibility to take risks a profit motivated group avoids, and therefore can be more experimental. Urban America, Inc. points to the accomplishments of several nonprofit groups in the area of innovation:

> "In Appalachian Kentucky a nonprofit group plans to build several hillside "pole-houses" which employ telephone poles as major structural members...A new "instant rehabilitation"

> process was developed in a project on East Fifth Street in New York City, sponsored by the Carolyndale Corporation, a nonprofit group...In St. Louis, the Bicentennial Civic Improvement Corporation pioneered in the purchase and rehabilitation of properties for sales to low income families."[22]

In this role too the nonprofit is seen as being supplementary to the private market mechanism.

> "Perhaps the major potential contribution of a neighborhood nonprofit corporation...lies in its willingness to undertake a job which the private market has shown no interest in tackling."[23]

Nonprofit Potential

Nonprofit groups are clouded in a confusing array of myths, impressions, and perceptions and seem to defy the emergence of a clear, coherent pattern.

Most arguments, pro or con, admit to a lack of efficiency and expertise, while the expectations lie in the realm of social contribution and a temperament to undertake tasks ignored by private business. Underlying all of these assumptions is the belief that by employing the proper consultants or the best staff, the incompetency can be overcome and the social good accomplished. Whether this is indeed the case is open to speculation. The extent consultants have been used and the degree to which they proved valuable will be taken up later; but it suffices to say here that there are as many who believe there is no legitimate role for outside technical assistance as there are those who assert that the success of nonprofit programs relies on the extent to which technical assistance is available.

II. NONPROFIT HOUSING ACTIVITY IN BOSTON

Boston gained a nationwide reputation for its renewal activity under the administration of Ed Logue and Mayor John Collins. According to a long time employee of the Boston Redevelopment Authority,[1] the renewal areas were divided into "political" projects and "people" projects, a distinction that is never clearly defined. However, the "people" projects include the South End and Washington Park renewal areas where the neighborhoods are mostly residential and the community has asked for some input into the decision-making. All of the nonprofit 221d3 housing in Boston is in these two areas and only one of six limited dividend new construction projects is here. The nonprofit housing comprises 1068 units under construction or completed, by eight different sponsors. Most of the nonprofit sponsoring groups indicated that their involvement in housing grew out of a specific invitation from the BRA to become a sponsor. The question is, why did the BRA solicit so much nonprofit housing in its renewal areas, and so little from limited dividend groups?

The BRA Calls for Nonprofit Housing

The nonprofit housing activity has frequently been attributed to the political picture in 1962. Mayor Collins, who had staked his administration on urban renewal, was running for re-election and found himself with extensive demolition and a clamoring for more housing. The story goes that he promised some housing to win the election and asked Logue to get it built. The story rings more of legend than truth however; although the popular conceptions of nonprofit sponsors are varied, even their most vociferous proponents do not claim they are more efficient than limited dividend corporations. If speedy housing were the only need to satisfy, Logue would not have solicited nonprofit sponsors. Indeed, when speed was uppermost, the BRA has used limited dividend groups, as in the Boston Rehabilitation Program.

It seems more reasonable to assume that low rent housing was more important than housing per se, and that the BRA believed housing could be produced at lower rents under nonprofit sponsorship. The nonprofit, first of all, would be willing to build at the lowest possible cost instead of at the maximum allowable limit; and second, without the 6% profit permitted to the limited dividend corporations, nonprofit rents would be that much less. One indication of this attitude by the BRA is the fact that the original rents in the early developments were set "politically" and not economically. In responding to the demands of the residents, costs were trimmed on all sides, the management and heating costs were sparingly estimated, and the city subsidized the project through site preparation, roads, sewers, and low tax assessment. Rents were in fact moderate in Academy Homes and Marksdale Gardens the first year of operations, but each had to raise rents $5-$10 per apartment after the first year.

The use of nonprofit sponsors has also been called an example of "planning with people."[2] Logue was committed to the concept of community involvement in the renewal process and felt that the neighborhood groups could play a part by sponsoring a housing project. In soliciting church groups to become housing sponsors, he felt he was involving groups with roots in the community. Furthermore, he was responding to pressure from the community itself. In a community where emotions ran high against absentee landlords criticized for exploiting the tenants, Logue knew that a cigar-smoking, professional developer taking profit out of the area was a political impossibility, even if the profit was only six percent. The only acceptable course was the use of nonprofit sponsors with roots in the community.

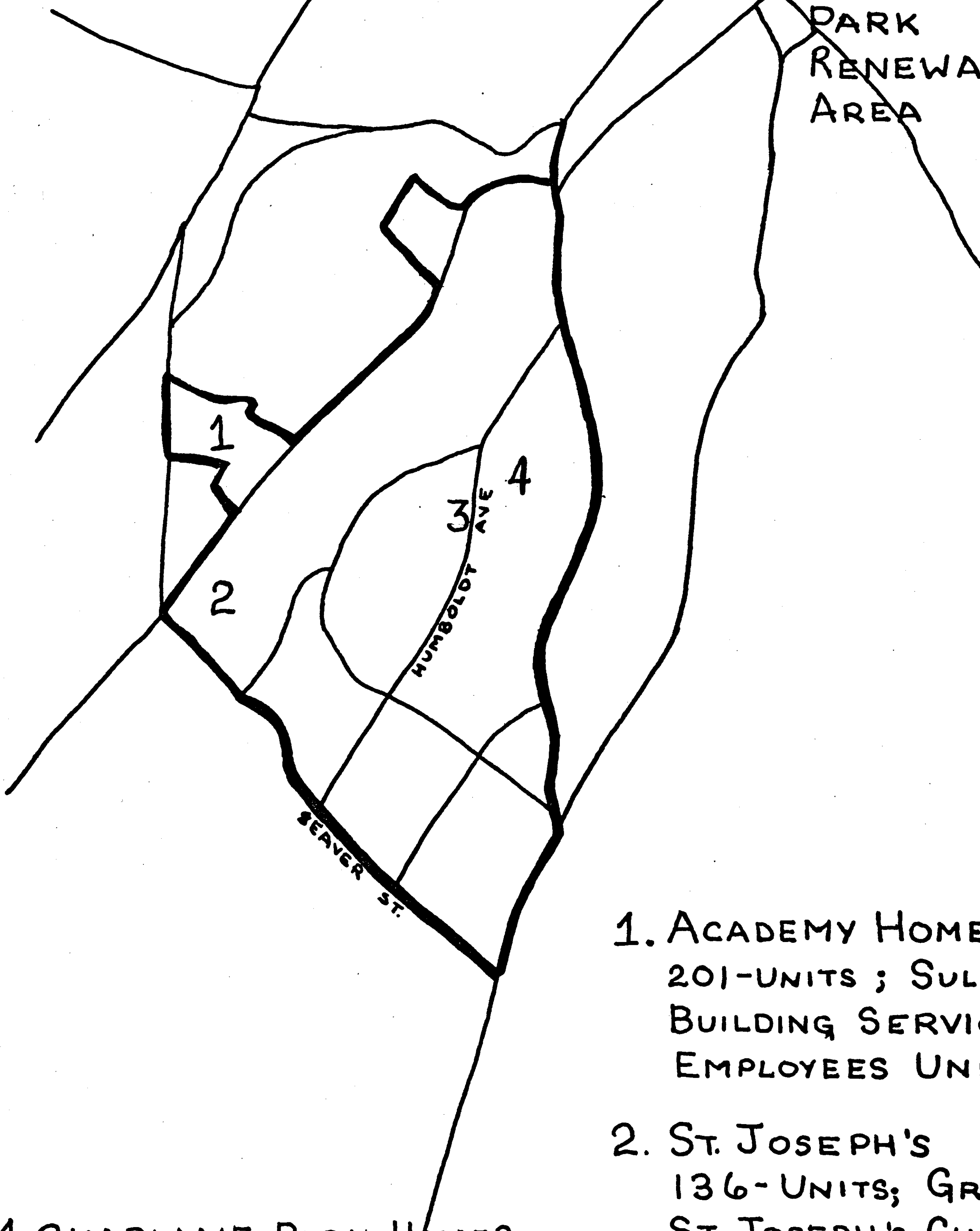
The BRA was acting according to a set of expectations and responding to a variety of pressures when it encouraged the involvement of nonprofit sponsors -- the need for housing, the demand for low rents, and the necessity of community involvement and approval. The projects were undertaken by a range of groups -- a labor union, several churches, a church charitable foundation, an association of settlement houses, newly formed community organizations and citizens groups.

In an attempt to discover the reality beneath the layers of myth surrounding nonprofit sponsors, seven nonprofit housing groups in Boston were studied. Their motivations, goals and accomplishments were investigated to determine what gaps lay between what they wished to fulfill and what they actually did. Because nonprofit groups work under a variety of circumstances, and the passage of time and evolution of programs change these circumstances, no truly representative sample can be assembled, nor can strictly statistical comparison be made. Nevertheless, a picture of the nonprofit pattern emerges from a close study of a small selection of active housing sponsors.

This paper will discuss seven groups whose projects include both rehab and new construction under the 221 programs, and whose progress ranges from projects completed and occupied to projects planned and awaiting construction.

Three of the groups worked simultaneously in Washington Park between 1962 and 1965. Academy Homes, sponsored by the Building Services Employees

NON PROFIT HOUSING IN THE WASHINGTON PARK RENEWAL AREA



1. ACADEMY HOMES
   201-UNITS ; SULLIVAN
   BUILDING SERVICES
   EMPLOYEES UNION

2. ST. JOSEPH'S
   136-UNITS; GRODEN
   ST. JOSEPH'S CHURCH

3. MARKSDALE GARDENS
   177-UNITS; ELAM
   ST. MARK'S CHURCH

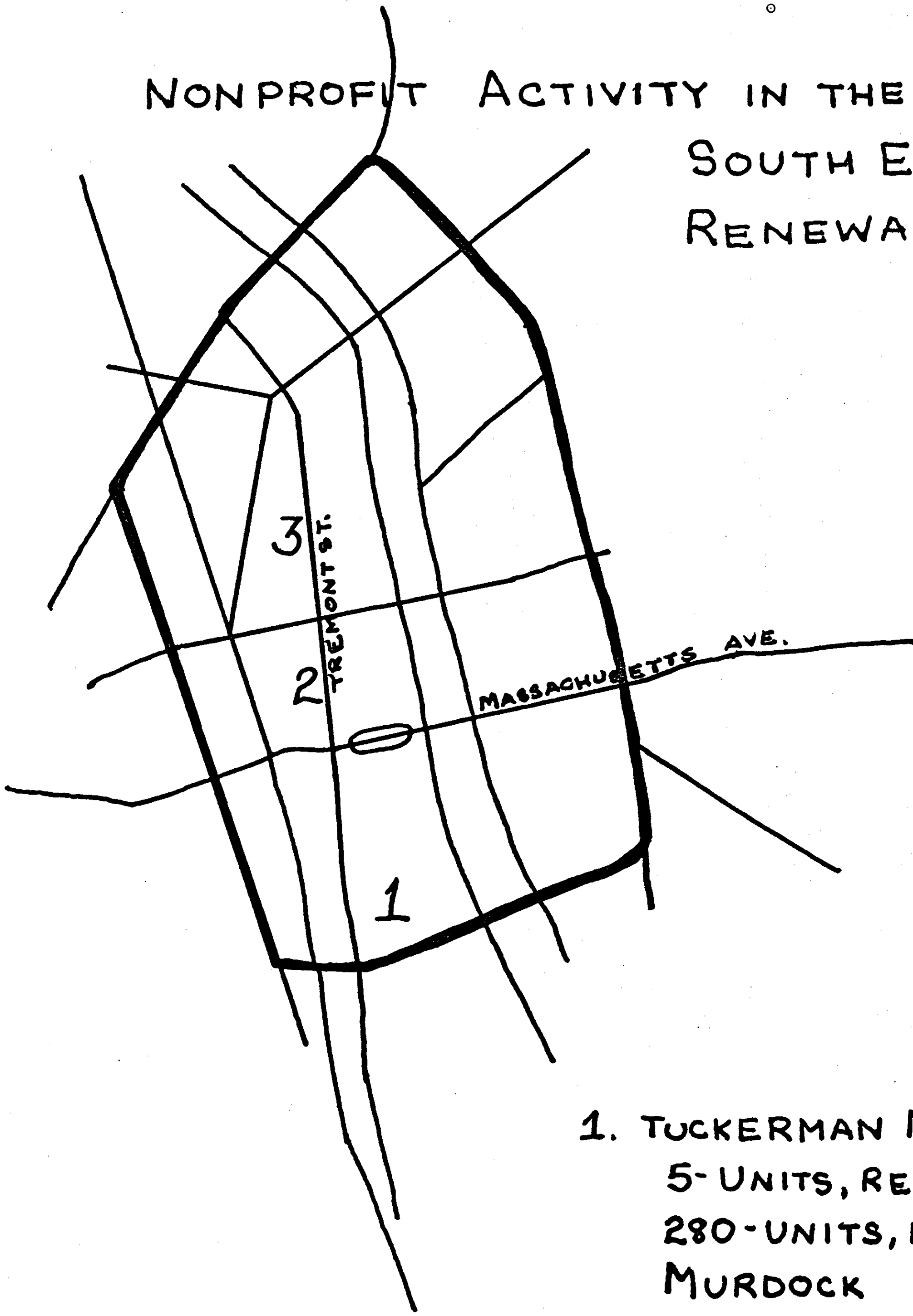
4. CHARLAME PARK HOMES
   92-UNITS; DAVIS
   CHARLES ST. A.M.E.
   CHURCH

Union, contains 201 units; Marksdale Gardens I and II together comprise 177 units, sponsored by the St. Mark's Church of Roxbury; and Charlame Park Homes, the project of the Charles Street African Methodist Episcopal Church, contains 92 units adjacent to Marksdale. These projects have been occupied since 1964 and 1965. St. Joseph's Church has a 136-unit project that is still under construction also in the Washington Park Renewal Area.

There has yet to be any completed nonprofit new construction in the South End Renewal Area, although several projects are "in the pipeline," and a few have broken ground. One of these is 86-unit development sponsored by the Tremont Street Methodist Church and another project of 280 units is sponsored by the Tuckerman Memorial, Inc., a charity of the Unitarian Church. However, rehabilitation has been tried extensively in the South End. Tuckerman rehabilitated five single family houses under the 221 h program and the South End Community Development Corporation (SECD) has undertaken 87 units, many of which are completed. While these groups form the basis of this paper, there will be reference made to Housing Innovations, Inc., a black group doing rehabilitation in Roxbury. This group provides an interesting point of comparison, but thus far has not used any federal programs, and hence, does not fall in the range of this study.

These groups give an indication of the variety of sponsors who are involved in housing, and their differing stages of progress indicate the issues involved in each phase of development.

NONPROFIT ACTIVITY IN THE SOUTH END RENEWAL AREA



1. TUCKERMAN MEMORIAL
   5-UNITS, REHAB
   280-UNITS, NEW
   MURDOCK

3. SOUTH END DEVELOPMENT CORP.
   87-UNITS, REHAB
   WHITTLESEY

2. TREMONT ST. METHODIST CH
   86-UNITS, NEW
   RICHARDSON

III. MOTIVATIONS FOR NONPROFIT SPONSORSHIP

A significant number of the nonprofit groups actively involved in housing programs in the Boston area are church-affiliated organizations. Because their approach to the housing problem is different from that of community groups and their method of operation likewise follows a different pattern, the following discussion will deal with the church groups separately.

The Role of the Urban Church

The adequacy of the housing supply has traditionally been a concern of churches, for houses, in a sense provide the people who compose the congregation. With the development of urban renewal and the influx of the Negroes and Puerto Ricans, the central city churches have increased their interest in the surrounding environment. Yet the financial pressures affecting the churches have not always made their interest in their neighborhood a charitable one.

> "Since each local church will have a fairly fixed set of financial obligations for salaries, property maintenance and debt, keeping the membership up to an optimum level can become its principle business. Those who move out of the neighborhood must be continually replaced."[1]

The church, in fact, is like a business operation, and as such, must remain self-supporting. One response to the financial squeeze brought about by successively poorer congregations has been to support urban renewal activities in the hopes of gaining higher income parishioners. Another response of the churches has been to leave their in-town buildings to another denomination and follow their congregations to the suburbs. As early as 1870, "The Washington Square Reformed Dutch Church in New York voted to disband 'owing to the moving away of the class of population in this quarter whose needs are met by such a church'."[2]

Either response indicates the churches' commitment to a particular class and type of clientele, rather than to a geographical area. Hageman distinguishes between the idea of the church as parish and the church as a "gathered community."[3] The first concept says that the congregation has established geographical boundaries, and when a member moves into the neighborhood, he moves into the church's realm of responsibility. The second theory speaks of the church's responsibility to those with similar religious views, irrespective of their area of residence. The commitment here is to a group of people and not to a geographical area. It is in response to this latter theory that a church will follow its members to the suburbs or replenish a waning congregation with new members brought in through urban renewal. This theory is dictated by the financial responsibility of the church to be self-supporting. With pressing financial needs, they see no recourse but to support programs luring back high income groups.

The idea of church as parish demands a new theory of a church's financial obligations and a re-interpretation of the theory of missionary and charitable work. It has been said the "congregations are for those who believe; missions are for those who do not."[4] The result of this concept is that missions are usually in foreign lands and neighborhood residents do not qualify. Yet the church as parish in the poor urban areas cannot survive without being its own mission, i.e., running at a deficit and being supported by wealthier churches in other areas.[5] Instead of closing its door to poor populations, the new concept urges churches to remain open, remain committed to the geographical area and to become responsible for the needs of the residents in the area, whatever their denomination. Both approaches to the churches' role in the urban problem seem to be in operation in Boston, although the latter seems to be prevailing.

Churches as Housing Sponsors

Rev. Walter C. Davis, the minister of the Charles Street A. M. E. Church and the chief actor in the Charlame development, has given most of his attention to the middle class or upwardly mobile Negro family. His influence in the early days of the BRA and his identification with the citizen participation groups in the Washington Park renewal area suggest his affiliation with the middle class family. The very design of Charlame -- a series of row houses with individual yards, the immaculately kept grounds, and the type of tenant -- makes Charlame an attractive residence for upwardly mobile families. In fact, several of the original tenants have left to buy homes elsewhere.

Davis's interest in housing problems arose from his own experience and that of friends in trying to obtain housing. Discrimination and the reluctance of landlords to rent to large families made the housing problems of Negro families particularly acute. Added to a desire to "give people from ratholes a decent place to live"[6] is his professed belief in the positive benefits to the tenants in having a church for a landlord. "Housing is the greatest missionary endeavor for a church to sponsor."[7] He believes in the salutary effects of a tenant calling his landlord and getting spiritual satisfaction as well as the plumbing repaired. This is particularly true when a tenant has some real problems to discuss. Such a service, Rev. Davis feels, only a church sponsor can render. Although the church did not build

Charlame for its parishioners, several of the tenants do attend the Charles Street A. M. E. Church, and more have joined the church since moving to Charlame.

Marksdale Gardens, sponsored by the St. Mark's Church and situated adjacent to Charlame, was an effort to provide housing for parishioners displaced by urban renewal,[8] and a response to the "great need for this type of moderate income housing, especially in the underprivileged community."[9] The sponsor was motivated by a similar interest in the housing problems in the black community, although the missionary intent is not evident. Both Charlame and Marksdale are examples of churches "taking care of their own," i.e., the Negro community -- and one could legitimately ask if the response would be the same if the area was flooded with white Appalachian immigrants.

The white churches in areas of increasing Negro populations have likewise given attention to the housing needs of Negro families. St. Joseph's Catholic Church is situated not far from the Charlame and Marksdale Gardens developments. The church building itself is a basement church, originally constructed with the intention of erecting a full size church when the congregation could afford it. However, the area changed from white to black and the Catholic population decreased with the result that St. Joseph's remains a basement church. Father Michael Groden is, however, an advocate of the church's responsibility to all who reside within the bounds of the parish, and under a directive from Cardinal Cushing to do something for the whole area, Groden decided that housing was the most immediate need. His philosophy of serving the needs of the community and not the congregation met with some opposition from the church board, but finally a housing cooperative plan was approved. According to Groden, "a church should be doing tasks society has not being doing."

The Tremont Street Methodist Church, through the initiative of Rev. Royden Richardson, became involved in housing in the early days of the South End Renewal Project. The desire here was to provide large apartments for low income families and some special facilities for the elderly. Like St. Joseph's, this church seems to be adjusting to the transition of the area from white to black and similarly responding to its needs. Unlike St. Joseph's, however, which made a special effort to get community residents on its board to help make decisions affecting the neighborhood, the Tremont Street Church has not made such overtures. Instead, they have hired Louis Sert as architect and an FHA expeditor who used to work for Logue. Although there is a great desire here to help the community, the impression exists that the community was not consulted.

Also working in the South End is a charitable organization of the Unitarian Church -- Tuckerman Memorial, Inc. Rev. Virgil Murdock became director of the charitable foundation with the specific intent of getting involved in housing programs. After several months of investigating the possibilites of the area, he began a small rehabilitation project, but only after gaining the approval of the neighborhood organization. His second project is a large d3 project. Tuckerman exists for the purpose of building housing, so its involvement in housing is less a reaction to the needs of the area, although the need is great, than to its own goals as an organization.

All of the church-affiliated sponsors are in the housing business with the intention of doing good, whether it be for blacks or low income families. Each seems to be working in areas and for a social class which private industry has ignored. Each group sees housing as a particular need of the people of the area, and each believes it is in a position to make a valuable contribution.

To some sponsors -- St. Mark's and the Tremont Street Methodist -- this contribution is the best housing for the lowest possible cost. Richardson said, "A nonprofit can keep rents low, while a limited dividend has to have higher rents of necessity." Harry Elam of St. Mark's made a similar statement: "Our goal was to put up housing at the lowest possible cost." Other sponsors add other objectives to this goal, such as renting housing on a non-discriminatory basis where neither Negroes, or large families are discriminated against. Furthermore, there exists the belief that nonprofits will remain more responsive to the needs of the tenants. St. Joseph's talks about cooperatives and self-determination; others talk about helping tenants to form their own management group or providing responsive management themselves. Each of these goals is related to the ultimate object of improving the living environment for the would-be tenants. The personal motives of the directors might have been equally influential with the final decision, motives such as a frustration with the tedium of parish duties or a desire to stand up to a challenging task. There seems to be a tendency toward greater secularization among the ministers who have been involved in housing. One is now with the Massachusetts Commission Against Discrimination and another runs the Urban Planning Office of the Archdiocese of Boston.

Non-church Nonprofit Sponsors

Not every nonprofit sponsor is affiliated with a church. The South End Community Development Corporation is backed by the United South End Settlements; Academy Homes was sponsored by a labor union, the Building Services Employees Union. Housing Innovations is an independent nonprofit group tied to the black community, but not affiliated with a specific organization. Each of these efforts can be interpreted not only as a hope to provide a better living environment, but also as an attempt to meet a broader social problem. The SECD is concerned with establishing new techniques in low cost rehabilitation. The South End row house presents problems in rehabilitation not found in other types of construction and the success of rehabbing such buildings is critical to the success of the South End Renewal Plan.

Ed Sullivan of the Building Services Employees Union was concerned with the ever-rising cost of living. Hard-won wage increases for union members were quickly eaten up by increasing housing costs. Academy Homes was an attempt to break the wage-price spiral for those in the same economic class as his union members. There was no special intent to build housing for the black community, but during the course of construction, the area change from 60% white to nearly all black and so Academy Homes is nearly 100% black. As a result, few union members live there, although all the residents face the economic squeeze that Sullivan described. The broader problem here was the economic plight of the working class, and the cost of housing, as opposed to the problem of decent housing or supply of housing that was recognized by other sponsors.*

*Mr. Sullivan volunteered another motive for Academy Homes: "There was a lot of egotism and monument building in the idea."

Dennis Blackett of Housing Innovations is directing his efforts at the whole host of problems that confront the black community -- absentee landlord-ism, unemployment, social problems, and lack of mortgage and insurance money. This rehabilitation effort includes a homeownership program, an extensive use of black contractors and laborers, an array of social services, and a reasonable rate of return to investors in low cost housing.

Contrasting Approaches to Housing

The non-church affiliated sponsors differ from church groups not only in the scope of the problem they are tackling, but in the degree of initiative they possess. On the whole, church groups have needed the impetus of a specific invitation from the BRA or a developer to embark actively on a housing program. The non-church groups have been somewhat more independent, and have acted without the specific bid of the BRA. The church groups have worked in conjunction with the BRA and the renewal plan, while the non-church groups, although using the services of the BRA, are not necessarily carrying out part of the renewal plan. Hence, the independence of action of non-church nonprofit organizations as well as their wider scope sets them apart from the church groups.

The primary cause behind all of the above stated differences between church affiliated sponsors and other groups, so far as one is able to generalize, seems to be that church groups exist for the purpose of running churches, while groups that have formed to sponsor housing projects, exist to sponsor housing. Housing Innovations and SECD have a continuing long term interest in housing development, giving their operation an outlook similar to that of a private developer. However, a church sponsor can only view housing production with a project-by-project orientation. "Most have had a specific project in mind, and that one project is all they wanted to do. They want to clear up the area near the church."[10] The running of the church is paramount, and the project is only undertaken if and when there is surplus time and money. Hence, there is no special interest in trying to develop an efficient, well-run business-like organization to direct future projects. This holds true not only for church groups, but for any institutionalized organization whose main purpose is other than developing housing projects.

Two models emerge with respect to the initiative and motivation of nonprofit sponsors -- one, where the group's primary purpose is housing, its motivation great, and its outlook long term; and two, where housing is only a side interest of the sponsoring organization, where impetus comes from outside the organization, and its orientation toward housing production is short run. Although the second model is the type envisioned and described in the legislation and FHA guidelines, the first type is, in general, more respected. Bob Whittlesey of SECD is extremely well regarded because of the high degree of expertise SECD has built up over the years.[11] He is considered different because "his job is to build housing, not to run a church."[12] Whittlesey himself does not approve of the typical nonprofit setup. "The whole business is too tough for a nonprofit. What is needed is a more permanent organization and not just these two and three year deals. You need organizations that will stay with housing over the long run and you need long term people with expertise."[13]

However, the irony is that the guidelines for an FHA-approved nonprofit sponsor describe the church-type organization, while an on-going housing development operation has little place in the guidelines, unless it is an offspring of a group with deep roots in the community.

> "It is most important that nonprofit sponsors should have continuity, and a serious and long-range desire to provide housing...Well-established institutional sponsors such as churches, labor unions and fraternal organizations, are more likely to have continuity and a history of community and social service than a group organized for the specific purpose of initiating the project."[14]

The guidelines for rating potentially acceptable sponsors rank second in priority: "deep roots in the neighborhood and community," while "professional expertise within the nonprofit organization or available to it from qualified outside sources"[15] is fifth.

While it is too early to tell how successful either type of sponsor will be over the forty year life of the mortgage, it is already evident that the groups with the greatest initiative, the highest degree of in-house expertise, and the most dedication to producing housing are not the church-group type sponsors preferred by the FHA.

IV. THE OPERATION OF THE NONPROFIT ORGANIZATION

A thread of criticism underlying all opinions of nonprofit sponsors states that although the intentions of nonprofit groups may be good, they are not capable of fulfilling these intentions. Are they able to build housing at the lowest possible cost, even if they want to? Do they have the resources, in terms of time, money and qualified staff; or an organizational structure that permits efficient decision-making; or the commitment to carry the project through? If the answer is no to any of these questions, the chances of a successful project lessens substantially.

The 221(d)(3) Process in Theory

The FHA is explicit in the procedure it requires a sponsor to follow in order to receive a mortgage commitment from the FHA. The complexity of the process seems sufficient to dissuade even the best-intentioned sponsor. Negotiations with the FHA on the feasibility of the proposed project mark the start of the process. Communiques back and forth between the FHA local office, the regional office, the federal office, the sponsor, architect, builder and management firm describe the remainder.

An organization with a desire to undertake a housing development forms a committee or board, usually composed of the organization's leaders, members of the board of trustees, and organization members specifically interested in housing. A member selected to be in charge of the day-to-day activities works with the board to develop specific proposals such as the project location, the architect, builder, and the size of the project, to present to the FHA at the pre-application conference. After the favorable judgment by the FHA, the sponsor submits a formal application. Meanwhile the sponsor has taken an option on the land, has engaged the architect who will draw up plans and specifications and has engaged a builder to make a cost estimate for the application. Simultaneously, zoning approval, building permits, agreements on sewer lines, roads, utilities are to be obtained. Several months later, or as long as three years, the FHA will issue a commitment and construction can commence. The mortgage proceeds are disbursed in stages throughout the construction period, the final disbursement occurring at the final closing when the mortgagor corporation, an offspring of the sponsoring group, takes title to the property.

Each stage of the process is hinged on the results of the previous phase, and one difficulty, such as obtaining a building code waiver, can tie up the process for months. Any change in the cost estimates means that dozens of forms must be refiled (over 60 forms are exchanged between sponsor and the FHA, and many more are needed for internal FHA use), while a significant change in interest rates or labor cost can make the whole project economically unfeasible. To the uninitiated sponsor the process is a labyrinth of unknown ways. Stepping out of sequence, omitting a procedure, delaying a move, or making a mistake can all be expensive errors when costs are rising rapidly and opportunities delayed mean opportunities lost. Without experience to guide them through the process, novice sponsors encounter many wrong turns and many deadends without realizing their errors. The opportunities for being misled are great. How the sponsors find their way through this maze, who they depend on for assistance, and what their experience is at various stages of the process are indicative of the sponsor's capabilities in housing production and the effectiveness of the nonprofit housing programs.

Resources -- Expertise, Time and Money

With the exception of Robert Whittlesey of the South End Community Development Corporation, the level of expertise is low among the nonprofit sponsors under consideration. None had had any experience in housing prior to the 221(d)(3) project, although most spent considerable time talking to developers, other sponsors, and persons active in housing, thereby gaining some familiarity with the issues they were about to face. In all cases, the staff consisted of one man, the pastor of the church, or in the case of Marksdale Gardens, the church lawyer (Harry Elam). Most have had other duties besides heading the housing program, although many were able to devote most of their time to housing. Insufficient time did not seem a critical limitation, contrary to the opinions of several critics who said that nonprofit groups abdicated their responsibility due to lack of time. However, insufficient expertise in housing prevented most directors from making the best use of this time, such as spending it to find out what is necessary for each step, rather than accomplishing what has to be done.

The amount of financial resources available to the sponsoring groups ranges from nothing to several hundred thousand dollars. Initial capital for SECD was provided by a $75,000 grant from the Permanent Charity Fund of Boston and a $50,000 grant from the United South End Settlements. SECD received an additional $205,000 demonstration grant from the Department of Housing and Urban Development to cover overhead expenses and to carry out experimental phases of SECD's efforts. For the 221(h) program, the Tuckerman Foundation made a $50,000 interest-free loan to pay for seed money and capital expenses recoverable in the mortgage, and the Permanent Charities Fund donated $25,000 for overhead. Other groups are less well-funded. Both Elam and Davis indicated that the 100% financing of the 221(d)(3) program was a major factor in making the project attractive and feasible. Overhead was absorbed by the churches and front money was available from church funds. However, neither Charlame nor Marksdale Gardens was significantly subsidized, nor is there any money available if the project should incur any debt due to excess management costs. Richardson frankly admits that the Tremont Street development has incurred $10,000 in debt, and his church is without special funds to pay these bills. Richardson believed, however, that money could be borrowed from general church funds.

Insufficient resources within the sponsoring organization has repercussions throughout the mortgage commitment process that cause difficulties for the sponsor. Lack of expertise within the organization prohibits the sponsor from making the best use of outside assistance. Lack of money prevents the organization from hiring a competent director. Furthermore, the FHA and the BRA, where some assistance to the sponsor is available, prefer to work with promising groups, i.e., those well-funded and well-staffed. When time is the only resource, it is not a very valuable resource. Hence, many sponsors start with a disadvantage they can never overcome -- a situation more applicable to the church or institutional sponsor than to organizations formed to produce nonprofit housing.

Decision Making

The distribution of decisions between the sponsoring board and the director differs from case to case, but nowhere does the impression arise that every minute decision must await the monthly board meeting. Discretion on day-to-day matters is in the hands of the director who seems to have an influential role in the major decisions as well. Whittlesey has had complete discretion in the rehabilitation process; Sullivan is not responsible to a board, although he usually functions with the strength of the union behind him and makes decisions in the name of the union. Elam and Davis were somewhat more controlled by boards who made the decisions concerning the selection of the architect and developer and were as influential as possible in the design of the housing and the type of tenant selected. However, the board, by its very make-up, must play a passive role. Most board members work during the day, leaving no time for intimate involvement with the decision making. Moreover, they have had even less experience than the director in housing production, and are not in a position to make technical decisions.

Groden and Murdock have sought to give their boards a role beyond that of a jury for major decisions. They have added to the board members of the community interested in housing issues and well-versed in the needs of the neighborhood. These members are able to supplement the knowledge of the director and add valuable contributions to the decision-making. Groden is responsive to a board composed of a priest from Roxbury, a regular church board member, three neighborhood people, a representative from one of the most active community groups and an area resident associated with the Massachusetts Commission against Discrimination. Such a board becomes instrumental in making policy, but does not hamper Groden in his day-to-day activity.

It is probably true that the board is slow and unwieldy in the days of the project's inception when questions such as should a d3 project be undertaken, where, how big, etc., had to be answered; but as the operation gets under way, the role of the board wanes and the responsibility of the director increases. While the existence of the board serves as a check on the director and prevents the nonprofit groups from becoming streamlined operations, it does not appear that this organizational structure is a tremendous obstacle.

Technical Assistance from External Sources: The Developer

The lack of expertise to be found within the organization of the sponsor forced the directors to turn outside for technical assistance. In almost every case the chief source of assistance was the developer. The developer selected by the sponsor was most often recommended by the BRA, and in four of the five new construction projects studied, this developer was the Development Corporation of America. Elam was first to use DCA, then under its original name of Urban Associates, a group which had been active in renewal in New Haven. In St. Joseph's, DCA approached Groden, who finally selected that firm after looking into several others in the interim. Richardson plans to use a spin-off of DCA, called Sydney Associates. All of the sponsors mentioned that they chose DCA because the firm has had so much experience in redevelopment and in 221(d)(3) housing.

As developer, DCA frequently played the role of chief advisor to the nonprofit group: "Linnehan of DCA came back to us. He was the guy we had depended on for advice all along, off and on."[1] In fact, the developer or contractor frequently overstepped the role of advisor and became the major decision maker. The sponsor's lack of technical expertise encourages this type of situation.

> "We were naive. We had to depend on their expertise."[2]

> "The FHA, BRA, developer and architect made all of the decisions. The sponsor is caught in a bind. He doesn't have the competence to make technical decisions...How can a sponsor make decisions in a conflict between highly trained specialists, each with their own view?"[3]

> "A contractor can run his decisions over the nonprofit sponsor. Crucial human questions are frequently answered without being asked."[4]

In the absence of sufficient knowledge and self-confidence, the sponsor begins to play a progressively more silent role as the questions become more technical. There comes a point when the suggestions or wishes of the sponsors are brushed aside by a comment from the developer that they are too costly and the matter is dropped.

> "There were definite things the sponsor wanted and would have chosen to do (for Marksdale), but the developer always said that they would cost more money and would not be within the limits set by the FHA commitment."[5]

The sponsor has no idea whether the developer's opinion is true, or how a compromise might be reached.

A few groups have relied on an intermediary person who stands for their values but speaks the language of the developer. This person was the architect in St. Joseph's program and an FHA expeditor for the Tremont Street Methodist Church. Each was able to translate the sponsor's wishes into a concrete proposal and help sustain their values throughout the conferences with the developer.

Other groups have been less fortunate, and after a certain point, many decisions are completely out of the hands of the sponsor. Even an architect hired by the sponsors was not effective in representing the sponsor's view to the developer.

> "The developer and builder dominated the architect (in Tuckerman's 221d3 development) and told him what the cost would permit. The architect had to redesign his plan to meet their views."[6]

The developer and the architect are traditionally in conflict, but when the architect is not hand-picked by the developer, the disagreements are more acute.

> "The developer thought the architect and the board (of St. Joseph's) were trying to cut his throat and the architect thought that the developer was trying to ruin him."[7]

When the battles are so heated the results are often not satisfactory. The sponsor begins to realize that the control of the situation is out of his hands; the architect sees his plans aborted by the developer; and the developer is in a position that is increasingly unattractive due to the demands of the sponsor and the architect. Both Marksdale and Charlame experienced serious defects in workmanship because the architect did not catch mistakes on his inspections and the sponsor was not knowledgeable enough to catch them himself. For example, in Marksdale Gardens, the plywood under the kitchen tile was not nailed down properly and soon warped, cracking the tile. Some of the supporting beams began to crack and the doors and windows were not hung properly, causing extreme drafts. Charlame experienced leaks in the roof, and Murdock complains of a nail driven through a pipe causing bad leakage and serious damage inside the walls when the water was turned on. While it is true that most new buildings have some defects to be corrected, the mistakes here are not results of miscalculation, but poor workmanship and deficient inspections.

Murdock's rehab contractor had several of his own projects in operation while he was working for Tuckerman. Because he had put considerable money into his own jobs and stood to earn or lose a substantial amount, the small and fixed profit of a 221h project was unattractive in comparison. It was difficult to get him to stay on the job because he preferred to give his attentions to jobs elsewhere. If this explanation is at least partially true for contractors and developers in all 221 projects, then the nonprofit concept, as it stands, cannot overcome the insufficient incentives. The problem is inherent in the structure of a nonprofit program.

Consultants or advisors other than the developer were used very little by nonprofit sponsors. Usually the sponsor talked to several developers before settling on one and thereby acquired some information concerning what a 221(d)(3) housing project involved. Lawyers were hired to conduct the legal business, but beyond these efforts no other assistance was employed. Only Richardson used an FHA expeditor (a church member who supplied his services free). The expeditor insures that the FHA application is properly filled out and all the procedures are followed correctly. After the application is submitted, he makes sure that it does not get forgotten on a desk somewhere in the labyrinths of FHA by making frequent calls to those responsible for its approval. He also works with the contractor and architect to keep their work in accordance with FHA requirements. Whether an FHA expeditor is a useful investment is hard to determine, for it still took over three years for the Tremont Street Church to get a commitment from FHA. However, the service performed by the expeditor in supervising the filing of forms must be rendered by someone. Most sponsors have used DCA with its large staff and experience with FHA to help in this way.

Technical help, whether it be the developer, architect, or consultant, seems to cause as many problems for the developer as it alleviates. No outside source of help overcomes the basic problem of lack of knowledge on the part of the sponsor. The expertise he needs must come from experience as well as discussion. Yet the accumulation of experience does not seem to be taking place due to the fact that most sponsors, especially the church-type sponsor, consider the housing development a once-in-a-lifetime effort. What learning is acquired is lost, and even where another project is undertaken, the learning is not transferrable; for example, one sponsor followed a rehab project with a new construction project, and another did the reverse. Because housing for most sponsors is not an on-going operation, the incentive to learn all about the process is slight and so the probability of future nonprofit efforts benefiting from experience and being in a better position to deal with the developer is minimal.

The Role of the Boston Redevelopment Authority

The role of the BRA is three-fold: one, educating and soliciting sponsors; two, providing advice and assistance; and three, setting the design parameters for developments within urban renewal areas. Because all nonprofit housing activity has taken place within urban renewal areas, the BRA has been instrumental in the nonprofit process.

When the BRA has slated an area for housing, it advertises the site and looks for a nonprofit sponsor. Sometimes, however, the BRA prefers to find a developer and let the developer seek a sponsor. As mentioned earlier, almost all the nonprofits started at the express invitation of the BRA. The BRA explains the program to the sponsor, emphasizes the 100% financing, and stresses the amount of assistance given by the BRA. A feasibility study is done to help determine the size, density and type of housing best suited for the area. Much of the BRA's help is given during the initial stages of developing a proposal when the type of mortgagor corporation is determined and the FHA documents are prepared and filed. Other assistance involves the conveyance of sites to be developed in urban renewal areas where the sites are owned by the city, with the BRA paying the taxes until the initial closing. Before transferring the sites to the nonprofit, the BRA prepares them for construction and sells them to the sponsor at a write-down. Miscellaneous tasks of the BRA include a work write-up for Tuckerman's rehab, street improvements, and tenant referrals from their relocation bureau. Other services performed by the BRA are dependent on requests and needs.

Most of the sponsors were ambivalent in their opinion of the assistance given by the BRA. One frequently expressed impression was that the BRA had let them down by promising more than they were willing or able to give.

> "The BRA made inspections during construction and made periodic reports to which we had access. But they didn't stay as close to Marksdale as they might have, although of course they weren't legally obligated. We were under the impression they would be of more help."[8]

Murdock and Richardson were more satisfied: "They did just about everything in their power."[9] "They did all we asked them to."[10] Murdock thought that the BRA's most significant role was posing the architectural problem by specifying the density and set back and the manner in which the design should harmonize with the adjoining development. At the same time, however, he found the design review procedure somewhat cumbersome. Murdock's architect was forced to change BRA-approved plans to satisfy the contractor, after which the BRA would not accept the new plans.

Sullivan of Academy Homes probably had more interaction with the BRA than any other group. The BRA had a contract to design modular low-cost housing, so they had already arranged the architect, the site, and the developer before Sullivan entered the picture. In Sullivan's words, "They set up the whole thing and we bought it." Sullivan came away from the project with the opinion that the BRA had undertaken an impractical task and had encouraged expectations higher than they could fulfill. Sullivan felt that the "starry-eyed idealism" of the BRA was in fundamental disagreement with his down-to-earth approach to the world.

The BRA evokes mixed reactions from nonprofits. Those who realized that help was available when requested were more satisfied than those who expected it to be forthcoming spontaneously. However, none expressed criticism of the manner in which a certain service was performed; criticisms were directed at the degree or amount of assistance, as opposed to the quality of assistance. The BRA was instrumental in helping those sponsors who came to them with specific requests, while those sponsors who did not know what they needed were disappointed.

The Role of the FHA

The Federal Housing Administration stimulates mixed opinions from the sponsors, although over-all it emerges in a darker light than does the BRA. Most complain of delays, complex bureaucratic procedures, and a temperament too dedicated to rules and regulations.

> "The FHA approval process is slow and antiquated. They are hung up on codes and laws. It is also a very temperamental place. If you are of the same temperament as they are, things move faster. We finally got things moving when I got to know Undersecretary Wood well and the Kennedys."[11]

Richardson likewise emphasized the who-you-know aspect of the FHA:

> "I am amazed at how quickly private ventures can get land and their construction completed. The difference is money, and power. They know who to call."[12]

The problem of getting anything unusual approved by the FHA was a problem Whittlesey faced time and time again. Whittlesey initiated several untried procedures such as being a nonprofit sponsor who was his own general contractor. There was a long fight before FHA would allow him to get the 10% builder's fee. Later, when SECD decided to do their own management, they discovered they could not file necessary FHA form because a group cannot write a contract to itself. However, the form had to be filed to satisfy FHA regulations, and so they finally solved the problem by writing a letter of memorandum to fill up the file. Whittlesey believes that FHA is going to have to be more flexible in the future -- "Throw away the rule book and go on logic" -- because more and more irregular procedures will be tried in the low-cost housing field.

The only sponsor who defends the FHA is Sullivan:

> "I can understand the FHA. They have Harrison Williams on their back and a Senator with subpoena powers watching you

> is like having a cancer. So the FHA is leery and picayune, and they are forced into some bad situations. I admire them."

The FHA defends itself against complaints about their procedure. In response to statements that profit ventures are given preference in processing, they say that urban renewal areas get whatever priority there is and all nonprofits are in renewal areas. They also point out that most nonprofits have used well-established contractors of considerable respect within the FHA and if there should be any priority (and they deny that there is), these contractors would get it. They do admit to two reasons why processing for nonprofits might take longer than for a profit-making organization: one, most nonprofits are trying something a little irregular and the nature of the project causes some delays; two, a professional developer has the ability to make the necessary correction on an application in a matter of hours.

> "Some one like Kargman (of First Realty Company) has a hundred guys working for him, some of whom are hired to get things moving. He has someone camped on the doorstep so if something goes wrong, he's got the guys right there who can fix it, while a small nonprofit may have to wait for the board to meet or until the lawyer has time."[13]

The FHA contends that the delays are the fault of the sponsor.

> "We don't delay or ignore nonprofit applications. In fact we try to get the sponsor to move. We set target dates and have them try to meet them."[14]

In final defense of FHA's impartiality, the following statement was offered:

> "Max Kargman has some projects that have been sitting in here for four years that he would love to see get through. In fact, he would laugh if he heard that nonprofits thought he was getting priority attention."[15]

Not all the complaints against the FHA concern procedure. Some, in fact, are quite specific. The FHA consistently underestimated the heating costs, causing rents to be calculated too low to meet management costs. Tuckerman, Charlame and Marksdale experienced heating costs 60% to 200% above what had been estimated. Elam reported that heat for Marksdale was judged by the FHA to cost $7,500, but instead it has been nearly $14,000, or almost double. It is difficult to understand how so gross an error could have been made, unless through inaccurate calculations by the FHA under pressure from Logue and Collins to make rents as low as possible.

Another specific complaint against the FHA was the lack of thoroughness and frequency of site inspections during construction plus a general abandonment of the sponsor after the commitment was given.

> "We had a great deal of disappointment with FHA. We thought they would have had the responsibility to give (Marksdale) more help."[16]

It is customary for FHA to make an inspection of the development under construction prior to each disbursement of the mortgage proceeds, and certainly they did inspect Marksdale Gardens. The complaint arises because the inspections did not point out defects of workmanship and Elam was probably under the impression that the inspections were supposed to do more than they in fact were meant to do.

In a sense the FHA is the scapegoat for all the problems that the sponsors face. The local FHA office receives complaints for many faults inherent in the program which are under the jurisdiction of the federal office, as well as for those faults for which the local office is more properly responsible. Any delays in processing or approval are blamed on the FHA; any trouble with building codes is blamed on the FHA because FHA approval is granted only when specifications comply with local codes; any construction problems are called the fault of the FHA because FHA approved the developer's plan. The complexity of the mortgage insurance process and the low management allowance also become the fault of the FHA. Some of the complaints the Boston office rightly deserves, but in many instances the local office is only following orders of the regional or national office. Nevertheless, the FHA is called responsible for many of the problems which sponsors face and becomes the object of the sponsors' frustrations. However, nowhere does the FHA seem to have provided guidance or assistance to nonprofit sponsors to help them over the obstacles of housing sponsorship. Again it is evident that the sponsors with the least expertise are most disappointed and least able to use the help that is available.

The Roles of Other Local Agencies, Public and Private

Few other groups in the Boston area played the role of technical assistant to nonprofit groups. The assumption might have been made that because nonprofits did not hire professional consultants nor receive much specific help from the BRA or FHA, the necessary information was volunteered from local groups specializing in housing. However, neither Citizens Housing and Planning Association nor Interfaith Housing were mentioned as having provided any special assistance. Whatever energies these groups exert toward nonprofit sponsors are to encourage involvement in housing programs, answer preliminary questions about FHA procedures, or stress the tremendous need for moderate cost housing in the area, but not to offer the specific type of information and help needed by non-professional sponsors. Murdock called these organizations "good places to find shoulders to cry on," but nothing more. The kind of assistance sought by Murdock and Groden in packaging their proposals was to be found nowhere. Both thought they would have liked access to a person who was able to translate their values into specific requests to the developer and who was able to explain to them the social consequences of technical decisions. There seems to be no one, however, who spans both fields and can relate technical decisions to human values.

Other agencies with which the sponsors had contact were not in a position to provide guidance to the nonprofits. These agencies, such as the Building Department, the Zoning Board, the Department of Public Works, and the Assessing Department, sometimes cooperated with the sponsors, and sometimes put obstacles in their paths. Contacts with these departments were usually left to the developer or were dealt with via the BRA. However, the two rehab projects, Whittlesey's and Murdock's, experienced considerable difficulties at the hands of some of the city agencies. Some of the problems are inherent in the nature of rehab, but others indicate a lack of cooperation from the city agencies. When Tuckerman's contractor obtained the building permit, it did not state that any walls could be removed. However, during the course of rehab, it became evident that a part of one wall was rotten and had to be replaced. The building inspector caught the illegal activity and immediately revoked the building permit for a month, forcing all work to stop in the interim. The contractor commented that the inspectors are traditionally "over-conscientious" so that bribes are more quickly forthcoming. In fact, Murdock stated that developers have told him that they figure about $700 per project in bribes. Murdock's contractor thought that in his case, the inspectors were even more "careful" than usual because they resented the high quality of rehab being put into houses for the use of poor Negroes.

Whittlesey found that rehab would have been prohibitively expensive if the building codes had been strictly complied with. The codes are not appropriate for South End row houses and waivers were difficult to get. Whittlesey found that at first public officials were reluctant to work with a nonprofit corporation until his businesslike performance gained their confidence. Davis was the only sponsor to mention the tax assessor, although all d3 projects are assessed and taxed at a percentage of gross income rather than by the usual market value formula of residential property. The city had promised Charlame a 15% tax reduction, changing the bill from $19,000 per year to $15,000. However, the reduction was not granted after the first year, so Davis had to maintain continual negotiations for four years to get the reduction reinstated and to obtain a rebate on his excess payments.

Sullivan found that the city agencies were over-responsible, not unresponsive, especially the social agencies, both public and private. He had been pressured into accepting a problem welfare family with five kids.

> "They were non-verbal. Three walked and acted like dogs. They messed up the place and even bit people."17

Tenant complaints forced him to take some action to evict this family, but twenty-two agencies interceded on behalf of the tenant "to protect the family from the vicious union." (Sullivan's words.) Meanwhile one newspaper was threatening to denounce Sullivan in the headlines if he evicted the family, while another newspaper made similar threats if he did not evict the family. A nonprofit group is frequently affected by considerable publicity, but in this case the exposure was extreme enough to make Sullivan say, "We were the owners, but without control over the project."

Nonprofit groups have found little help from other organizations and agencies in the city. There exists among these agencies contradictory attitudes, expecting them, on one hand, to behave exactly like the most sophisticated business enterprise, and on the other, to perform as only a well-endowed charity might. In a sense, the city through the BRA has asked nonprofit groups to accomplish tasks no one else was willing to undertake, while simultaneously through its operating agencies, denied the nonprofits the means to carry out the job. Perhaps nonprofit groups are suffering from paranoia, but they seem to find obstacles at every turn. They have little praiseworthy to say about their contacts with other organizations -- FHA, BRA, city hall, developers, or private agencies. There is a sense that they feel they have been used, or taken advantage of as guinea pigs for someone's experiments, or been victimized by over expectations. Yet a stoicism prevails among the sponsors as well as a pride in their own accomplishments.

Nonprofit Sponsors View the Nonprofit Role

Nonprofit groups themselves are not always ardent supporters of the nonprofit concept, nor are they defensive of their own role.

> "The nonprofit organization is a fiction. It allows the program to receive subsidies -- land write-downs, tax abatement, low interest rate, while it allows the builder to get normal fees, the architect to get his fee, and the developer to get his profit."[18]

> "We sponsor something, but we put no money in. We're not qualified. We don't have the time to put out there. We're in no position to take days out of weeks."[19]

> "Nonprofits are maligned. They never will operate."[20]

Most of the sponsors express the view that the idea of nonprofit sponsorship is not legitimate, that it is somehow "phony" and that it is based on a number of miscalculations. The role they have been asked to perform in Boston is something for which they are not suited and over which they have very little control. There is not always satisfaction with the housing even when it is finished. Whittlesey found that rehabilitation for low income groups was impossible and that substantial subsidies were necessary to allow any low income family to be a tenant. Sullivan is convinced that no 221d3 project can remain financially solvent within the permitted rent levels. Davis admits that the housing built is not something he would like to live in, although it is undoubtedly better than the tenants have known before.

A few of the sponsors indicate that they feel that the same housing might have been built more satisfactorily under limited dividend sponsorship.

> "Limited dividends may be the answer. When the developer has his own money in the project, he may be more efficient, spend more time with it, be more careful. The efficiency may more than offset the extra cost."[21]

An alternative to the abandonment of housing sponsorship by nonprofit organizations is argued by Whittlesey, a firm advocate of the position that time and additional experience will overcome many of the problems.

> "You have to flub around for several years first. There's no myth or magic behind housing. You have to learn it. It takes practice."

He points out that most of the big developers in Boston grew up in the housing business and learned their methods from their families. Whittlesey found that his techniques improved with experience enough so that he was eventually able to rehab three houses in the time it had taken to do the first house. Davis indicated that the financing procedure was a complete puzzle to him at first, and that he was signing bills for unknown expenses submitted to him by the contractor. He feels that now he could supervise the outflow of money more closely. The irony of this position is that the FHA may not allow the sponsor to gain experience through an additional project. Elam requested another development, but the FHA said St. Mark's Church had enough housing on its hands already, and would not be permitted to sponsor more.

The Nonprofit Process in Reality

The nonprofit process is more complex in reality than in theory. The procedural steps, the rules and the red tape present a bewildering maze to the sponsor. After making wrong turns and false starts, the sponsor leans increasingly on the developer to lead him through the technical details. Yet, the sponsor, without sufficient expertise to turn his requests into practical proposals, feels frustrated in the hands of the developer; while the developer, without free rein on the project, feels that the sponsor is thwarting his interests. Having made no investment in the project and standing to receive a fixed fee, the developer lacks commitment to a situation without considerable monetary incentives. Cutting corners or scheduling the nonprofit job around more lucrative ventures becomes his main way of overcoming the unattractiveness of the program.

When pressing needs send the sponsor to the BRA for help, he finds the aid inadequate because of his deficient technical knowledge. Yet the demands of the BRA and the FHA concerning the type of development to build and the procedure by which to build are responsible for many of the obstacles the sponsor encounters. On one hand, both organizations decry the sponsors' ineffectiveness and inefficiency, and on the other, expect the sponsor to perform a task that few professional builders will undertake, i.e., to develop housing for the lowest possible cost for a disadvantaged segment of the population. Yet neither organization offers much assistance to the sponsor because the purposes of these organizations lie elsewhere. Furthermore, the 221(d)(3) program does not provide money to allow the nonprofit to hire a professional director, and were such money available, the usual scale of operation is too small to permit high administrative costs to be economically feasible. Many of the pitfalls of the program are inherent in the nonprofit concept as it now stands.

Nonprofit housing programs divert resources from efficient means of producing housing to inefficient means -- resources such as the time and energy of the developer, the BRA and the FHA, charitable money and other subsidies, land and mortgage money. If "nonprofit" meant a businesslike organization which merely waived its profit, then the programs for non-profits would be reasonable; but when nonprofit means a complex, confusing and inefficient process, the program is hard to justify. Even SECD, by far the most professional nonprofit organization, has spent a minimum of a hundred thousand dollars a year over and above the mortgage price of the rehabilitated units. As long as nonprofit means "flubbing around," to use Whittlesey's phrase, the program is costly to society.

Meanwhile, as nonprofit organizations are proving themselves to be a way of slowing down the housing production process, additional programs are arising to provide more technical assistance for nonprofit efforts. Boston, a city abundant with experts from the BRA, the local FHA office, the universities, professional builders, consultant organizations, and seven years of nonprofit experience, has shown that technical assistance is not the answer. No source of technical assistance gets at the heart of the problem -- the lack of expertise within the sponsoring organization itself. In a sense, nonprofit sponsors are locked into a position from which there is no exit.

Nonprofit efforts continue, but the process is only half the picture. No assessment of nonprofit sponsors can be complete without an investigation into their accomplishments in terms of the housing that was built, the tenants who occupy it and the manner in which the project is managed. This chapter has looked at the <u>process</u> of nonprofit sponsorship; the next will look at the <u>product</u>.

V. THE HOUSING PRODUCED AND THE POPULATION SERVED BY NONPROFIT SPONSORS

Frequently the assertion is made that the housing produced by nonprofits justifies the complex and discouraging process of production. In fact, many critics contend that the nonprofit legislation was formulated to produce a type of housing very much needed by society and which nonprofit housing sponsors alone were willing to produce. Such housing would be supported by lower rent levels, would provide for larger families, and would admit families on welfare with poorer credit histories than profit motivated sponsors would allow. Furthermore, it is asserted, the management of the nonprofit housing would be responsive to the tenants needs and actively seek to involve them in management issues, while a profit-making development would be only minimally responsive. In order to assess the accomplishments of nonprofit groups, an investigation of the validity of these statements must be made through a comparison of nonprofit housing and limited dividend housing. Are nonprofit sponsors more willing to tackle social problems than their limited dividend counterparts and are they able to build housing according to their professed social values? The tenants accommodated in both types of housing provide the answers to these questions.

Policy Decisions Concerning Tenants

The decisions made by the sponsor concerning tenants start early in the planning process and last through the forty years of the mortgage. These decisions are made in three stages -- one, the planning stage at which time apartment sizes and number of bedrooms are designed, rent levels determined, and leased public housing units negotiated; two, the development stage when tenant selection policies are set and the management firm is chosen; and three, the implementation stage when policies are put into practice, management services are rendered and the implications of earlier decisions are made clear.

The decisions of the planning stage set the parameters for the future tenants. Family size and composition are effected by the design of the apartments -- efficiencies, one, two or three bedroom apartments -- and the design of the project -- high rise, garden apartment, or row house. The larger the apartments are the more children that can be accommodated; the more efficiencies built, the more elderly there are to be found. Cost decisions in construction and the number of units assigned to the Leased Housing Program and subsidized by the Housing Authority determine the rents to be paid, and consequently, the income range of the future tenants. Decisions early in the planning stage define the subset of the population to occupy the housing.

The second stage of decision-making defines who the tenant will be within the parameters of family size and income. Tenant selection policies will indicate if the sponsor accepts the standard definitions of good and bad risk, whether he will take chances on certain families who have had difficulty elsewhere in finding apartments, and whether he will experiment with new criteria for selecting tenants. The selection of a management firm and the decisions on management policy will determine how these tenants will be dealt with and indicate how institutionalized or how responsive the sponsor intends the management to be.

The third stage of decisions concerns the actual tenants of the development. How involved are the tenants in the management process; how good are tenant-landlord relations; how tough is the eviction policy? Indicators of the effectiveness of management are the amount of vandalism, the rate of on-time rental collections, and the rate of turnover. It is in this stage that a sponsor, if he wishes, can attempt to change the usual landlord image.

In determining the accomplishments of nonprofit sponsors, a comparison will be made with limited dividend sponsored 221(d)(3) developments in Boston. It is important to note that there exist many variables which prevent a strictly statistical comparison between nonprofit and limited dividend developments. Variables include time, because costs of land, labor, materials, taxes, management and insurance have risen since 1963; location, because renewal area location means significant subsidies; and changing social values, where ideas that are in vogue one year are not considered possible or valid another year. Nevertheless, a comparison between the accomplishments of the two kinds of 221(d)(3) projects presents impressions and indicates trends that are important in evaluating nonprofit accomplishments. The following list specifies the limited dividend new construction developments in the Boston area that will be referred to in the remaining pages.

Development	Location	Units	Developer
Forest Hills	Jamaica Plain	107	New England Urban Development Corporation - Simon
Camelot Court	Brighton	159	First Realty Company
Brandywyne Village	East Boston	401	First Realty Company
Geneva Apartments	Dorchester	59	Development Corp. of America
Castle Square	South End	499	Beacon Construction Company
High Point Village	West Roxbury	539	First Realty Company

Limited dividend rehabilitation has for the most part been a result of the Boston Renewal Program in Roxbury and North Dorchester. Other limited dividend rehab activity has also been in the same area.

BRP	Developer	Units
	Insoft-Simon	1024
	Harold Brown	198
	Gerald Schuster	493
	Joe Kelly	140
	Irwin Cantor	209
Other rehab		
	Sanders Associates	82
	State Enterprises	134
	Development Corp. of America	69
	Gerald Schuster	117

The following list summarizes the nonprofit 221(d)(3) construction and rehabilitation in Boston.

Development	Location	Units	Developer
Marksdale Gardens I & II	Roxbury	177	Development Corp. of America
Academy Homes I & II	Roxbury	515	DCA
Charlame Park Homes I	Roxbury	92	Gardner-Lamont
St. Joseph's	Roxbury	136	DCA
Warren Gardens	Roxbury	227	Beacon Redevelopment Company
Tuckerman	South End	280	Jay R. Schockett, Consultant

Rehab Sponsor	Location	Units
South End Community Dev.	South End	73
Deckard Group	Roxbury	47

Mass. Housing Assoc.	South End	29
Charles St. A.M.E.	Roxbury	41

These lists include 221(d)(3) housing planned or under construction through the fall of 1968 and for which statistics on rents, number of bedrooms, leased housing units, construction costs, etc., are available.

Bedrooms and Family Size

A housing rule of thumb states that apartments with one bedroom make money, with two bedrooms break even, and with three or more bedrooms loose money. Because the ratio of rent to construction costs is lower in large units and management costs are higher, a sponsor must be willing to assume greater risks to build a high percentage of large units. Large apartments inevitably mean that families with children will become occupants because of the minimum and maximum space regulations of the FHA. A two bedroom apartment, for example, might contain two parents and one child, two parents and two children of the same sex, or a couple and an elderly aunt. However, three children and parents or a mother and infant would not be permitted to occupy a two bedroom apartment. Hence, the number of bedrooms is a significant determinant of the family patterns to occupy the development.

A frequent complaint of large, lower income families is that many landlords will not accept children or that sufficiently large apartments are difficult to find. Are nonprofit groups designing their housing to meet the special needs of these large, lower income families, and are nonprofits behaving any differently in this respect than limited dividend groups?

Nonprofit New Construction - Apartment Size[1]

Development	Total Units	3-bedroom Units	4 and 5-bedroom Units
Marksdale Gardens I & II	177	58	26
Academy Homes I	201	84	57
Charlame I	92	44	24
Warren Gardens	227	180	0
St. Joseph's	136	48	33
Tuckerman	280	48	40
Total	1113	462	180
Percent	100%	41.5%	16.2%

Limited Dividend Development	Total Units	3-bedroom Units	4 and 5-bedroom Units
Castle Square	499	130	66
Forest Hills	107	18	0
Camelot Court	159	12	0
High Point Village	539	136	0
Geneva Apartments	59	6	0
Brandywyne Village	401	116	0
Total	1764	418	66
Percent	100%	23.7%	3.84%

Castle Square is the only limited dividend development with any four and five bedroom apartments. All others have not included large families. In fact, over 75% of the limited dividend units would have no more than two children and many of these would accommodate none or one. Limited dividends have tried to minimize their risks and management costs by eliminating one segment of the population from their developments -- namely, large families. Nonprofit groups, on the other hand, have been much more responsive to the apartment needs of large families. Almost half the nonprofit units could accommodate a family with four or more children. In many cases, the cost limits imposed by the FHA and FNMA (the average cost per unit may not exceed $17,500) prevented nonprofit sponsors from including even more large units. Furthermore, half of the nonprofit developments have no efficiency apartments and neither Charlame or Marksdale has any one bedroom units, unlike limited dividend developments. This one decision on unit size early in the planning stage sharply distinguishes the character of the population served by nonprofits and limited dividends in new construction developments.

The trends are less clear in rehabilitation where the size and structure of the building are as important determinants of the number of bedrooms as the desires of the sponsor. The South End row houses in which all of SECD's rehabilitation work has taken place are so constructed that a three bedroom apartment cannot be accommodated unless the apartment covers two stories. On the other hand the large apartment buildings renovated by the Boston Rehabilitation Program allow more flexibility of apartment size and layout.

Rehabilitation - Apartment Size[2]

	Total Units	3-bedroom Units	4-and 5-bedroom units
Nonprofit	190	16 (8.4%)	12 (6.3%)
BRP Limited Dividend	2064	292 (14.2%)	81 (3.9%)
Other Limited Dividend	402	65 (16.2%)	38 (9.5%)

Limited dividend sponsors have accommodated larger families in rehabilitated buildings than have nonprofit groups, both in absolute quantity and the percentage of units devoted to large families. However, the combined totals of rehabilitated buildings and new construction show that nonprofit groups have been more responsive overall to the needs of large families:

Rehabilitation and New Construction

	Total Units	3-bedroom units	4-and 5- bedroom units
Nonprofit	1323	478 (36.2%)	192 (14.5%)
Limited Dividend	4230	775 (18.3%)	185 (4.4%)

However, with rising costs the ability of nonprofit groups to continue to build large apartments within the average cost limit of $17.500 is decreasing.

Construction Costs, Land Costs, and Rent Levels

The rent level in a nonprofit development is set to cover a management allowance of 3 - 6% of gross income, an allowance for a vacancy rate equal to 7% of gross income (varies from city to city), taxes, operating expenses including heat and utilities, a replacement allowance, insurance, and amortization payments calculated at 3% interest for forty years. The amortization payments are based on the total project mortgage, which in turn is determined by development cost per apartment, a cost regulated by the FHA and FNMA. These mortgage payments make up the major portion of the project's monthly expenses and so the eventual rent levels are more influenced by the cost of construction than by any other single expense. Within certain limits, construction costs are the greatest variable while other expenses such as insurance, management fee, utilities, etc., are relatively fixed for comparable developments. Hence, if a sponsor is interested in serving the lowest income group possible, he must try to keep construction and development costs down to obtain the lowest possible mortgage.

The upper limit on construction costs permitted by the FHA is twofold: a limit on cost per unit depending on unit type, e.g., $24,000 per 3-bedroom apartment in a high cost area; and a limit on the average cost per dwelling unit, set by FNMA at $17,500. How close to these limits a development will run is dependent on the intentions of the sponsor and the cost of construction. In theory, the sponsor can opt to build at the least possible cost, at the maximum limit permitted or somewhere in between. Where possible, nonprofit sponsors have tried to keep costs below the maximum levels to serve lower income groups. For example, 201-unit Academy Homes constructed in 1964 was mortgaged at $3,320,000, while theoretically a mortgage of nearly $4,000,000 would have been permissible on a project with the same number of units of the same size. Also constructed in 1964 was 107-unit Forest Hill with a mortgage amount (90% of cost for a limited dividend development) of $1,645,000. No higher mortgage would have been permitted under the cost ceiling at that time. However, as the years have passed since the cost limits were set, the option to build at any price but the maximum has decreased due to rising costs of labor, materials, and land. At present, the FHA[3] indicates that it is impossible for a sponsor to build for much less than the average of $17,500 per apartment unless he builds only efficiency and 1-bedroom apartments.

Furthermore, being nonprofit per se has little influence at all on the rent levels of the development. If two identical projects are compared -- one, a nonprofit development with a 100% mortgage and the other a limited dividend development with a 90% mortgage plus 6% profit earned on the 10% equity -- each can be supported by the same rent level within a range of $2 or $3 dollars per month per unit.[4] Hence, nonprofits have no advantage over limited dividends in keeping costs and rents low because the structure of the program gives them no enforced advantage and the present day costs permit them no optional advantage.

However, other factors in addition to construction costs influence the rent levels and it is possible for nonprofits to affect these factors -- land acquisition cost and site improvements, taxes, maintenance and management costs. Nonprofit groups by working in urban renewal areas have been able to benefit from land write-downs and site improvement subsidies by the BRA. Thus, land costs have been substantially less for nonprofit groups. The land for Marksdale Gardens cost 10¢ a square foot;[5] for Warren Gardens, 4.7¢ a square foot; and for St. Joseph's, 6.7¢ a square foot. The land bought on the private market for Geneva Apartments was 27¢ a square foot and for Camelot Court was $1.98 a square foot. The example of Tuckerman's land acquisition provides a dramatic example of the price difference between the subsidized land and land bought on the private market. Tuckerman will build on two adjoining parcels, one costing 11.1¢ a square foot acquired from the BRA, and the other purchased privately costing 21.9¢ a square foot.[6]

Until recently, many of the site improvement costs were paid for by the BRA in nonprofit developments, thus lowering the cost of the mortgage and subsequently the rent levels. $250,000 of site preparation was absorbed by the BRA in St. Joseph's development and $126,653 was similarly spent for Marksdale Gardens I.[7] While profit making developments have frequently built on land more suitable for apartment buildings requiring less costly improvements, nevertheless, these site preparation expenses are paid for in the mortgage and passed on to the consumer in higher rentals -- Camelot Court and Geneva Apartments both required over $9,000 in site improvements. However, since the BRA has ruled that money is no longer available for site preparation, substantial expenses have had to be assumed by the sponsor and calculated into the mortgage. Tuckerman will pay $195,000 for unusual site improvements and Warren Gardens paid $211,506 for site development. With regard to site improvement costs, nonprofits have lost their advantage over profit making organizations and are no longer able to shield their tenants from these costs. While urban renewal land remains available, nonprofits will be able to enjoy some subsidies; however, limited dividends are also permitted to build on urban renewal land and receive a similar land write-down, but have not chosen to do so.

Nonprofit sponsors in rehabilitation have received subsidies as well in the form of tax foreclosed properties available from the BRA for $1.00. However, such buildings usually require higher costs of rehabilitation, offsetting the low cost of acquisition. Eight of SECD's eleven row houses were acquired from the BRA for $1.00, as were three of Tuckerman's five row houses. The remaining two Tuckerman houses were purchased for $3,000 and $3,500, indicating that the subsidy of the eleven tax title properties amounted to $33,000.

An additional subsidy is available in the form of a tax abatement for nonprofit properties. They are taxed at a flat rate, frequently based on a percentage (15%) of gross income which is less than commercial apartments pay. In other ways nonprofits have kept costs low, watched carefully over management expenses, and have been able to offer lower rents than limited dividends charge.

Nonprofit New Construction -- Initial Monthly Rentals[8]

Development	1-bedroom	2-bedroom	3-bedroom	4-bedroom	FHA Approval
Marksdale I		85	95	105	12/63
Marksdale II		88	98	108	10/64
Charlame Park I		88	98	108	4/64
Academy I	75	90	107	128	6/64
Academy II	86	99	110	121	6/66
Warren Gardens	100	141	155		3/67
St. Joseph's	105	125	145	165	6/67
Average	$91.50	$103.71	$116.00	$122.67	

Limited Dividend New Construction -- Initial Monthly Rentals

Forest Hills		125	135		2/64
High Point Vill.	95	114	130		3/64
Castle Square	88	97	107	117	7/65
Camelot Court	100	116	132		8/65
Geneva Apts.	100	112	128	—	4/66
Average	$96.60	$113.83	$127.83	$117	

The table indicates that nonprofits have been able to offer apartments at lower rentals than have limited dividend sponsors; however, it is also evident that increasing expenses in the past few years have narrowed, or even eliminated this gap. But, where the opportunity has existed, nonprofit groups have attempted to keep rents low. An item worth noting is that both Geneva Apartments and Academy II were developed by DCA in the same year, although the latter is a nonprofit project. Rent levels are $15 higher per unit in Geneva Apartments, indicating that nonprofits have had some influence in providing apartments at lower rentals.

Leased Housing

As the preceding pages have shown, increasing costs are restricting the ability of nonprofit groups to reach an economic group lower than that attended to by limited dividend sponsors. However, the leased housing program provides a means whereby the sponsor can meet the needs of those families whose incomes make them eligible for public housing. The use of the leased housing program is not optional for those building in urban renewal areas; instead, before the BRA will convey land to a sponsor, a contract must be signed with the Boston Housing Authority to devote 10% of the units of the proposed development to the leased housing program. Hence, because all nonprofit housing is in urban renewal areas, all must make use of the leased housing program. (Marksdale Gardens has not used leased housing, presumably because the development was undertaken before the ruling went into effect.) Castle Square is the only limited dividend development in a renewal area, and consequently is the only one to use the leased housing program.

Leased Housing -- New Construction[9]

Nonprofit	Total Units	Leased Housing	%
Marksdale I & II	177	0	0
Charlame I	92	9	10.2
Warren Gardens	227	49	46.5
St. Joseph's	136	51	37.5
Tuckerman	280	35	12.5
Academy Homes I	201	18	8.9
Total	1113	162	14.5%
Limited Dividend			
Castle Square	499	77	15.4
Forest Hills	107	0	0
Camelot Court	159	0	0
Brandywyne	401	0	0
High Point Village	539	0	0
Geneva Apartments	59	0	0
Total	1764	77	4.3%

Leased Housing -- Rehabilitation

Nonprofit	Total Units	Leased Housing	%
SECD	73	41	56.2
Deckard	47	19	40.4
Mass Housing	29	15	51.7
Charles St. A.M.E.	41	5	12.2
Total	190	80	42.1 %

Limited Dividend			
Insoft-Simons	1024	58	5.8
Brown	198	82	41.4
Schuster	493	129	26.0
Kelly	140	34	24.3
Cantor	209	0	0
Total	2064	303	14.7%

These figures indicate both that nonprofits have made more use of the leased housing program than required by the BRA and that nonprofit use of the program has surpassed that of the limited dividend sponsors. Even though the rents are guaranteed by the BHA so that the financial risk is slight, limited dividends are reluctant to use leased housing extensively for several reasons. These reasons include a fear that public housing tenants in the development will dissuade other tenants from moving in, that leased housing tenants will likely be problem tenants, and that the housing authority has too much control over the selection of tenants (although the sponsor is permitted to refuse to accept tenants recommended by the BHA, he looses the right of eviction).

The evidence on family size, cost, rentals, and leased housing indicates that nonprofits cater to a different segment of the 221(d)(3) market than do limited dividends. Limited dividends have set the parameters of eligibility by rents and apartment size to cream off the top of the eligible families. Evidence further indicates that individuals selected within these parameters are chosen by differing criteria.

Tenant Selection

Although tenant selection policies are important determinants of the type of management services needed and the amount of money necessary to keep the project operational, tenant selection is not completely within the hands of the sponsor. FHA regulations restrict eligible tenants to those whose incomes fall below a certain limit ($8,200 maximum for a family of three or four; $10,650 for a family of seven or more). Developments on land conveyed from the BRA are required to give priority first to those families dislocated from the area by renewal, and second to those displaced from other renewal areas in the city. Furthermore, 10% of the units must be leased to the Housing Authority which recommends tenants from its own lists. After these criteria are met, the sponsor is free to choose tenants as it wishes.

A study by Interfaith Housing Corporation[10] stated that the profit and nonprofit sponsors have defined different segments of the eligible population for their projects. Families in limited dividend developments, the study has shown, tend to be young white-collar workers or professionals in the initial stages of their careers or elderly supported by their children. A majority of occupants in limited dividend developments indicate that they are saving for their own home, contrasted with fewer families in nonprofit developments. Families in nonprofit developments are more often working class employed in skilled or semi-skilled occupations. These families tend to be slightly older than families in limited dividend developments. Tighter tenant selection on the part of some limited dividend sponsors accounts for these differences. For example, First Realty Company (the largest limited dividend 221(d)(3) developer in New England) engages in a strict credit review to eliminate families with unsteady financial histories and whose rental payments would account for more than 25% of their income. Personal references from friends and past landlords are also required. Each criterion reflects First Realty Company's desire to stay as high above the minimum risk level as possible.[11]

Although the nonprofit sponsor is freed from the need to make a profit, he is nevertheless under serious financial constraints and likewise feels the need to minimize his risks. Nonprofit groups other than SECD have no financial reserves to draw upon should rental collections not cover mortgage payments and other expenses. Without such a cushion, they are under heavy pressure to keep expenses down and rental collections up. This means that their incentives for choosing tenants are similar to those of profit making sponsors -- tenants with good recommendations, little tendency toward vandalism, and regular and sufficient income to pay their rents promptly. If sponsors vary too much from these criteria, they are faced with loss of rental income and high management costs. Their only recourse is to raise the rents the following year and pass the expense of one bad tenant on to ninety-nine good ones. Sponsors are reluctant to give up their responsibility to the majority of tenants to be lenient to a small minority.

While most nonprofit sponsors do not have an articulated tenant selection policy and many of their tenants are referrals from the BRA relocation office and social agencies in the city, some developments are clearly more particular than others. Rev. Davis, representative of a stringent tenant selection method, says that he must approve each tenant personally before he will be admitted, even if the tenant is recommended by the BRA or Charlame's management firm. A careful check is made of the tenant's financial status to see that his income is steady and sufficient; an inspection is made of the applicant's previous apartment to insure that "they keep a decent house;" an evaluation of the tenant's reliability is obtained from the previous landlord to check that rents have been paid on schedule and unruly behavior is not characteristic.[12] Davis does admit some families despite negative credentials to give them a chance; however, these poorly rated tenants are in a minority, and the majority are stable, well-behaved, upwardly mobile families. Several of the tenants who have moved out of Charlame have done so to buy their own homes. Davis's criteria are not significantly different from First Realty Company's.

Other sponsors, particularly the SECD, have shown a willingness to take families on welfare, families with problems such as alcholism, and families with criminal records. SECD says its only strict rule is not to place two families with the same problems in the same building. Whittlesey indicates that he has no regrets thus far with the tenants who occupy his buildings, although there have been some problems with vandalism and neglect. Because SECD has taken some bad risk tenants, there has been an occasional need to subsidize the management expenses. Most of the problems which he has encountered will, Whittlesey feels, be worked out over time.

Without substantial subsidies, a nonprofit has no more freedom in the tenant selection process than does a limited dividend and so their ability to experiment is restricted. What nonprofits can do, however, and what they are trying to do, is to test which of the standard tenant selection criteria are truly valid. They are also willing to investigate a particular case rather than eliminating a family on categorical definitions, such as refusing to admit anyone with a criminal record. Most nonprofit sponsors feel they must strive to achieve the delicate balance between giving an individual every chance possible and being responsible to the majority of good tenants. The characteristics of tenants according to behavior patterns, credit history, and responsibility, do not vary significantly between profit and nonprofit developments. The use of the leased housing program is the only way a sponsor can significantly change the profile of its tenants.

The Management Firm

Most nonprofit sponsors have relied on their developer's management firm for the first few years of project occupancy. Charlame uses the developer Harold Michaelson's management firm; Marksdale used DCA for the first three years of management until St. Mark's could develop its own management organization; Academy II is now using DCA until the cooperative association is in a position to make its own management decisions; St. Joseph's will use DCA until their own cooperative is operative. Other sponsors are not yet in a position to choose the management firm. Only SECD did not buy the services of a professional management organization; however, the fact that SECD completed the rehab and filled its units gradually over a couple of years enabled SECD to learn the management techniques as it went along.

At first glance, the widespread use of DCA would appear to say that nonprofit groups are providing the same type of management services offered by limited dividends, who use large professional management associations like DCA's. However, except for Charlame which appears very content with its situation, all of the other sponsors are attempting to improve upon the usual management arrangement. Each of these attempted improvements is a variation on the theme of more tenant involvement. St. Mark's Church organized its own management corporation headed by Harry Elam in order to be closer to the management of the project, while St. Joseph's and Academy II are waiting to give complete control of the management to the tenants through the formation of a cooperative. SECD has formed its own management organization which works very closely with the Tenants' Association. Even Rev. Davis of Charlame, who is not interested in greater tenant involvement, has nevertheless remained very close to the project, knows many of the tenants by name and carefully oversees the professional management organization. Each sponsor is trying to avoid the image of the absentee landlord, and each is trying to create a new type of tenant-landlord relationship involving active tenant participation.

Two fundamental beliefs underly the attempts to bring tenants into the decision-making of management. One is the belief that self-determination and responsibility are psychologically important to the tenant. The other reason for soliciting tenant involvement is less ideological and more pragmatic, based on the belief that increased good-will between tenant and landlord will decrease management costs and maintain lower rent levels. A feeling of responsibility to the project will reduce vandalism caused by hostility toward the landlord, increase the promptness of rent collections, avoid the possibility of rent strikes, and reduce turnover. Most sponsors feel that the tenants heretofore have had a negative image of the landlord, have resented his profiting from their low earnings, and have been frustrated by delapidated apartments and slow repairs. Sponsors know that they have to work hard to repair this image and that the results will take time to show. Meanwhile, good personal relations, prompt repairs, some evidence that no one is making money from the development, and some delegation of control of housing management must be constantly attempted to bring about a change of morale. Charlame is trying to convey the idea that: "This is your development; no one owns it but you. Treat it like yours."[13]

Whittlesey is of the belief that traditional landlord-tenant arrangements are quickly becoming unworkable in the changing political atmosphere among blacks. Letting them have "a piece of the action" is as important symbolically as it is pragmatically. Eventually he will contract the management to the tenants' association. The problem, as he sees it, is finding a method of sharing control without saddling poor families with the burden of finances. Meanwhile, his manager visits each of the tenants frequently and knows them personally. Furthermore, when a leased housing tenant does not pay his rent on time, Whittlesey goes to the tenant rather than to the Housing Authority who would send out a professional rent collector. Although this makes more work for SECD, he feels the results are paying off as tenants are showing more identity with their units. He feels by eliminating the government role he avoids repeating the absentee landlord story. Whittlesey stresses the fact that he is experimenting and that no results can be evaluated for several years.

The identity of landlord-tenant interests and the involvement of tenants in decisions are most visible in cooperatives, often considered a panacea for all tenant-landlord problems. Sullivan, however, is not an advocate of the effectiveness or the feasibility of cooperatives, although Academy II was built under a cooperative program. (No money was available in any other program.) He believes that cooperatives can only be successful where there are no other outlets for tenants' homeownership desires than cooperatives. Where families aspire to ownership in Boston, the opportunities exist -- in Boston itself, in the suburbs, and in the smaller industrial towns in the Boston region. He points to the fact that few cooperatives exist in Massachusetts, while they abound in New York City because true ownership is impossible there. How valid this reasoning is, is a matter of opinion; nevertheless, he has met with difficulties in trying to get an organization of tenants started to elect the officers to run the project. He feels that many tenants have too many responsibilities and worries so that they are not anxious to take on any more. "The advantages of being an officer of a cooperative are nil, but the liabilities are fantastic."[14]

However, many other sponsors believe that ownership opportunities are not available to blacks or to lower income groups, and that cooperatives are the only way to fill the ownership urge and to impart the tenant with a sense of control over his living environment. Groden has worked out a cooperative plan with the Boston Housing Authority and the FHA whereby leased housing occupants can be full-fledged members of the cooperative although the BHA is contributing to a tenants' equity through its monthly payments. Elam also is beginning to consider a new arrangement for Marksdale Gardens, now that St. Mark's has fulfilled its initial goal of providing housing at the lowest possible cost. Elam feels the church should not be managing Marksdale ad infinitum, and so he is looking into the possibility of transferring the management to a tenants' cooperative association. All of the cooperatives are still in the planning stages, however, so there is no way of determining their feasibility or effectiveness at this time.

Because good management and good tenant relationships are good business, most of the limited dividends provide good responsible management. Schuster's organization, Wingate, even provides a tenant newspaper, which airs complaints and builds morale. However, most limited dividends have maintained the traditional roles of tenant and landlord with no tenant input into the decision-making. Whittlesey comments that Insoft goes to the BHA for overdo rents and sweeps the corridors, while SECD goes to the tenants and the tenants have the responsibility for their corridors. "Ten years will tell who of us was right."[15]

Already there are some indications that the new management techniques are beginning to work. Whittlesey says that some of his tenants are now looking after each other and reprimanding those who do not put the garbage in the barrels. Davis is convinced that there is little dissatisfaction among the tenants of Charlame, that there is less turnover, better rental collections, less vandalism and better upkeep than in any development in Boston. Few sponsors have significant complaints about vandalism, rent collection losses or high turnover rates. Most sponsors say that 90% of the rentals are in on time. Few evictions have been necessary and no development reports more than one eviction a year, although the reasons differ. In Marksdale Gardens one tenant was evicted for drinking on his front steps, indicative of a sponsor too much imposing his values on his tenants. Whittlesey is being forced to evict a tenant who has been constantly making nuisance phone calls to complain about things that have already been fixed or are not broken. Non-payment of rent (usually attended by a family crisis) remains one of the more common reasons for eviction, while behavior problems come next. A sponsor cannot afford to let one bad tenant ruin the project for the others. Although it is too early to commend nonprofit groups for their successful experiments in management techniques, it is not too early to say that they have made no major mistakes. The willingness of nonprofit sponsors to try new directions in management and to establish a new role for tenants sets them apart from limited dividend corporations.

The Accomplishments of Nonprofits

Nonprofits have fulfilled many of the expectations of their proponents by responding to social needs ignored by profit-making sponsors. They have defined a different segment of the population than that attended to by limited dividends by providing many large apartments to accommodate families with many children and eliminating, by and large, small units that cater to young couples and single people. Rents have been lower in nonprofit developments, permitting families with lower incomes to occupy the units. Although these two accomplishments are significant, there is evidence that increasing costs in the recent years are eliminating options to continue to build large apartments below the permitted ceiling, thus forcing nonprofits to reduce the percentage of large apartments and increase the rent levels. However, the use of the leased housing program still provides a way for nonprofits to meet the needs of the low income population.

Within the parameters of income and family size, the individuals selected for occupancy are not likely to be very dissimilar in nonprofit and limited dividend developments because the constraints placed on both types of sponsors encourage them to choose tenants by the same criteria. Yet a degree of flexibility and some room for experimentation is still available to nonprofits, an option which is not likely to decrease over time.

The greatest opportunity for innovation lies in the realm of management, and here the nonprofit groups are taking steps toward greater tenant involvement. In each case there is an effort to change the landlord image by good public relations and prompt repairs. Sponsors have realized that a new role for the tenant is needed in developments which are not stopping places for families en route to buying their own homes. The new role includes some form of increased tenant participation in management decisions, and frequently cooperatives have been designated the vehicle that will allow such tenant involvement.

The nonprofit influence is seen in the housing produced by nonprofit groups and in the tenants eligible for occupancy. There are signs, however, that the accomplishments of nonprofits, in some areas of importance, are decreasing over time due to rising costs, and in other areas no difference is actually possible without significant subsidies. How long nonprofits will be able to enjoy the advantages they now experience is hard to predict.

VI. NEW DIRECTIONS FOR NONPROFIT HOUSING

Justification for the long, complex nonprofit housing process lies in the socially responsive end product. Nonprofits have built according to values missing from profit making developers, and nonprofit housing tends to be less expensive to the consumer, although it may be more costly to society when subsidies of time, assistance and money are taken into account. Housing has become a beneficial outlet for traditional charitable monies, although the housing produced is by no means low cost. Without the use of the leased housing program, low income families could never be reached, while unsubsidized families in 221(d)(3) nonprofit projects are capable of finding housing on the private market, albeit poor housing by comparison.

Although there is little doubt that nonprofits are catering to a different segment of the population than limited dividend corporations, one should not conclude that in the interests of social benefits, all federal housing programs should be made nonprofit and that the limited dividend programs should be cancelled. Who is to say which family is more worthy of decent housing -- the fatherless family of six or the young working couple with an elderly mother and a small child? Furthermore, it is evident that limited dividends are making a greater contribution to increasing the housing supply, a contribution that is badly needed. Obviously there is a need for both the nonprofit and the limited dividend type of development.

The question then becomes, how can nonprofit sponsors improve the efficiency of the production proces, or conversely, what incentives are needed to increase the responsiveness of limited dividend corporations to the needs of the larger, lower income family.

Enlarging the social awareness of limited dividend groups could be accomplished by the "carrot" or the "stick," the carrot being tax incentives or higher profits, and the stick being stricter FHA regulations. The federal guidelines could be changed to require limited dividends to devote a certain percentage of their developments to large families and public housing families unless the sponsor can show that no market exists. Legislating social values may prove to be, however, a serious disincentive to the sponsor, and turn him away from the subsidized government programs to private undertakings. The effect, then, would be not an increase in the number of units for low and moderate income families, but an increase in the number of luxury apartments. The federal government has in the past preferred the "carrot" method. Tax rebates or deductions could be tied to the provision of larger apartments or use of the leased housing program, higher profits could be permitted to sponsors who conform to certain standards, or increased management allowances could be introduced to reduce the risk of renting to large, low income families.[1] Were either method of increasing the social responsiveness of limited dividends initiated, the combined goals of efficiency of process and social responsiveness of product could be accomplished.

The alternative is to increase the technical capabilities of nonprofit sponsors. The 1968 Housing Act has numerous provisions to raise the expertise of nonprofits, most through increasing the money or technical assistance available to sponsors. The provisions for financial assistance provide no-interest loans and direct grants to nonprofits using the low and moderate income housing programs. The loans are assigned for "front money" recoverable in the mortgage, and the grants are allowed for expenses not reimbursed. Such monetary assistance is likely to encourage more groups to undertake housing programs, but it is not likely to minimize the problems they will encounter, nor solve the problems borne by presently active sponsors. No-interest loans for front money will reduce the eventual cost of the mortgage for the sponsor forced to borrow money from conventional sources, but will have little influence on helping the sponsor to build the type of development desired. Increasing the availability of grants could provide sponsors with full-time professional directors. Such a move would certainly improve the efficiency of the nonprofit process, but the price would be high. A professional salary paid for three years for a 150-unit development is an expensive program when multiplied by the thousands of nonprofit groups across the country. Extending the number of costs permissible in the mortgage to include a full-time director is equally uneconomical. An increase in the financial resources of nonprofits is not an all-inclusive solution to their problems.

The alternative proposal of increased technical assistance can take either of two forms: the technical assistance agency which the sponsor can tap for advice and information, and the consultant who works closely with the sponsor and becomes the liaison between the sponsor and developer. The first model produces a pattern similar to what is already evident in Boston; but instead of consulting several different sources, the sponsor would find all the assistance under one roof. The form of the assistance would be more centralized and the assistance would be more explicitly available, but the content would not differ significantly from what is to be found in Boston. This approach presupposes both that the sponsor has time to learn the complex housing process and that he is willing to spend his time in that fashion. As earlier chapters have shown, although many sponsors do have time to oversee the development of their project, most have other time-consuming duties as well. Such a learning process is likely not only to take up many hours a day, but to extend over several years. Furthermore, the presumption that sponsors want to use their time in learning all about the housing process may not be a fair one because many sponsors foresee planning only one housing development. If they are not going to use this tediously acquired knowledge again, they may be reluctant to make adequate use of the available technical advice. However, should nonprofits conceive of housing as an on-going operation, then the technical assistance approach could make a significant contribution to solving the sponsor's problem of lack of expertise.

The consultant model may be more appropriate for a nonprofit with a short term orientation to housing. The sponsor would articulate his desires and plans to the consultant, for example, by specifying 75% large units, no highrise construction, minimal rents and three play areas, and the consultant would work with the architect and developer to formulate a workable proposal. When serious conflicts arise, the consultant would explain the issues and implications of the alternatives to the sponsor who would then try to achieve a compromise. Most sponsors have indicated that they feel the major decisions are now out of their hands. The use of consultants does not minimize this danger because it does not add to the technical capabilities of the sponsor himself. Instead the sponsor becomes an uninformed jury with veto powers. Only if the sponsor had absolute confidence in his consultant would he find this approach a satisfactory one; otherwise, he would feel he had relinquished his control, especially if the consultant did not show a strong commitment to the project.

Another approach to improving the nonprofit housing process is to eliminate the isolated attempts of individual sponsors and replace them with an amalgamated organization of the collective resources of all nonprofits. An organization such as a city-wide or metropolitan-wide housing development organization could afford to hire a full-time central staff with the expertise to arbitrate conflicts and to package housing proposals requested by local sponsors. The individual sponsor would oversee its own project whenever substantial expertise is not needed, and serve on the housing corporation's board. However, the major responsibility for producing housing would be in the hands of the central staff, while responsibility for managing the housing would be in the hands of the sponsor. This approach provides the sponsor with less control over the development process than he has now, but he would have more faith in the experts he depends on. Theoretically, the staff would be committed to the nonprofit housing and would exhibit many of the sponsor's values. Because such an organization would be an on-going operation, the learning experience of one project would be transferrable to the next, so its efficiency would improve with time and eventually compete with professional housing developers. The housing development corporation can efficiently make use of sponsors having a one-time interest in housing, and can better utilize the monetary and land resources available by centralized and co-ordinated production. Sam Larsen of Interfaith Housing has proposed a similar idea to many of the sponsors in the Boston area and the idea has been met with enthusiasm. The only apparent obstacle to the housing development corporation is the FHA's preference for the institutional or church-type sponsor over the organization specifically formed to produce housing. However, the rationale for FHA's preference is not to select an efficient producer of housing, but to insure that the organization responsible for the development will last the life of the 40-year mortgage.[2] The type of corporation proposed would overcome FHA's reluctance by assigning the responsibility of the mortgage and management to the local sponsor who originated the project. Furthermore, housing development corporations have met with FHA approval in other cities, and are presently developing housing under FHA programs.

Any program that attempts to improve the nonprofit process assumes that nonprofit groups are and will continue to be capable of promoting certain social values which are economically feasible, but ignored by the private housing industry. The options which nonprofits currently exercise are becoming less and less possible with increasing costs of construction and services. Soon it will not be feasible even for a nonprofit to include any large units in his development while keeping the average cost per unit below the maximum of $17,500. Their ability to differ from profit groups, except in management services, appears to be decreasing rapidly, although nonprofit accomplishments thus far have been significant. If the cost ceilings are raised, nonprofits will be able to continue to build for larger families, but more subsidies will be needed for the occupants, and at the same time limited dividends will build more expensive small apartments. The results of such an action are mixed, but without raising the maximum costs permitted, the need for or usefulness of nonprofits may soon disappear.

A final defense for nonprofits, however, lies in their widespread acceptance. In times when emotions run high and opinions are polarized, a program with political sanctity is an invaluable resource. The development of housing by groups with neighborhood roots regardless of the quality or amount of housing produced may be the only criterion considered in politically sensitive areas. Just as nonprofit housing emerged at the federal level because it escaped attack from both conservatives and liberals, so may nonprofit housing maintain its place in urban development because it survived unscathed in local battles.

Footnotes

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17. Interview with Kevin Earls, Federal Housing Administration, Boston, March 13, 1969.

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20. Interview with Robert McGilvray, Boston Redevelopment Authority, April 22, 1969.

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6. Interview with Rev. Walter C. Davis, Charles Street A.M.E. Church, March 13, 1969.

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8. "More on Churches and Renewal," in Journal of Housing, January, 1963, p. 31.

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13. Whittlesey.

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15. <u>Ibid</u>., pp. 3 - 4.

<u>Chapter IV.</u>

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3. Interview with Rev. Virgil Murdock, Benevolent Fraternity of Unitarian Churches and Director of the Tuckerman Foundation, Inc., February 6, 1969.

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