AFFORDABLE HOUSING DEVELOPMENT IN THE NONPROFIT SECTOR:

A CASE STUDY OF ROLLAND CURTIS GARDENS

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Janette Alejandra Herrera

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THESIS:	AFFORDABLE HOUSING DEVELOPMENT IN THE NONPROFIT SECTOR: A CASE STUDY OF ROLLAND CURTIS GARDENS
AUTHOR:	Janette Alejandra Herrera
DATE SUBMITTED:	Summer 2023
	Department of Urban and Regional Planning

Dr. Alvaro M. Huerta
Thesis Committee Chair
Professor of Urban and
Regional Planning ______________________________________

Dr. Annie S. Koh
Professor of Urban and
Regional Planning ______________________________________

Dr. Brandy N. Chappell-Hill
Professor of Urban and
Regional Planning ______________________________________

Abstract

The persistent challenge of providing affordable rental housing has been a long-standing concern for policymakers, government officials, and academics. The debate over which type of entity is best suited to address this issue remains a subject of contention. This thesis delves into the collaborative approach adopted by Abode Communities, a prominent non-profit affordable housing developer, in partnership with T.R.U.S.T South Los Angeles. Through a comprehensive case study, the research investigates the obstacles, skills, achievements, and successful strategies employed in the affordable housing industry.

The study utilizes the "Quadruple Bottom Line" framework to assess the literature and evaluate the skills, strategies, and commitment demonstrated by Abode Communities and T.R.U.S.T. South Los Angeles to uphold their dedication to ensuring affordability for their residents and community members. Additionally, the research incorporates insights from interviews with professionals working in the affordable housing development industry and a representative from a housing authority to provide a well-rounded perspective on collaborative partnerships in affordable housing initiatives.

The findings of this study will contribute to identifying policy recommendations aimed at improving the facilitation of similar collaborative projects in the affordable housing sector. By shedding light on successful approaches and overcoming challenges, this thesis aims to support the ongoing efforts to address the critical need for affordable rental housing.

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Dedication

This thesis is dedicated with heartfelt gratitude to my loving family, whose unwavering support, encouragement, and belief in my abilities have been my constant motivation throughout this academic journey. Your sacrifices and enduring belief in me have been my guiding light, and I am profoundly grateful for your love. I would also like to extend my deepest appreciation to my esteemed professors, Dr. Alvaro Huerta, Dr. Annie Koh, and Dr. Brandy Chappell-Hill. Your guidance, mentorship, and dedication to my academic growth have been invaluable. Your insightful feedback, patient encouragement, and intellectual inspiration have shaped my thesis in profound ways, and I am truly thankful for the knowledge and wisdom you have shared with me.

Chapter 1. Introduction

The Los Angeles region is facing a worsening housing affordability crisis. The majority of households must cut back on consuming basic needs to afford rent, cutting back on food, clothing, family activities and entertainment. Los Angeles had one of the highest median rent burdens in the nation - 73 percent of households were rent burdened, defined as spending over 30 percent of their household income on rent and utilities, 48 percent were severely rent burdened, defined as spending over 50 percent of their household income solely on rent (Rosen et al., 2019). Rents are continuing to rise, along with prices of homes, Angelenos are being priced out of the market. Wages remain stagnant with little change. Because of these conditions, practitioners, policymakers, governments, and academics are seeking solutions and best practices to address the ongoing housing crisis. The question of who is in the best position to provide affordable housing remains a prevalent question. There are general providers of affordable housing: the public sector (local housing authorities), private for-profit sector and the nonprofit sector. For this thesis, the nonprofit sector will be the focus. In the nonprofit affordable housing sector, there are CDCs (Community Development Corporations) and CLTS (Community Land Trusts) and Housing Partnership Networks (HPN). These kinds of organizations strive for similar goals of housing affordability, community development and community organization.

Furthermore, this paper will analyze the current challenges and opportunities that exist within nonprofit organizations and their role in providing housing. Understanding the skills and expertise of these organizations can provide insights into best practices of delivering affordable housing. The study comprehensively examines the multifaceted dimensions of affordable housing development through literature review and interviews, revealing significant challenges and opportunities in this vital sector. The findings underscore the importance of addressing financial obstacles, involving communities, promoting sustainability, and fostering collaborative partnerships to establish accessible and enduring housing solutions. The research highlights the reliance on Low-Income Housing Tax Credits (LIHTC), urging diversification of funding sources such as the Homekey program. Community engagement is emphasized to garner support and dispel misconceptions, while sustainability and affordability are identified as intertwined goals necessitating innovative financing. The study showcases the success of Community Land Trusts (CLTs) and advocates for their expanded use. Streamlining development processes and policy implementation are recommended to expedite projects. In conclusion, the study advocates for a holistic approach, combining financial, community-oriented, sustainable, and collaborative strategies to overcome challenges and ensure affordable housing's fundamental importance for equitable and resilient communities.

Chapter 2. Literature Review and Methodology

2.1 What is affordable housing?

Existing literature engages in debates about the concept of affordable housing. Essentially, housing affordability encompasses both the social and material aspects of an individual's experience, while each household has its own unique circumstances (Stone, 2006). For example, if we consider, for example, two households with comparable disposable incomes and suppose that one consists of a single person while the other consists of a couple with three children, obviously the larger household would have to spend substantially more for its non-shelter necessities than the small household to achieve a comparable quality of life" (Stone, 2006). The analytical interpretation and acceptance of housing affordability have been questioned for not fully capturing the individual experience. For instance, the U.S. Department of Housing and Urban Development (HUD) defines affordable housing as a situation where a person pays no more than 30 percent of their total income on housing, including utilities (HUD, 2006). In order to comprehensively address the complexities of housing affordability, it is crucial to consider a broader range of factors beyond simple ratios or definitions.

To illustrate, a household is deemed "low-income" if its earnings are below 80 percent of the median income in the local area, often referred to as the Area Median Income (AMI). Accordingly, housing is deemed affordable for a low-income family if its cost is less than 24 percent of the AMI. Criticism has been directed at this definition for neglecting other essential non-housing expenses like food, healthcare, childcare, and other individual needs. Nonetheless, HUD's current concept is widely used because it is quantifiable. It is a standard that signifies when a person pays above a certain percentage of their income to secure suitable and sufficient housing.

However, this standard is arbitrary in real-life scenarios, as someone spending 31 percent of their income is not necessarily under greater or lesser financial strain compared to someone spending 29 percent. Each person has their own distinct circumstances, expenses, and requirements. As Weise stated, “If the 30 percent rule ever made sense—which economists contest—it’s almost meaningless now, when almost 41 million U.S. households spend more.” (Weise, 2014). This change in housing costs highlights the urgent requirement for a flexible and detailed method for gauging affordability, especially given slow income growth and rising housing expenses. For example, “If your income is $500,000 a year, you can pay 40 percent and still have money left,” says Frank Nothaft, the chief economist at Freddie Mac. “But if your income is $20,000 a year, it will be hard to make ends meet if you’re paying 30 percent of your income on rent.” (Weise, 2014). This discrepancy in the impact of housing costs based on income levels highlights the need for a more equitable and tailored approach to housing affordability measures, recognizing the varying financial capacities of individuals and families. While this paper doesn't aim to establish a new affordability definition, it's important to acknowledge the criticism surrounding the current standard used to gauge affordability.

2.2 Methodology

There are various articles addressing the affordable housing crisis, yet non-profit housing developers’ perspectives are not often a focal point of this ongoing issue. Therefore, to fill in a small portion of the conversation will be a case study of a partnership project between non-profit affordable housing developer Abode Communities and community land trust T.R.U.S.T South Los Angeles.

Abode Communities, based in Downtown Los Angeles and one of the longest serving affordable housing developers in SoCal since 1968. Abode Communities is one of the only affordable housing providers in SoCal to have property management, real estate development, architecture, and resident services all in house.

T.R.U.S.T South LA is based in the south of Downtown, Los Angeles and was established in 2005. They were established through community-based effort, they serve as stewards of community-controlled land. Focusing on community-serving development and building awareness on community leadership in various areas of transportation, housing, and recreation; and creating programs and initiatives directed towards economic opportunity and community building.

The study focuses on the following questions:

- How has a successful nonprofit affordable housing developer conducted its organization?
- What can be learned from the efforts of this organization that may be helpful to other affordable housing developers?

To explore the research questions, a qualitative research method with an exploratory approach to interviews was used. This approach was intended to gain a deep understanding of the experiences and perspectives of affordable housing development professionals and to explore the challenges and obstacles they faced in their work. The interviews were conducted through Zoom video and audio recording, allowing for remote conversations with participants. During these interviews, an exploratory approach was taken, allowing the conversation to flow organically while keeping to a semi-structured interview guide that ensured coverage of key topics related to the development process, funding, policies, regulations, public opposition, as well as any other themes or issues that arose during the conversation.

Active listening techniques, open-ended questions, and reflective feedback were used to encourage participants to share their insights and experiences, ensuring that their voices were heard. Once the interviews were complete, the recordings were transcribed and analyzed to identify key themes and patterns.

In addition to conducting qualitative interviews, secondary data in the form of a literature review was utilized to complement and enrich the understanding of the challenges and obstacles faced by affordable housing development professionals. This involved gathering and analyzing relevant research studies, reports, and publications. Through this literature review, key themes, trends, and insights related to the affordable housing field were identified, situating the experiences and perspectives of the professionals interviewed within a broader context. Ultimately, by integrating qualitative interviews and secondary data in the form of a literature review, this approach enabled a comprehensive understanding of the challenges and obstacles faced by affordable housing development professionals, uncovering potential solutions that can improve the industry.

2.3 Research Design

The research purpose of this thesis is exploratory, it seeks to identify best practices of how reportedly a successful non-profit affordable housing developer have gone about its business, through interviews, literature and assessing through a case study in the city of Los Angeles. A qualitative research approach is chosen for this thesis. A case study approach is useful to explain the aspects of successful affordable housing delivery and nonprofit organizations approaches and handling of developments. A case study will achieve content-dependent knowledge and review the effectiveness and approach an organization took on their project. This thesis will seek to understand which mechanism could be used to improve affordable housing operations and examine existing nonprofit approaches to challenges and overcoming obstacles impeding production and sustainability. Explorative research appears when a researcher examines a study that is relatively new and aims to explain why situations and events occur. As Babbie explains exploratory research has three purposes, “To satisfy the researcher’s curiosity and desire for better understanding, to test the feasibility of undertaking a more extensive study and to develop the methods to be employed in any subsequent study” (Babbie, 2010).

To aid in analyzing the literature and exploring an effective organization, the “Quadruple Bottom Line” (QBL), which is a framework that evaluates performance. Rather than focusing solely on an organization’s performance financially. The QBL takes a holistic approach and reviews the impacts an organization has on communities environmentally, socially, and economically while also being financially viable.

2.4 Study Limitations

There are several important limitations to acknowledge in this study. Firstly, the research focused on a single non-profit affordable housing development project in one city, which may not fully represent the entire scope of the non-profit affordable housing industry. Conducting a comprehensive study of the entire industry would have been beyond the scope of this thesis. Instead, the purpose was to initiate a conversation for future research that includes various developers and their perspectives, aiming to learn valuable lessons from diverse viewpoints.

It is also worth noting that Abode Communities, being one of the largest non-profit affordable housing developers in Los Angeles, may not be entirely representative of the average non-profit developer. The case study primarily revolved around the collaboration between Abode Communities and a Community Land Trust (T.R.U.S.T. South Los Angeles), adding a specific dynamic to the analysis. Exploring additional case studies involving various types of nonprofit collaborations could have shed more light on commonalities in positive and negative experiences encountered during housing delivery.

Another limitation is the absence of a detailed analysis of proformas. While financial aspects are crucial in affordable housing development, delving into an in-depth financial analysis and feasibility discussions were beyond the scope of this study. Proformas require an extensive understanding of financial planning, and this thesis aimed to concentrate on other critical aspects of the collaboration between Abode Communities and T.R.U.S.T. South Los Angeles.

In addition to the mentioned limitations, it is essential to acknowledge that due to time and resource constraints, this study was limited to interviewing only four professional participants in the affordable housing industry. While these interviews provided valuable insights, they may not fully capture the entire spectrum of experiences and perspectives within the industry. Conducting a more extensive survey with a larger sample of participants would have been beyond the scope of this thesis.

Despite this limitation, the study still offers valuable contributions to the understanding of collaborative partnerships between non-profit affordable housing developers and Community Land Trusts. The findings can serve as a starting point for future research and encourage further exploration of the experiences of a more diverse range of professionals and organizations in the affordable housing field. The insights gained from these interviews can help guide future studies in developing comprehensive strategies and policies that address the challenges and obstacles faced by affordable housing developers and facilitate successful collaborative initiatives.

Chapter 3. Background Information

The case study will explore what is known about non-profits and whether they are meeting various outcomes, to measure best practices the Quadruple Bottom Line is utilized. This method is used by affordable housing scholar Rachel Bratt to measure the need of affordable housing development to be financially and economically viable while also meeting social goals (Bratt, 2016).

For an affordable housing development to meet the requirements of the Quadruple Bottom Line they must:

- Preserve the development's long-term affordability by having the financial backing necessary to make preservation possible.
- Address residents needs economically and socially.
- Have positive contributions to the neighborhood.
- Be environmentally sustainable.

3.1 A Brief Historical Background

Nonprofits have been involved in housing since the early 20th century. Building model tenements was the first approach made which was not seen as successful. In some cases, "model" tenements turned into slums as bad as ordinary free-enterprise tenements (Bratt, 2007). The movement for model tenements was unsuccessful and failed to create enough capital to make a significant impact on the slum issue at the time. The lesson learned was that incentives should have been provided and cost reduction would be necessary to be successful (Bratt, 2007). One important tool was created in 1954 with the federal Revenue Act, which created the 501(c) tax-exempt category for non-profit entities. This designation allowed qualifying organizations to operate without the burden of federal income taxes, enabling them to allocate more resources toward their mission and community-centered initiatives (Arnsberger et al.,2008).

However, for the first half of the 20th century, the public sector and especially the federal government were the largest movers in the low-income housing field and provided direct loans to build new affordable housing. The Housing Act, enacted on September 1, 1937, was a response to the pressing need for adequate housing during the late-New Deal era (Franklin D Roosevelt Presidential Library and Museum, n.d). Franklin Roosevelt's commitment to housing reforms led to the creation of the Homeowner’s Loan Corporation (HOLC) and the National Housing Act of 1934, which established the Federal Housing Administration (FHA) to encourage housing construction and repair (Franklin D Roosevelt Presidential Library and Museum, n.d). While the 1934 Act addressed the needs of existing homeowners and those financially capable of purchasing homes, it failed to address housing needs of the poor, especially African Americans in slums. Senator Robert Wagner championed the Wagner-Steagall Housing Act, despite political opposition to public housing. The Act established the United States Housing Authority (USHA), providing loans for low-cost housing projects, aiming to make housing more affordable and accessible. Through this Act, Franklin Roosevelt emphasized that adequate housing was a right, not just a need, aligning with his broader New Deal initiatives (Franklin D Roosevelt Presidential Library and Museum, n.d).

Another initiative that occurred was with the 1959 passage of the federal Section 202 program. This program was a nonprofit specific loan program used to house handicapped and elderly people and was exclusively created for nonprofit sponsorship.

Nonprofits were able to produce over 45,000 units in the first 10 years of the program (O'Regan and Quigley, 2000). By incorporating nonprofits into this program was due to the perception that a broad range of groups would be both good developers and owners of housing. The idea was that nonprofits are in the industry to provide a service for the public good without desire to profit and their mission often is to serve the most disadvantaged.

According to Bratt (2007), a Colorado congressman offered that the nonprofit is an organization "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" (Bratt, 2007). During this period there was a move away from public housing as there was a negative image of local housing authorities and a positive message being sent about nonprofits[1]. The Section 202 program is viewed as a success as it is still in operation as of today. Nonprofits contributed to the positive view of this program as they are well-established in their communities and can raise funds for their members and projects (Bratt, 2007). Therefore, during this period nonprofits, unlike public housing, established a positive overall image.

Furthermore, the U.S cabinet-level department HUD was established in 1965 which increased the federal presence in housing. The Housing Act was set forth with ambitious production goals. Also, there were three federal housing initiatives that incorporated roles for nonprofits. The first initiative was Section 221 (d)(3) and 236 below-market-interest- rate program, where nonprofit sponsors were given prominent (not exclusive) roles as development sponsors (Bratt, 2007). Under these programs as of

[1] Appendix A

1970, only around 28 percent of all units built in this program were produced by nonprofits (Keyes, 1971).

Federal support for housing production was coming to an abrupt stop in 1973 with the inauguration of President Richard Nixon, a Republican who would soon issue a moratorium on public housing spending. The 1974 Housing and Community Development Act shifted its federal emphasis in two distinct ways. First by the creation of the Community Development Block Grant Program (CBDG), a formula grant program that originally consolidated seven separate HUD programs and gave states and localities more control over spending decisions (O'Regan and Quigley, 2000). CDBG was focused more on development rather than the supply of housing. Despite these changes, the role of nonprofit organizations, particularly neighborhood-based nonprofits, in implementing anti-poverty social services during the 1960s and 1970s. This model involved directing federal grants to nonprofits to provide various services, moving away from direct provision by state and municipal governments. The approach, influenced by Johnson's War on Poverty and Model Cities program, led to a restructuring of poverty programs with an emphasis on participation and community engagement (Fradkin, 2023). Federal and philanthropic funding influenced urban economic development strategies, culminating in the establishment of community development corporations (CDCs) and the 1977 Community Reinvestment Act (Fradkin, 2023). Raising questions about the effectiveness of the nonprofit-driven approach in addressing structural economic issues and advocates for a stronger public sector to combat poverty and promote genuine political accountability.

Furthermore, the CDBG program is used to fund various activities and has been reported as one of the most vital sources of federal funding for Community Development Corporation's (CDC). Moving in this direction led to an increased emphasis on nonprofit provision, and the increase in broader development objectives favored CDCs (O'Regan and Quigley, 2000). As stated, "In fact, it was reported in the early 1990s that CDBG funding was the single most important source of federal funding for CDC providers of housing" (Vidal 1992; O'Regan and Quigley, 2000).

Additionally, another federal initiative that was responsible for the growth of CDCs came from the Neighborhood Self-Help Development program. Receiving two rounds of funding in 1979 and 1980, which provided $15 million in federal grants to neighborhood development organizations (Mayer 1984; Bratt, 2007). Although it was abolished as a free-standing program in 1981 it became an eligible activity under the Community Development Block Grant program.

The Nehemiah program was an additional federal initiative targeted towards nonprofits. This program became a part of the Housing and Community Development Act of 1987. The program was then canceled in 1991 and was included in the CDBG program. They had three disbursements of funding, 54 grantees were designated to receive over $60 million to support the development of 4,100 units (Bratt, 2007). The funding was provided to nonprofits that in turn offered interest free second mortgages of up to $15,000 to purchasers of homes built under local Nehemiah projects (Bratt, 2007). There are Nehemiah programs still in operation; some received federal funding while others did not.

Over time, federal programs, tax incentives and funding sources have shifted. Housing nonprofits were utilizing these changes and making them their most vital sources of funding.

3.2 Abode Communities and T.R.U.S.T. South LA

Abode Communities was founded in 1968 during the civil rights movement to address the inequities through urban planning, civic engagement, and architectural design projects. Abode Communities was founded in 1968 during the civil rights movement during the time CDCs emerged (Hughes, 2021). Abode Communities today is now a part of the HPN (Housing Partnership Network). Abode Communities today continues to serve people of color in under-resourced areas by creating affordable and supportive housing. Also, by creating community facilities to promote economic, social, and physical transformation of underserved communities.

T.R.U.S.T South Los Angeles (TSLA), previously known as Figueroa Corridor Community Land Trust, was established in 2005. TSLA is a community-based organization whose mission is to improve the quality of life in South Los Angeles. They work to stabilize neighborhoods where increased property values and rents have pushed out longtime residents.

In response to displacement and disinvestment TSLA strived to build community control over land, and to preserve and promote opportunities for working class people to remain in their communities. TSLA has founding partners: Esperanza Community Housing Corporation, Strategic Actions of a Just Economy, and Abode Communities; they together formed business plans to secure startup funds and equity for land acquisitions and established a founding board. They began to recruit a membership base in 2007 and grow grassroots leadership capacity. The membership base is important because it has control over TSLA assets, regular members are low-income people who live or work in the land trust area. Elections were held to move towards a members majority control of the Board of Directors in 2009 and held every spring. Elected grassroots members are 80% of the board. The Membership controls majority decisions in the organization included changes in organizations governing documents or sale of property.

3.3 Redevelopment Project: Rolland Curtis Gardens

Rolland Curtis Gardens (RCG) opened on November 7, 2019, **(Figure 1)** in the Exposition Park Neighborhood of Los Angeles. This neighborhood is in the south region of Los Angeles, California. It is a 1.85 square-mile neighborhood that is home to Exposition Park which includes the Los Angeles Memorial Coliseum, Exposition Rose Garden, Bank of California Stadium, and museums such as California African American Museum, Natural History Museum of Los Angeles County, and the California Science Center. With a population of 33,458 with 16,819 people per square mile, which is one of the highest densities for the city of Los Angeles. With the majority being black (38.1%) and Latino (56.1%) residents, including a majority Mexican (25.4%) and Salvadorian (7.7%) as the most common ancestry for Latino residents in Exposition Park. Regarding location, studies have found nonprofit developers tend to build in economically distressed/extremely low-income areas (Leachman, 1997; Buron et al., 2000; Dillman, 2007; Fyall, 2012). The median household income is $33,999 which is considered low for the city of Los Angeles.

Additionally, this development is mixed-use and contains 140 residential units and is 8,000 square feet of commercial space that houses a locally owned café, market, and community health clinic. Designed to meet the needs of multicultural, working-class households and small businesses. Offering 138 affordable housing units. Consisting of 12 one bedroom, 81 two bedroom and 45 three-bedroom apartment units. Two units are reserved for onsite managers. Building amenities include a community garden resident service area, barbecue area and a playground. The original site held 48 units in disrepair. Previously the apartment complex was developed in1981 using a HUD loan and HUD section 8 Project Based Rental Assistance however it was due to expire and in danger of turning to market rate (Hupalo et al, n.d).

Affordable housing developer Abode Communities and T.R.U.S.T South LA collaborated on the redevelopment of the project. The property was purchased by Abode Communities and TSLA in July 2012. The acquisition of the Rolland Curtis Gardens project in Los Angeles took place within a dynamic political context characterized by various urban development initiatives. One such initiative was the Choice Communities program, which aimed to revitalize distressed neighborhoods through comprehensive community-driven strategies (US Department of Housing and Urban Development, 2017). This broader framework aligned with the mission of organizations like TRUST South LA, which sought to improve the quality of life in underserved areas through community control over land and sustainable housing solutions (TRUST South LA, n.d.).

Additionally, the emergence of the LA Live development played a role in shaping the political landscape. LA Live, a large-scale entertainment and residential complex, aimed to transform downtown Los Angeles into a vibrant cultural hub (LA Live, n.d.).

This ambitious project highlighted the city's efforts to attract investment and bolster economic growth, contributing to discussions about urban revitalization and the allocation of resources.

The political context surrounding the acquisition of Rolland Curtis Gardens reflected a multifaceted approach to urban development, combining federal initiatives like Choice Communities with local endeavors like LA Live. These larger urban visions intersected with the grassroots efforts of organizations like TRUST South LA, ultimately influencing the strategies and partnerships that facilitated the realization of the Rolland Curtis Gardens project.

The project is a transit-oriented development (TOD) located 100 feet from Expo/Vermont Los Angeles Metro Station. The development is reserved for families who can earn between 30 percent to 60 percent of the area median income (AMI), or $21,950 to 43,860 yearly for a one-person household, monthly rents range from $633 to $1757.

Source: Abode Communities. (n.d)

Chapter 4. Case Study: Using the Quadruple Bottom Line

4.1 Financial Viability of Preservation for the Development

The first measure of the QBL is the need for the development to be financially feasible and provide a high quality of housing over the lifespan of the project (Bratt, 2016). One of many sources of funding is LIHTC and it is a complex source of funding which requires rigorous monitoring and invites competition between nonprofit and for-profit developers to receive a limited annual allocation of awards. The LIHTC program often requires partnerships especially when developers are less experienced (Bratt, 2007). Additionally, LIHTC provides few funding programs that CLTs could access to build their projects. Possibly due to nonprofits generally having fewer resources to develop or manage large projects compared to their for-profit counterparts (Bratt, 2007).

Therefore, with the RCG project TRSLA achieved protection for residents of the original RCG complex for a limited time. TRSLA did not possess the skills at the time that Abode Communities had, such as experience in acquiring funding for a large-scale affordable housing development. In 2010, Abode Communities and TSLA attempted to purchase the RCG site from the private owner in anticipation of the upcoming expiration of the CRA/LA (Community Redevelopment Agency of the City of LA) imposed affordability covenant.

However, the private owner initially was unwilling to sell the property. TSLA on behalf of the residents, fought against improper eviction notices and documented various improper maintenance issues in the property. This received negative media attention and the Los Angeles Housing Department (LAHD) (formerly known as HCIDLA) ordered over 300 improvements to address the poor condition of the property. Therefore, assuming this would cause the owner to pay mandated costs to address the conditions, two years later (July 27, 2012) Abode Communities and TSLA were able to co-acquire the site. Various sources state the site was co-acquired for $8.3-10.5 million (CHP, 2019; HUD, 2021; Kim, 2022).

Additionally, Los Angeles land values were quickly appreciating, making it difficult for Abode Communities and TSLA to finance the RCG site. An expensive real estate market resulted in a rise in the cost of land in the preacquisition phase. The negotiation price of the property was estimated $10.5 million which exceeded the appraisal value of $8.4 million, the original owner insisted on receiving compensation for a prepayment penalty on the loan used for the originally purchased property (Kim, 2022). The issue with this is that private and public funding sources available for affordable housing development does not allow the purchase of a site that exceeds the appraisal value.

Abode Communities and TSLA had to find ways to creatively acquire private sources of funding to purchase the site. They raised $1.8 million in private foundation grants, Abode contributed $1.5 million in Capital Magnet Funds received from the U.S Treasury, an additional $1 million private loan from California Community Foundation **(Table 1)** (Kim, 2022).

Additionally, Abode negotiated a low interest loan with Wells Fargo, with an extended 5-year repayment period (Kim, 2022). Abode Communities reputation and experience was one of the reasons they were able to secure the funding needed. Initially the project lacked public funding investments for the acquisition, and there were no deed restrictions on the property. Therefore, the Los Angeles County Assessor's Office decided that the project was ineligible for a "welfare exemption" from property tax payments during the redevelopment period. Which increased the overall cost of the project. Working together Abode and TSLA worked with LAHD to design a unique small public loan for the project, and that would place new affordability covenants on the property which in turn would make the project eligible for property tax exemptions. After the RCG project, TSLA and members of other CLT networks in California lobbied state legislators to exempt CLTs from paying property taxes on affordable housing projects, this resulted in California State Bill 1056 in 2018.

Table 1: Acquisition Funding. CLT for Sustainability Affordable Rental Housing Redevelopment.

Site Acquisition Funding Sources

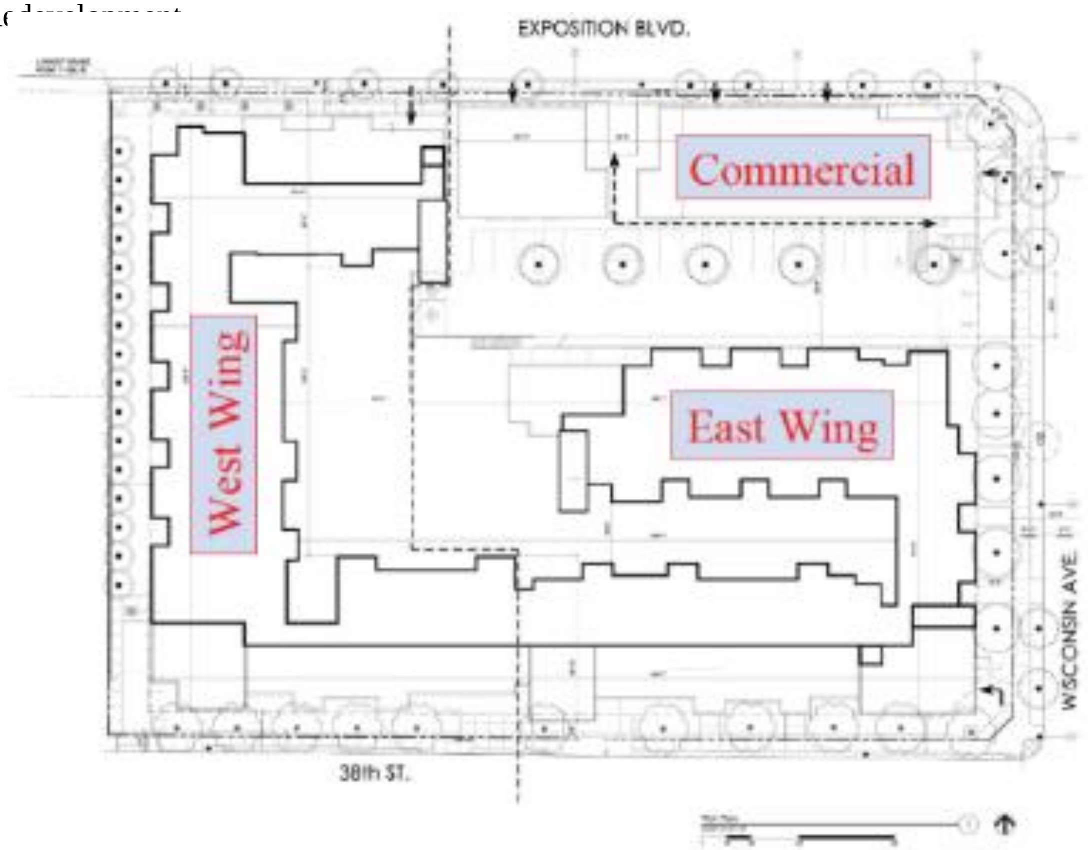
Funding Source	Amount ($)
TRUST and Abode Communities Equity	1,800,000
Abode Acquisition Loan	1,000,000
Abode Unsecured Loan	500,000
CCF Community Foundation Land Trust ("CFLT") Loan	1,000,000
Specialized Wells Fargo Permanent Mortgage	5,757,000
Total	**$10,050,000**

Source: Abode Communities. (2022)

The project was also divided into components, to maximize their public funding stream. To their advantage, the 140 housing units were separated into two simultaneous developed phases, the East and West wing, and this way they were able to receive a LIHTC investment **(Figure 2)** (HUD, 2021). Similarly, Abode Communities defined a separate Commercial portion of the plan as well to receive the New Market Credit equity[2], an additional tax credit. The decision to split the project into distinct phases or wings could have been driven by several factors, including the availability of specific funding opportunities tied to each component, the requirements of different financing programs, and the overall financial feasibility of the project. Additionally, breaking the project into smaller phases might have made it more manageable from a development and construction perspective. Dividing the project into East and West wings enabled the developers to structure their financing in a way that attracted multiple sources of funding and tax credits, allowing for a more robust financial package to support the development of affordable housing units and associated community facilities.

[2] Appendix B

Figure 1: Site Plan. CLT for Sustainability Affordable Rental Housing Redevelopment



Source: Abode Communities. (2022)

For the redevelopment of RCG to be financially feasible Abode and TSLA agreed that the project would require adding more units to maximize the affordable housing offered. The increase in unit amount often faces public opposition from residents and neighbors. TSLA had a relationship with the community, they took the lead in addressing the economic needs of residents.

4.2 Social and Economic Needs of Residents

The next measure of the QBL is to focus on the social and economic needs of residents. When providing affordable housing it is also crucial to provide service-enriching programs. Abode Communities and TSLA decided to use a participatory planning process as they believed this would give a chance to discuss neighborhood development issues. When renovating the property, community member input was encouraged regarding what features and amenities they wanted in their neighborhood. Several charrette sessions were created, where participants identified the need for wealth building, training, and economic opportunities. One of the first workshops included a hands-on planning process, breaking up into groups of six to eight participants, each group had a set of materials to cut and paste into a blank sheet **(Figure 3-4)** (TSLA, 2013)

Figure 2: Vision Board. Guide to Community-Driven Transit Oriented Development Planning.

Source: TSLA. (2013)

Figure 3: Meeting. Guide to Community-Driven Transit Oriented Development Planning.

Source: TSLA. (2013)

Residents indicated health care as a top priority; therefore, the developer added a Federally Qualified Health Center and locally owned market with a café to the project. Abode Communities offered a Beyond Home resident services program which included afterschool and summer youth enrichment programming, adult programs such as financial literacy classes, employee readiness, and health and wellness workshops for residents. Community based programming that also links residents to services in the neighborhood, housing support and other publicly available services. (HUD, 2021)

TSLA launched outreach for the planning process to have the residents and surrounding community members involved in the project. TSLA conducted extensive outreach, knocking on 550 doors in the surrounding area, made 200 contacts, and having nearly 100 people participate in the planning process (Silva, 2014). Conducting several sessions of the planning process, four were at nearby churches. The other sessions included a site visit to local TODs, an open house to showcase designs, and a parking working group to get the consensus on a parking reduction of 20 percent.

During the beginning of each session, there was a recap of the previous meeting and the videographer put together a short film of each session. Sessions were about neighborhood and mobility issues, community safety, transit access, how people get around, to and from work or for other services. Conversations about the definition of TOD, Abode communities used their architects to have these discussions with the community.

4.2.1 Targeting Lowest Income Groups

Developers who apply to LIHTC must meet certain requirements to receive funding. One is to dedicate at least 20 percent of the project's rental units to very low-income tenants. Very-low-income tenants are defined as those incomes who are below 50 percent of the AMI. The second option to receive funding is to dedicate 40 percent of units to somewhat higher-income tenants with incomes at or below 60 percent of the AMI. Majority of developers, 88 percent have chosen the second option (U.S. General Accounting Office, 1997). Another requirement is to require a lottery system when developing CLT property (Hupalo et al, n.d)

The RCG project offered the same affordability for tenants who decided to return. Also utilized other affordable housing organizations in the area to facilitate their transition some given relocation fees and others were able to move into Esperanza Community Housing (Hupalo et al, n.d). Abode offered other 37 affordable housing complexes in the county. The issue tenants raise is that they were unable to move to these properties as they had waitlists as well and the affordable housing offered are in locations where residents say to be “bad” locations (Poston et al., 2016).

Throughout the construction period TRSLA remained in contact with relocated families, of the 48 households who lived in the original RCG complex, 25 decided to return to the new RCG. Those who did not return preferred their newly relocated housing, or their family situations and needs changed (Kim, 2022). However, other sources state most residents were unable to find apartments that accepted Section 8 vouchers in areas they wanted to live in (Poston et al. 2016). The project received 3,000 rental applicants for the 140 unit and hosted a public lottery in 2018. The remaining units were available to households who earned between 30 percent and 60 percent of the AMI. TRSLA and Abode communities made an agreement that at least 36 units would be rented to households with AMI as low as 30 percent.

4.3 Neighborhood Context

The third factor of the QBL is the neighborhood context and refers to the way in which housing contributes to neighborhood viability and fits into the larger fabric of the neighborhood (Bratt, 2016). Analyzing if the development is in a location where people want to live in and is it a positive addition to the neighborhood.

Statistically the Exposition Park neighborhood is not an affluent area. The project sits adjacent to bus and light rail transit systems **(see Figure 5)** and is one of the largest private employers in the city University of Southern California (USC). There are also emerging retail and commercial developments on the way. Therefore, the Rolland Curtis Gardens project will provide greater access to regional, and local jobs and economic opportunities to residents. Often affordable housing is pushed father out of urban areas, where people must spend more time and money on commuting and have decreased opportunities and amenities (Lens and Reina, 2016). This project was originally intended to be converted to market rate student housing for USC. However, Abode Communities and TRUST LA were able to gain control of the property and proposed an increase of 140 affordable homes for low-income residents to take advantage of the potential benefits of project and its location.

Figure 4: Neighborhood. Guide to Community-Driven Transit Oriented Development Planning.

Source: TSLA (2013)

Finding ways for affordable housing to exist in neighborhoods with transportation, access to employment and other opportunities is a difficult task to accomplish**.** RCG has been a place called home for decades for residents and their families. Negative displacement impacts not only would affect the individual's household economic opportunities but could dismantle and entire community's place of belonging (Crisman and Kim, 2019). TSLA provided their efforts and expertise in the community and affordable housing development to protect their community and their neighborhood.

4.4 Environmental Issues

Finally, the last component of the “Quadruple Bottom Line” is concerned with environmental sustainability of the development or the incorporation of “green” building standards included in the rehabilitation or construction of the affordable housing project (Bratt, 2016). As of 2013, nearly half of the US states incorporated incentives for developers to include green building elements in their applications for competitive LIHTCSs through the Qualified Allocation Plan (QAP) process (Linstroth, 2013).

The Leadership in Energy and Environmental Design for Neighborhood Development (LEED/ND) is the most well-recognized rating system for evaluating sustainable neighborhoods in North America and it incorporates “green building” principles into its criteria. Only around 40 percent of LEED-ND certified projects include affordable housing (Szibbo, 2016). LEED certified projects reward high-density, compact developments with a variety of unit sizes and building types, access to a diverse mix use of land additionally investigates three pillars of equity, economy, and environment (Szibbo, 2016). The idea is to enhance social equity, environmental justice, community health and quality of life. Developers and owners of projects may also earn green rebates and other financial incentives by achieving LEED status (Levin, 2013).

Figure 5: Community Garden. Rolland Curtis Gardens.

Source: Los Angeles Housing Department. (n.d)

RCG, as mentioned previously, has community proposed features including green space. For example, by providing a community gardening **(Figure 6)** location for residents and a playground **(Figure 7).** The project includes a dental and health clinic to serve low-income families, a community room and open-air parking lot that can also convert into a community space and a bicycle parking room and repair kiosk. The open space concept and other features of the project will also meet important needs of the residents in terms of recreation, health, and safety. The project also has passive cooling hallways and water-conservation landscaping to create a high-value living environment.

Figure 6: Open Space. Rolland Curtis Gardens Models Partnership and Tenant Organization to Preserve Affordable Housing Near Transit in South Los Angeles Neighborhood.

Source: Abode Communities (2019)

The commercial and residential buildings wrap around a central courtyard, where green space is located in the center and a children's playing area. Second, RCG will also provide affordable housing near major transit lines, enhancing mobility and reducing GHG emissions. To promote community-wide mobility and a reduction in GHG emissions TSLA works with the Los Angeles Bike Coalition to expand walking and biking programs to the surrounding neighborhood.

4.5 Findings

According to the case analysis, Abode Communities, and their collaboration with TSLA exhibit a partial alignment with the Quadruple Bottom Line criteria, as evident in their RCG project. The financial viability of their project, although multiple sources of funding was used, they managed to overcome obstacles strategically. Financial problems are one of the challenges nonprofits faces when developing affordable housing. Although, overcoming the financial obstacles came with delays in the development process. Abode Communities was able to bring an extensive portfolio of skills and experience that helped secure funding that may have not been possible without reputation and experience.

Abode Communities and TSLA also made it a point to meet the social and economic needs of the residents. They prioritized the residents needs from protection from evictions to remaining in contact with tenants after relocation. Additionally, by offering previous tenants the same affordability to move back into RCG as an option. Some challenges found was the way in which the lottery system was used for choosing residents, which is one of the LIHTC requirements for developing CLT property. This requires accepting all resident applicants that entered the lottery that may not be a part of the community, neighborhood, or the city. Which is arguably fair, however RCG was a heavily community and resident driven project.

Although residents had the option to return and TSLA remained in constant contact with previous residents, some decided to not come back as development time lag amongst other reasons. Either way, displacement did occur to some degree while construction was occurring residents were provided relocation fees and offered affordable housing in the meantime. Other sources showed how the affordable housing provided was in undesirable areas and required waitlists.

The value that TSLA brought to the project was community engagement and activism, they were a critical organization tool. Without the community on board every step of the way, the RCG project may have had further delays and opposition from neighbors and residents. TSLA built close relationships with the residents before, during and after the project and helped find temporary housing for those who needed those resources, which is work that TSLA strives to fulfill.

The partnership between both nonprofits was complimentary as they valued community engagement which led them to produce a participatory planning process and outcome of their project. Residents gained a sense of ownership and responsibility. TSLA was able to have the community and residents participate in the planning but also educate along with Abode Communities providing their expertise to teach, so those participating can make informed decisions.

As for neighborhood context, although the project was built in a low-income area, the project is built near transit systems. Where low-income earners and economically distressed communities can utilize for economic opportunities. As the development is also near large employers such as USC and emerging businesses.

Additionally for environmental sustainability, this project received a green certification from LEED. With the assistance of residents and community members, which helped bring ideas forth such as the community garden playground, health clinic and so on. While also enforcing those efforts by partnering with LA bike coalition to encourage environmental sustainability.

4.6 Interview Based Findings

4.6.1 Funding

The complexity involved in securing funding, the reliance on tax credits, the challenges of timing and cost management, and the need to address investor concerns all emerge as significant themes. Streamlining processes, diversifying funding sources, and ensuring the long-term sustainability of projects are critical considerations for stakeholders in the affordable housing sector.

One key finding is the continued heavy reliance on Low-Income Housing Tax Credits (LIHTC) as a primary funding source. While tax credits offer financial benefits, their competitive nature and lengthy application process create challenges for developers. Relying solely on tax credits limits the range of available funding options and may hinder innovative and efficient solutions. Exploring alternative funding mechanisms can help diversify the funding landscape and reduce pressure on tax credits, ensuring greater stability and flexibility in funding affordable housing projects. As mentioned in an interview, some developers are seeking alternatives to tax credits, such as the Homekey program. According to the interviewee, projects funded solely by Homekey, and local city and county funds can escalate the project timeline by eliminating the need to wait for tax credit applications and find investors.

An interviewee provides insights into the alternative funding mechanism of Homekey, which can serve as a substitute for Low-Income Housing Tax Credits (LIHTC). The interviewee mentions a recent project in San Diego that utilized Homekey and local city and county funds, completely bypassing the need for tax credits. This alternative approach can accelerate the project timeline since developers no longer have to wait for tax credit application rounds or find investors. By removing the step of securing tax credits and the associated legal paperwork, the project's progress is expedited. However, it is important to note that Homekey has its own strict timing requirements. Once awarded, developers have only 12 months to complete construction and 15 months to lease up the units. These tight timelines can pose challenges, especially for traditional stick-built projects. Modular projects or rehabilitating existing hotels and motels may be more realistic options for meeting Homekey' s accelerated timelines.

The mention of Homekey as an alternative to LIHTC adds an interesting dimension to the analysis. It presents an opportunity for developers to diversify their funding sources and potentially expedite the project timeline. By utilizing Homekey and local funds, developers can bypass the complexities and competition associated with tax credits. It is worth noting that Homekey also comes with its own set of strict timing requirements, which may not be feasible for all types of projects. This information underscores the importance of considering alternative funding mechanisms and weighing their pros and cons in terms of timing, feasibility, and impact on the overall project. Exploring and understanding the different funding sources is crucial in creating a more flexible and resilient funding landscape for affordable housing projects.

Timing is another crucial aspect highlighted in the interviews. Developers must align funding with tax credit deadlines and avoid delays in lease-up to avoid penalties. Delays can lead to increased costs and jeopardize project feasibility. Streamlining processes and minimizing bottlenecks can help expedite funding and create a more efficient funding environment for affordable housing initiatives.

Cost reduction strategies, such as value engineering, are briefly mentioned in the interviews. While their effectiveness and implementation are not explored in detail, it is important to strike a balance between reducing costs and maintaining the quality and long-term sustainability of affordable housing projects. Prioritizing affordability without compromising safety, durability, and livability is essential in creating successful housing solutions.

The interviews also shed light on investor concerns related to the timing and lease-up of projects targeting special needs or extremely low-income groups. Finding individuals who meet income requirements for specific target populations can be challenging, impacting the leasing process and financial viability. Addressing these concerns and ensuring a reliable supply of qualified tenants is crucial in attracting investors and ensuring the long-term success of affordable housing projects.

The lengthy timeline for securing funding is another significant finding. Developers often face a multi-year process, requiring them to maintain pre-development funding and potentially facing increased costs due to market fluctuations. Minimizing the time required to secure funding through streamlined processes and efficient coordination among funding sources can expedite affordable housing projects and increase their cost-effectiveness.

The role of reputation and experience in securing funding is explored in the interviews. While reputation does not appear to significantly influence funding decisions, experience is highly valued. The emphasis is primarily on compliance with application requirements and the ability to secure points in the competitive funding process. However, there may be missed opportunities to leverage successful track records in securing funding, and it is worth considering how reputation and credibility can play a more prominent role in the funding landscape.

Therefore, the funding aspect of the interviews provides a valuable insight into the challenges and considerations in the affordable housing sector. Streamlining processes, diversifying funding sources, addressing investor concerns, balancing cost reduction with quality considerations, and leveraging reputation and experience can all contribute to creating a more efficient and effective funding environment for affordable housing initiatives. By addressing these key aspects, stakeholders can work towards ensuring accessible and sustainable housing solutions for communities in need.

4.6.2 Public Involvement

The interviews provide valuable insights into the role of community involvement in affordable housing development projects. They emphasize the importance of engaging the community early on, seeking their input, and addressing their concerns throughout the various stages of the project. The interviews underscore the need for transparency, trust-building, and effective communication strategies to mitigate public opposition and foster community support.

A critical observation is the prevalence of NIMBYism, which can pose significant challenges to affordable housing initiatives. The interviews highlight the concerns raised by neighbors, such as increased traffic, crime, and the impact on property values. These concerns often stem from misconceptions and negative stereotypes associated with affordable housing and homelessness. Overcoming such opposition requires targeted efforts to counter these misconceptions, educate the community, and demonstrate the positive impacts of affordable housing projects.

The interviews also shed light on the challenges of developing occupied properties. They address the need to comply with relocation laws, ensure the well-being of tenants, and facilitate their return to the rehabilitated units. The affordability of the units upon completion is an important consideration, as funding requirements may result in changes to the income eligibility criteria. This poses challenges for long-term residents who may no longer qualify for the units they previously occupied.

A critical perspective on community involvement and public opposition arises from the second interview. It challenges the assumption that community involvement is always positive or necessary, suggesting that including the community may not always be desirable or feasible. The second interviewee stated, “people don’t know their neighbors anymore”. This raises questions about the effectiveness of public participation in shaping project outcomes and whether strategies exist to effectively address public concerns and conflicts during development. The recommendation from the interviewee is to research local governments to find demographic data of ethnic or marginalized communities and get them involved. Therefore, hosting community meetings should have an element of research of that jurisdiction to have an effective organization strategy and understanding of the people in that neighborhood developers are building on.

The third interview highlights the role of a sunshine ordinance in ensuring community participation. While commendable, there is a need for further exploration of the effectiveness and inclusivity of community engagement efforts. Factors such as language barriers, accessibility issues, and power imbalances must be considered to ensure meaningful participation from all community members. While developers may comply by having transparency over projects there may be barriers of access to this information

The interviews provide critical insights into community involvement, public opposition, and the challenges associated with developing affordable housing. They emphasize the importance of engaging the community early on, addressing concerns transparently, and fostering trust. However, there is a need for further research and exploration of strategies to effectively mitigate public opposition, ensure inclusive community engagement, and facilitate the successful return of displaced residents. By considering these insights and implementing comprehensive community involvement strategies, stakeholders can navigate the complexities of affordable housing development and create sustainable, inclusive communities.

4.6.3 Sustainability

The interviews provided insight into the LEED certification process and its impact on affordable housing development. The analysis highlights several common themes, including the role of LEED certification in encouraging sustainable practices, the potential challenges and costs associated with achieving certification, the influence of funding criteria on project decisions, and the need to balance sustainability goals with affordability considerations.

From a critical perspective, the LEED certification plays a role in promoting sustainable practices in affordable housing projects. Developers often include LEED certification in their funding applications to enhance competitiveness and receive additional points. However, questions arise regarding the direct impact of LEED certification on affordability. While the integration of green components is encouraged, it is crucial to ensure that the costs associated with certification do not compromise the affordability of housing units. The feasibility of implementing sustainable measures in affordable housing projects, especially those with limited budgets, warrants further exploration.

Another critical aspect that emerges from the analysis is the influence of funding criteria on the decision to pursue LEED certification. While some funding sources prioritize sustainability criteria and consider LEED certification favorably, others may not emphasize it as a determining factor. This raises questions about the consistency and accessibility of funding programs that incentivize LEED certification in affordable housing development. A more comprehensive understanding of the relationship between LEED certification, funding criteria, and affordable housing goals is necessary to inform policy and funding decisions effectively.

The interviews also shed light on the challenges associated with incorporating new technologies and sustainable features into existing affordable housing projects. Retrofitting existing buildings to meet LEED certification criteria may pose practical constraints and require careful consideration of funding sources, design criteria, and construction processes. Exploring strategies and best practices for integrating new technologies into affordable housing developments is essential to overcome these challenges and promote sustainability without compromising affordability.

While LEED certification encourages sustainable practices, questions remain regarding its direct impact on affordability, the accessibility of funding programs that incentivize certification, and the challenges of incorporating new technologies. A comprehensive approach that balances sustainability goals with affordability considerations is crucial to ensure the successful and equitable implementation of affordable housing projects. By addressing these critical aspects, stakeholders can work towards creating sustainable, affordable, and inclusive communities.

4.6.4 Collaborative Partnerships

Insight into collaborative partnerships with Community Land Trusts (CLTs) in the context of affordable housing. The analysis revealed several key themes that contribute to a deeper understanding of the subject.

Firstly, it was evident that some interviewees had limited knowledge about CLTs, lacking a comprehensive understanding of the benefits and disadvantages associated with partnering with them. This highlights the importance of further education and awareness to ensure informed decision-making when considering collaborations with CLTs.

On the positive side, one interviewee expressed a favorable view of CLTs as an important experiment in new forms of ownership and micro democracy. They emphasized how CLTs challenge conventional notions of property ownership and offer potential solutions for achieving permanent affordability. The adoption of CLT principles, such as permanent affordability, local accountability, and the separation of land and improvements, aligns with the goals of affordable housing development.

However, challenges were also identified, particularly concerning the lack of experience and capacity within grassroots driven CLTs. Competing with established affordable housing developers makes it difficult for CLTs to secure funding and resources. It was noted that unless a CLT is fully publicly driven and adequately funded from the outset, its effectiveness may be limited. The absence of professional staff and experience poses further challenges when navigating the complex landscape of affordable housing financing and development.

Strategic thinking and partnerships emerged as a crucial factor in affordable housing projects. It was highlighted that early planning, hiring experienced personnel, and seeking partnerships with organizations that share the same goals and mission are essential elements for success. Collaboration with like-minded entities can also create new opportunities for partnerships.

From a critical standpoint, the analysis draws attention to the knowledge gap observed among some interviewees. Addressing this gap through education and awareness programs is vital to ensure a well-informed approach to CLT collaborations. Additionally, capacity building within CLTs is essential for enhancing their competitiveness and navigating the affordable housing landscape effectively.

Furthermore, the innovative ownership models provided by CLTs challenge traditional notions of property ownership. Further research is necessary to understand the long-term impacts and scalability of CLTs as a solution for achieving permanent affordability. Emphasizing collaboration and strategic thinking, alongside exploring innovative financing models and advocating for dedicated funding streams, will strengthen CLTs' financial capacity and enable them to play a more significant role in affordable housing development.

The need for increased knowledge, capacity building, and strategic thinking in collaborative partnerships with CLTs is evident. By addressing these critical areas, stakeholders can leverage the potential of CLTs to create sustainable, community-centered affordable housing initiatives that benefit a broader range of individuals and communities.

Chapter 5. Current Analysis: Understanding the Current View

5.1 Understanding the Current View

The current nonprofit housing sector has three major types of owners and developers: community development corporations (CDCs), larger national and regional nonprofit organizations, and community land trusts.

CDCs are considered nonprofit organizations that are created to revitalize and support communities, focusing often on struggling and impoverished areas. CDCs are not government entities; however, they may work closely with local government and representatives. They are tax-exempt and can receive sources of funding from public and private sources. Typically, CDCs vary in size from larger, well-established organizations to smaller groups, however they have a common involvement in development related work (Rachid, 2014). There is uncertainty regarding the growth of CDCs. The National Congress for Community and Economic Development presents CDCs as organizations who have uninterrupted growth. For example, there were 200 CDCs in the 1970s, 1,500-2,000 in 1988 to 4,600 in 2005 (National Congress for Community Economic Development, 1989, 1999, 2005) While recent research reveals that indeed the creation of CDCs is high however, they also go out of business as well and numbers may be lower than expected.

Another category of nonprofit housing developers is considered "national or regional nonprofits" and many are members of the Housing Partnership Network (HPN), these are peer networks and business cooperatives of over 100 of the nation's leading housing and community development nonprofit organizations (HPN, n.d). With a large network they tend to have extensive portfolios compared to CDCs. Their primary mission is to produce at a high volume of units or projects (for rent or sale). They also do not focus on any certain geographic area, units are dispersed across neighborhoods, regions, and cities (Bratt, 2012). HPN operates on a city wide and regional basis and are guided through their hybrid public-private business model that forges an entrepreneurial partnership amongst business, community, and government sectors to create and sustain affordable housing. Since the creation of HPN they have developed, rehabilitated, and preserved over 500,000 affordable homes (HPN, 2022).

CLTs while they do not develop on a large scale are included in the nonprofit category. Their major difference is their commitment to permanent affordability. Also, a focus on community-led development and community owned land is crucial. Another distinguishing factor is CLT residents and community members are members of the board of directors and have distinguished roles throughout the organization. They operate on a community empowerment basis.

Community Land Trust (CLT) are non-profit organizations that seek to maintain affordability of housing by acquiring land and removing it from the real estate market. CLTs deal with ownership of real property, stewardship of publicly subsidized, privately owned housing and empowerment of place-based communities (Davis, 2008). The land is community owned, meaning in practice CLT acquires, manages, and develops on land on behalf of moderate- and low-income residents of the community. CLT maintains ownership of the land by providing a deed of trust of leasing the building on top of the land to families, individuals, businesses, cooperatives, limited liability companies or other nonprofits. CLTs have a board of directors which often consists of residents who occupy the CLT owned building.

CLTs unlike other nonprofit providers of affordable housing, their housing remains permanently affordable. As the housing is located on CLT owned land, they place long lasting controls on renting, ownership, subletting, financing, and resale of housing. Regardless of affordability covenants on property CLTs are committed to providing permanent affordability (Pitcoff, 2003). They are community led, and community members are included in every level of governing. Community members are involved in deciding what properties to develop, acquire, what populations to serve and their staffing.

Additionally, another category are membership organizations who are committed to meeting housing needs. California has the Southern California Association of Nonprofit Housing (SCANPH), which is a member association that advocates and supports those who develop and sustain affordable housing. They were founded in 1985 and have been serving the California region of Los Angeles, Orange, Ventura, and San Bernardino Counties. SCANPH helps secure public subsidy funds for new affordable housing developments and contribute to making their members more effective developers while also educating policy makers, and the public about the need for affordable housing and contribute to establishing policies and programs to further those objectives. SCANPH members have produced tens of thousands of housings for the unhoused, elderly, disabled, veterans, working-poor, single parents, immigrants, and amongst other economically disadvantaged individuals (SCANPH, 2022). CDCs are often created because of community groups protesting poor neighborhood conditions. While HPN and organizations are created through cooperative agreements by civic leaders, bankers, leading businessmen, and public and nonprofit organizations (HPN, n.d).

5.2 Nonprofit Based Challenges

Nonprofit housing organizations typically develop and manage affordable rental housing, and some provide supportive services as well. Nonprofit housing organizations are tax exempt because their mission is to further a social cause and provide public benefit. They make a profit if the income generated is used to further the organization's mission. However, furthering the mission for nonprofits is not a simple task. The median sales price of new homes rose by 52 percent from 1990 to 2002, partly due to the increase in land cost caused by government regulation (Schill, 2005). The increase cost in land and construction in turn caused a reduction in total housing supply eventually leading to an affordability issue for various jurisdictions.

The regulations that have been created by federal, state, and local entities have played a role in the decline of housing production and sustainability. These regulations are sometimes unnecessary and should be eradicated while other regulations are useful and should be preserved, distinguishing between the two is a difficult task. Some general development challenges have to do with building codes, traditional zoning amongst other regulations.

Some general development challenge examples are, in the late 19th century housing codes set minimum requirements for sanitary facilities, light and air, the codes were intended to prevent disease and unhealthy conditions. Building codes were also used to ensure safety and prevent fires for adjacent buildings and their residents. Building codes are a set of minimum standards that developers must meet when they are in the process of constructing housing. Codes may raise the prices of homes since housing built under the codes are of a higher quality. Building codes may sometimes also become a regulatory barrier in some circumstances. For instance, some codes require the use of materials that go beyond what the minimum health and safety requirements are (Schill, 2005). Some instances it can be due to being over cautious, legislative delays and some argue it may be a cover way to exclude housing that is affordable (Schill, 2005). However, literature on the impacts of building codes on the price of housing is scarce and leaves room for future exploration. Some studies suggest that the impact of building codes is no more than 5 percent (Listokin and Hattis, 2005). While some argue building codes can affect housing supply by hindering the rehabilitation of buildings, in various jurisdictions, rehabilitation is subject to the same minimum standards as new construction (Schill, 2005). Therefore, to meet requirements entire systems may have to be replaced in older buildings, adding to the expenses.

Additionally, traditional zoning was used to separate uses that may be incompatible. Industrial uses were in a certain portion of one municipality and residential uses in another. Overtime making ordinances more distinct with each type of use (single vs multifamily). Additionally, enacting requirements for developers to subdivide their properties, developers would need to often provide schools, roads, and other public facilities in return for being able to develop and sell housing. Also, growth control ordinances have been implemented and various jurisdictions that ration the number of building permits that will be granted in a particular year (Schill, 2005). These limitations and regulations on density will then be passed down to the community and those who purchase or rent the housing. These regulations in turn will lower levels of supply and create a higher price for existing housing. According to Schill, “The purpose of these fees, at least in theory, is to promote efficient development by requiring developers or consumers of new housing to absorb the marginal cost of the development to the municipality" (Schill, 2005). Additionally, fees may deter and delay developers in their mission to produce affordable housing due to the raising costs.

These regulations serve a purpose however they also have a potentially negative impact on the development and cost of housing. Local governments also look to limit housing development for fiscal reasons, as local government must raise taxes to fund schools or other public services, they are pressured to promote certain development over others (Schill, 2005). Commercial uses and large homes generate substantial tax collections (also known as "fiscal zoning) is favored. While low-income housing or dense housing developments are least likely to be favored since it will increase the demand of schools and social services since it is beyond the tax revenue that is generated. Fiscal zoning may be hard to distinguish and many of these regulations can be used to promote social and racial homogeneity (Schill, 2005). Regulations generally can increase the price of housing, due to the desirability of the neighborhood where the housing is located and the quality of the structure.

5.2.1 Funding: LIHTC

The low-income housing tax credit (LIHTC) program was created through the Tax Reform Act of 1986 and is the federal government's main policy tool for the development of affordable rental housing. Since its creation LIHTC has generated or preserved 37,727 properties and an estimated 2.3 million units (Scally et al, 2018). LIHTC funds more units than any other federal housing program. LIHTC is also not a stand-alone program, it often relies on other federal housing programs such as HOME

Investment Partnership Program and the Community Development Block Grant program (CDBG), to fill in the gaps required in project financing.

The way the LIHTC program works is by giving private investors an incentive through federal income tax credits to make equity investments in affordable rental housing (Scally et al., 2018). The equity can be used towards the construction of new properties, refinance and renovate existing affordable rental properties that have been financed by other federal programs or acquire and renovate existing buildings.

LIHTC awards income tax credits through a competitive process open to both for-profit and nonprofit developers based on a project proposal. In exchange for the credits, developers must agree to restrict rents to a percentage of their units and dedicate those units to only low-income renters who meet strict income limits (Ballard, 2003). Developers tend to sell their credits to investors to offset federal taxes owed, then use the proceeds as capital for construction or rehabilitating rental housing. (Ballard, 2003). LIHTC investors can be corporations or individuals. An estimated, “85 percent of the $9.5 billion in corporate equity invested in LIHTC in 2012” (Scally et al., 2018). Most of the corporate equity is from the bank sector. However, the Tax Cuts and Jobs Ace (TCJA) passed in 2017 will influence the future of LIHTC. The reason is because reducing income taxes on corporations lessens the financial incentive for corporations to make equity investments in tax credits.

LIHTC is a critical program to building new affordable rental units and preserving existing ones, but it is not a permanent solution. LIHTC is not structured to be permanent, properties are only required to remain affordable for up to 30 years (Scally et al., 2018). When restrictions for affordability end, people will lose the ability to live affordably. It is currently estimated that by the end of the decade the affordability period for nearly half a million LIHTC funded units will end. (NLIHC, 2018). These properties will then be at risk of falling apart as their affordability period ends, new sources of funding must be allocated to keep the units afloat.

5.2.2 Hard and Soft Costs:

In 2016, the average cost to build a unit of supportive housing was $350,000 to $414,000 and has now reached $531,373 (Henry, 2020). The rise in construction costs has become an unanticipated consequence for developments. A report by Housing Innovation UC Berkeley found that hard cost has risen due to the lack of labor supply, contractor capacity, and the rising cost of materials such as wood, plastics, and composites (Raetz et al., 2020). An interview from one affordable housing developer in California stated, “when I look at all the lines of a pro forma, what has changed most dramatically is the pricing that is coming from the general contractor” (Reid, 2020). Therefore, not only are hard costs becoming an obstacle, but the rise in soft cost also changing significantly as well. Prevailing wages and employment trends also play a big role in construction costs.

The escalating trend of construction costs remains a significant concern, with expenses steadily increasing each year. Between 2016 and 2019, within the framework of the LIHTC program, the expenses associated with the construction of new affordable housing units have undergone a substantial increase, soaring from $425,000 per unit to over $480,000 per unit—a noteworthy 13 percent escalation in a mere four-year span (Reid, 2020). This notable inflation is predominantly due to two main components: hard construction costs and soft construction costs. The former encapsulates expenses related to tangible construction materials and labor, while the latter pertains to associated expenses such as fees, permits, and other non-physical elements.

Labor and materials are particularly influential drivers in the surge of hard construction costs. An analysis reveals that California experiences the highest cost for new LIHTC projects in the entire nation (GAO, 2018). Apart from these, an array of other factors further contributes to the mounting expenses, including localized development fees, adherence to prevailing wage standards, mandatory parking provisions, stringent local hiring prerequisites, protracted entitlement procedures, and compliance with state and local design regulations. Interestingly, the substantial escalation in costs does not necessarily yield visibly distinct or operationally improved structures; rather, the transformative shifts are chiefly rooted in the rising costs of materials and labor engaged in the construction process (Reid, 2020).

Consequently, the ever-increasing expenses associated with construction materials (often referred to as hard costs) and the workforce (commonly known as soft costs) continue to present formidable challenges that hinder the smooth progress of development.

5.2.3 Public Opposition

It is important to explore public opposition as a tool used to prevent housing development projects from happening. Developers can overcome financial and regulatory barriers to their projects created by the current system of affordable housing development. However, public opposition can completely sink a project even before it begins. Neighborhood opposition is often referred to as “Not in My Backyard” (NIMBY). Previous literature has broken down NIMBYism into two distinct parts 1) having a “personal basis” and 2) an institutionalized action (Advisory Commission on Regulatory Barriers to Affordable Housing 1991). Literature states that the opposition is “rooted in political ideology or moral intuition” such as fear of property values rising or fear of new people with different income or racial and ethnic backgrounds (Manville et al, 2019).

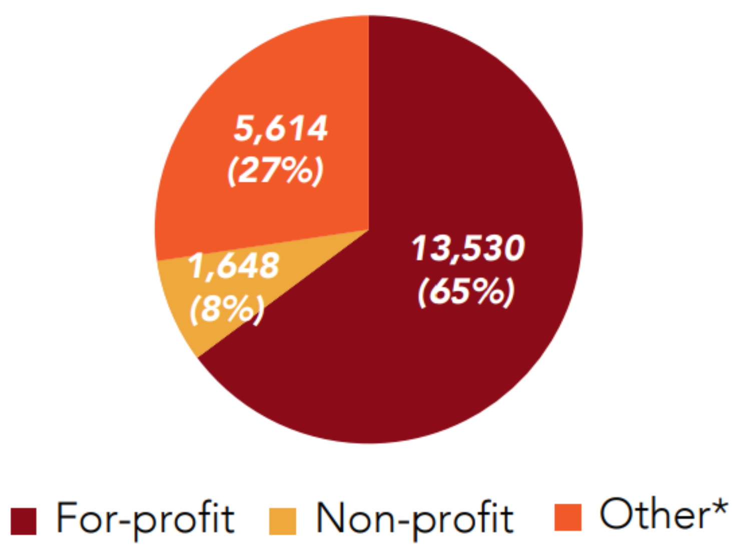
When affordable housing is proposed in a community, those with a personal stake in the matter will have strong opinions. Therefore, when affordable housing is proposed in a community, it is often portrayed as he-said/she-said issue, pitting developers against the neighbors and often not having relevant information given such research measuring the risks associated with the development of affordable housing, the nature of the housing market, and the overall depth of the housing need (Stover et al. 1994; Goetz 2008). With the absence of information much of the public is left to make their own conclusion based on the information they already have which may depend on values, ideology, and stereotypes.

A survey framing experiment was administered to 1,300 people in Los Angeles County to understand the difference between affordable housing and new housing development. The survey found anti-developer sentiment is a powerful source of opposition to new housing, opposition to new development increased when survey respondents are told developers will earn a large profit from the building (Manville et al, 2019). Thus, while opposition to housing can be motivated by fears of their own losses some also comes from resentment of others’ gains. The survey also found that opposition to new developments can be mitigated by a community benefits package, more support came from seeing developers offering benefits such as donations to a local school, extra parking spaces and streetscape improvements (Manville et al, 2019).

5.2.4 Expiration Date on Affordability

Affordable rental homes in California are at risk of continuing to convert to market rate. According to Figure 8, between the years 1997 and 2021, 20,792 affordable homes lost their affordability; 65% (13,530) of those homes were owned by for-profit developers, (8%) 1,648 owned by nonprofit and (27%) 5,614 were owned by unknown owners, public agencies, among others (CHP, 2022). Unfortunately, the number of conversions persists and will only continue to increase, and a proper sustainability approach is needed. As of 2022, 7,053 affordable homes are at risk of losing their affordability as of next year and in 10 years 32,753 affordable homes are at risk. Continuing to create policies to extend current subsidies for a few years only to face the same dilemma years to come will not solve the persistent problem.

Figure 8: Preservation Database.



Source: California Housing Partnership. (2022)

Therefore, research about Community Land Trusts (CLTs) has been growing in response to housing reverting due to expiring affordability covenants. CLT is a structure that allows land to be held “in trust” for community needs, outside the influence of market pressure, an independent community-controlled entity that owns and takes care of the land, making sure it is used to support the community it is accountable to (GSN, 2022). After affordability covenants expire, developers are to sell their properties and extract profits or raise rents. However, CLTs have the potential to maintain affordability for a longer period than the 15–40-year requirements of LIHTC or Sec 8 (Pub. L. 101-239 and Pub. L. 93-383). CLTs are often found in rural or depressed urban areas and tend to focus on new construction and homeownership instead of rental properties. Literature on preservation on affordable housing has found feasibility in organizations with different expertise could partner in effective ways (Schwartz et al., 2016).

Chapter 6. Conclusion And Recommendations

This study explored the multifaceted aspects of affordable housing development, encompassing literature review findings and insights from interviews, has shed light on key challenges and opportunities in this critical sector. The findings underscore the significance of addressing financial barriers, enhancing community involvement, promoting sustainability, and fostering collaborative partnerships to create accessible and sustainable housing solutions.

6.1 Strengthening Financial Strategies

The findings emphasized the heavy reliance on Low-Income Housing Tax Credits (LIHTC) as a primary funding source for affordable housing projects. While LIHTC provides financial benefits, its competitive nature and lengthy application process can lead to delays in project development. Policymakers should promote diversification of funding sources to reduce reliance on LIHTC and encourage developers to explore alternative mechanisms like the Homekey program. Homekey, along with local city and county funds, offers a potential substitute for LIHTC, accelerating project timelines and streamlining the funding process. However, policymakers must also be mindful of the strict timing requirements associated with Homekey and assess its compatibility with various project types. Additionally, reducing costs through value engineering, and prioritizing long-term financial sustainability are essential to ensure the success of affordable housing initiatives.

6.2 Enhancing Community Engagement

Community involvement plays a pivotal role in garnering widespread support and effectively managing public opposition in affordable housing development endeavors. To create a harmonious and successful approach, policymakers ought to champion early and transparent community engagement strategies that facilitate ongoing communication with residents and actively address their concerns throughout every phase of the project. To counter the challenges posed by NIMBYism and misconceptions surrounding affordable housing, it is imperative to institute targeted educational programs. These initiatives can proactively enlighten communities about the merits and positive transformations that affordable housing can bring to their neighborhoods.

Moreover, a comprehensive framework should prioritize inclusivity, ensuring that all community members have an equal opportunity to participate. This necessitates recognizing and addressing barriers such as language disparities, limited accessibility, and potential imbalances of power that could hinder effective engagement. By actively overcoming these obstacles, the goal is to empower every member of the community to contribute meaningfully to the dialogue and decision-making processes.

Practically, addressing language barriers could involve providing multilingual informational materials, conducting meetings with interpreters, and leveraging digital platforms to disseminate information in various languages. Additionally, community centers and local organizations could serve as hubs for language-specific discussions and engagement sessions, fostering a more inclusive atmosphere.

In essence, fostering a sense of shared ownership and mutual responsibility among residents is pivotal in garnering broad-based community acceptance and support for affordable housing initiatives. Such a concerted effort not only leads to sustainable and inclusive developments but also ensures that the benefits of affordable housing are truly realized by the entire community.

6.3 Balancing Sustainability and Affordability

Sustainable practices are integral to the long-term success of affordable housing projects. Policymakers should encourage the integration of green components and LEED certification to promote sustainable practices. However, careful consideration is necessary to balance sustainability goals with affordability. Exploring innovative financing models and funding programs that incentivize sustainability can help offset certification costs and ensure that affordable housing projects remain financially viable. By striking a balance between sustainability and affordability, stakeholders can create housing solutions that benefit both the environment and the community.

6.4 Strengthening Collaborative Partnerships

The Rolland Curtis Gardens (RCG) case study vividly showcases how teamwork between nonprofit organizations can bring about transformative changes in the realm of affordable housing development. A noteworthy innovation in this landscape is the rise of Community Land Trusts (CLTs), which introduce fresh ways of property ownership that challenge the usual norms and offer a pathway to lasting affordability. To ensure the success of these partnerships, it's crucial for policymakers to prioritize educational efforts that highlight the benefits of CLTs and facilitate meaningful collaborations with established organizations. This education not only clarifies the advantages of CLTs but also empowers stakeholders to make well-informed choices when considering such partnerships.

Furthermore, enhancing the competitiveness of CLTs requires a focused approach to building their capabilities. Strengthening the skills and resources of CLTs will enable them to navigate the complexities of financing and development adeptly, addressing the diverse challenges that arise. Policymakers can play a significant role by exploring innovative ways of funding and advocating for dedicated financial avenues that align with the fundamental principles of CLTs. This strategic alignment can significantly bolster the financial strength of CLTs, thereby reinforcing their crucial role within the affordable housing landscape.

In conclusion, the mutually beneficial collaborations between nonprofit organizations and Community Land Trusts (CLTs) illustrate a promising path toward progressive solutions in affordable housing. As these collaborations flourish, policymakers play a pivotal role in their success by prioritizing comprehensive education, capacity enhancement, and targeted financial support. By nurturing these partnerships and empowering CLTs, policymakers can lay the groundwork for more resilient, sustainable, and community-centered affordable housing initiatives that benefit a wide range of people and communities.

6.5 Streamlining Development Processes

Efficiency in funding and development processes is crucial to accelerate affordable housing projects and increase their cost-effectiveness. Policymakers should strive to streamline funding application timelines and reduce bureaucratic bottlenecks that prolong project implementation. Encouraging early planning and hiring experienced personnel will promote successful project outcomes, while strategic partnerships with like-minded organizations can create new opportunities for collaboration. Policies that prioritize affordable housing development will drive the creation of sustainable, community-centered initiatives.

In conclusion, creating sustainable and inclusive affordable housing solutions requires a comprehensive approach that encompasses financial strategies, community engagement, sustainability, and collaborative partnerships. By implementing the policy recommendations outlined in this study, stakeholders can address the challenges and seize the opportunities in the affordable housing sector. Affordable housing is not only a fundamental human right but also a critical building block for stronger, healthier, and more equitable communities. Through collective efforts, policymakers, developers, and communities can work together to overcome barriers, promote sustainability, and create a future for individuals and families in need of stable and affordable housing. The policies put forth in this research are not only necessary but are also an essential step towards securing a future for individuals and families in need of stable and sustainable housing.

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Appendix A

During this period, there was a significant change in the housing sector, moving away from the usual reliance on traditional public housing programs. This shift happened for several reasons, including a growing dissatisfaction with how local housing authorities were functioning and a simultaneous rise in the influence of nonprofit organizations in housing matters. Experts have extensively studied how negative views of local housing authorities, often dealing with issues like poor management, neglect, and negative stereotypes, led to a decline in public trust in their ability to effectively tackle housing problems (Smith, 2010; Shlay & Weinheimer, 2011). This loss of trust acted as a catalyst for a major change, paving the way for a more positive outlook on the role of nonprofits in providing housing solutions.

The emergence of nonprofit groups in the housing sector gained momentum, driven by optimism and a belief in their effectiveness. Nonprofits gained attention for their community-focused approach, often presenting themselves as more responsive, accountable, and adaptable to the various needs of residents (Klosterman & Roberto, 2017; Fradkin, 2023). This shift reflected a broader change in how nonprofits were perceived as collaborative partners capable of harnessing community involvement to create comprehensive and sustainable housing solutions (Blau & Rubin, 2015; Schorr, 2017). This move away from the conventional public housing model in favor of nonprofit-driven initiatives highlighted the evolving public perception of the sector. Nonprofits were increasingly seen as innovative and socially aware agents of change, capable of revitalizing neighborhoods and addressing housing disparities in a more compassionate and efficient manner.

<u>Appendix B</u>

New Market Tax Credits (NMTC) equity is a financing mechanism used to support community and economic development projects, particularly in low-income and underserved areas. NMTC equity involves the allocation of tax credits to investors who provide capital for eligible projects, which can include affordable housing, commercial developments, and other initiatives that aim to stimulate economic growth and improve quality of life in disadvantaged communities.

These tax credits are offered as an incentive for private investors, such as corporations or financial institutions, to contribute funds to projects that might otherwise struggle to secure traditional financing. Investors who participate in NMTC equity arrangements receive tax credits that they can apply against their federal tax liability over a period of seven years. This form of financing has been instrumental in revitalizing distressed neighborhoods and promoting job creation. It encourages private sector engagement in community development efforts and helps bridge funding gaps for projects that have the potential to generate positive social and economic impacts.