# APPENDIX F
# Non-Profit Survey

In applying the ownership status variable to public housing under the model, GSD decided to treat public housing as non-profit. GSD reasoned that PHAs were more like non-profits than limited-dividend or for-profit owners, resulting in a 10% increase in costs over for-profits. In light of this decision rule, a small non-scientific survey of non-profits was undertaken in conjunction with the ten PHA case studies detailed in Chapters 2 and 3 of this report.

The premise or hypothesis was that non-profit housing operators might share some of the same "public agency" costs as well as organizational and mission choices of PHAs. Specifically, it was suggested that non-profits (like PHAs) tend to:

- Pay higher wages/benefits,
- Are more affirmative in their dealings with residents,
- Are less bottom-line focused,
- Are more "public" in their business relationships,
- Have other "mission-driven" costs that get included in the operating costs of properties

The non-profits surveyed were in the same general localities as the ten PHAs included in the case study sample. The PHA case studies were done to identify specific costs unique to public housing in the areas of regulations and operating environment. Those results, as well as the pertinent information gathered from the non-profit survey, are summarized in the main body of this report.

## METHODOLOGY/APPROACH

Each PHA in the case study sample was asked to suggest a "comparable" non-profit in the area that GSD could interview. In three cases the PHA did not know of such a comparable or the suggested comparable was non-responsive (in two of those cases, GSD used other sources to identify an appropriate comparable). GSD then composed a standardized survey. Individuals who had conducted case study field work contacted the non-profit, sent a copy of the interview questionnaire and conducted a 45-60 minute telephone interview. In two cases the interviews were conducted in person in conjunction with the case study field visit prior to the formalization of the telephone interview form. In two instances one non-profit interview served to provide local data for two PHAs. In one case two non-profits served as comparables for one PHA. Results of the eight non-profit interviews were then compared with each other and with the findings of the ten PHA case studies.

Table F.1 gives a sense of the variety of non-profits surveyed. Size ranged from 40 units to 8,500 units. Five of the eight non-profits surveyed self-manage and three contract for property management. Three serve primarily elderly or disabled populations, four serve primarily family populations, and one is about evenly split between the two types. Three of the non-profits operate only in a single neighborhood, while five operate on a statewide or multi-state basis. Three indicated provision of housing was their main mission and programmatic activity, while five indicated social services (of various sorts) was a major element in their program mix.

## FINDINGS/OBSERVATIONS

The non-profit survey attempted to gather information to determine how similar/dissimilar the non-profits operated relative to the PHAs in their local areas with respect to the following:

- The wages and benefits provided to property-level staff,
- Whether they self manage or contract for management, and why,
- Whether they have larger, newer developments or small, older properties,
- Their mission and how that impacts operating costs at the property level,
- Whether social service costs are accounted for in property operating budgets,
- Whether managing multiple subsidy programs affects costs,
- The type of affirmative interactions with residents and how that affects costs
- How board structure and practices affect costs,
- How community relation activities affect costs, and
- Cash flow from housing operations and what non-profits do with it.

Below presents GSD's findings regarding the above questions.

### Property-Level Wages

GSD found that non-profit administrative staff at the property level are paid within the same range as the PHA in the comparable locality. There is some evidence that maintenance employees of the non-profits surveyed are paid marginally lower than counterpart PHA employees (although this, in part, may be a function of longevity or an inexact match of job descriptions).

### Fringes

Three of the eight non-profit surveyed used for-profit property management companies; presumably, their fringe benefits (at the property level) were in the range typical of for-profit property managers. Of the five self-managing non-profits surveyed, the benefits package ranged from a low of around 20% to a high of near 40% of total wages. (These are self reported numbers and may not be fully consistent with PHA findings.) This compares with a range of around 28-38% in the ten public housing agency case studies and more commonly 22-28% in the for-profit sector. It is noteworthy that the elements of the benefit packages are weighted in different ways, with non-profits tending to give employees more leave time and public housing agencies making greater contributions to retirement.

Indeed, with an average employer contribution to retirement of 0-5% in the private and non-profit sector, and with a range of contributions from 5-17% among the PHAs surveyed, retirement contributions alone account for most of the difference in reported fringe benefits between public housing agencies and others.

**Self-Management versus Third-Party Management**

As noted above, three of the eight non-profits surveyed use private property management companies, presumably because it is more cost effective to do so. If some similar significant percentage of non-profit owners in the FHA database also use private property managers, the source of the FHA non-profit differential is even more difficult to characterize.

**Type of Properties Owned**

Types of properties owned varied widely in the non-profit sample: Three of the eight entities specialized in new construction or substantial rehab of elderly or disabled properties. Three others are neighborhood-based organizations that have significant scattered site small property holdings. Of the three large non-profits in the survey (more than 3,000 units), one primarily grew its portfolio through acquisition/rehabilitation and the other two had very mixed portfolios that included both small properties and larger, new construction. The operating costs formula is designed to account for differences in costs for property types and should not figure in the 12% FHA non-profit differential.

**Mission and its Attendant Costs**

Five of the eight non-profits in the survey had broader missions than simply owning and operating assisted housing. In general, the costs of addressing these broader missions (housing development, community organizing, social services) were not borne within the operating budgets of the housing portfolio, but were paid for either through grants, profits from other cost centers, contributed services or management fees. Except in limited cases, these activities are not funded out of operating budgets. This suggests that the property costs that make up the FHA data base (including both for-profit or non-profit operators) do not include large amounts of mission driven costs or social service activities and therefore probably do not account for a large percentage of the FHA non-profit differential.

Some non-profits had non-performing properties in neighborhoods they were committed to revitalizing, and so their business decisions did not include a decision to divest themselves of these high cost properties. On the other hand, at least two non- profits in the survey made exactly that decision, selling small older properties that could not be managed cost effectively. However, non-profits noted that non-performing properties (particularly ones with LIHTC) are not easily divested by any owner and this problem should be reflected in the general FHA database.

**Social Service Costs**

Five non-profits in the survey reported spending significant funds on social services, not only resident services coordinators but actual operating programs (employment programs, youth programs, educational programs, homeownership counseling, entrepreneurship development, day care, etc.). With the exception of a limited amount of funding for resident services coordinators or community organizers that has been built into the operating budgets of specific programs (generally LIHTC budgets), all the non-profits surveyed that provide such programs do so through grants, fundraising, contributed services or allocation of a portion of their management fees for this purpose. One example of this funding was $10,000 out of the operating budget for 77 LIHTC units ($130 per unit per year) that one non-profit uses to pay for part of the cost of a community organizer. However, the remainder of this non-profit's inventory provides no funds for social services from operating budgets. The largest non-profit in the survey spends $6 million a year on social services for the 8,500 units it owns and manages, but just $1 million of that comes from the operating budget (or about $118 per unit per year). This seems to GSD to represent the upper range of what the non-profits in the survey spend on services through the operating budget. Spending at the level of $10 PUM would account for a quarter to a third of the FHA for-profit/non-profit differential.

**Multiple Subsidy Programs and their Attendant Costs**

Public housing compliance reporting costs (the costs of the PHAS and the annual plan) represented $1 PUM in "extra costs" reported by PHAs in the case study survey. Six of the eight non-profits in the survey noted having three or more different subsidy programs to report on and five reported a significant percentage of LIHTC properties. One of the non-profit directors surveyed, himself a former public housing deputy director, reported that LIHTC compliance is considerably more costly than public housing compliance reporting. This observation is confirmed by for-profit operators surveyed by GSD (those that do both public housing property management and LIHTC property management). Since the FHA database includes a portion of LIHTC properties (in both for-profit and non-profit inventory) these compliance reporting costs may already be reflected in the base formula. In any event, GSD believes that the extra compliance reporting costs noted in its public housing case studies are within the same magnitude as the compliance reporting costs of the non-profits surveyed and can be considered adequately compensated for in the FHA non-profit differential.

**Interactions with Residents**

All of the non-profits surveyed placed significant emphasis on positive interactions with residents, not only in determining how to allocate funds to meet service needs, but also in fostering social interaction among residents. Some non-profits also had community organizing at the neighborhood level as part of their core mission. Only in a limited number of cases did non-profits report having formal resident structures of the kind common in public housing.

Those non-profits that self managed family properties tended to hire tenants and found no extra costs associated with doing so.

**Board Relations**

The non-profits surveyed all had at least one board (sometimes multiple boards based on subsidy requirements) that met at least 6-10 times a year for meetings that generally were 2-3 hours. The amount of board preparation time seemed similar to that reported by public housing agencies. Non-profit boards tend to spend less time on housing management issues and more time on policy matters.

**Community Relations**

Non-profit management staff report spending significant time on community relations, a function that they see as critical to building and maintaining community support as well as in fundraising. Like the cost of resident interaction, they see this as part of the core management function and do not consider these unusual or “extra” costs. To the extent that this practice is not common among for-profit owner/managers and is captured in the operating budgets, such costs should be reflected in the FHA differential.

**Cash Flow and its Application to Other Uses**

The non-profits surveyed all sought cash flow from property management, but only in some cases were able to realize it. Excess cash flow (in addition to management fees) is generally channeled into the provision of social services, new housing development or other mission driven activities. There is no comparable incentive in public housing to realize economies of operation to fund social services or housing development, yet the well run authorities GSD surveyed did manage to do this in one way or another to further their own local objectives. GSD believes that reforms to the public housing subsidy system that encouraged and made these choices explicit would foster economies in operation as they do in the non-profit sector.

## CONCLUSION

Careful not to reach too far, GSD draws three conclusions from this limited survey. First, as expected, there are similarities between PHAs and non-profits. They both have larger missions than for-profits, appear to be more affirmative systems of dealings with residents, have similar board structures, engage in active community relations efforts, hire residents, etc. Therefore, GSD considers it reasonable to assign the ownership type “non-profit” to public housing for purposes of benchmarking from the FHA database.

Second, there are many items that are considered “regulatory” for PHAs (e.g., resident relations/tenant participation, resident hiring, grievances, etc.) that are part of the non-profit “operating environment.” In assigning the “non-profit” category to PHAs in benchmarking the database, one must take into account these costs. While somewhat less formal, these tasks are already in the non-profit differential.

Third, although non-profits appear to engage in significant mission driven social service spending, less of this spending is derived through the operating budget than had been anticipated.

## Table F.1: Characteristic of Selected Non-Profit Housing Organizations

| Size of Nonprofit (# units) | Geographic location | % Units Family/Elderly | 3 or more different subsidies reported on | % Units with LIHTC reporting | Smallest/Largest Development | Type of organization* | Self managed /contracted management |
|---|---|---|---|---|---|---|---|
| 1. 40* | South | 100% disabled | No | 0% | 40 units | Housing | Self managed |
| 2. 80* | North East | 100% elderly | No | 0% | 80 units | Housing | Contracted management |
| 3. 152 | North East | 88% family 12% elderly disabled | Yes | 51% | 2 units/77 units | Housing, social services, construction, community organizing, neighborhood development | Self managed |
| 4. 184 | Mid Atlantic | 100% family | Yes | 0% | 3 units/20 units | Housing, social services, neighborhood development | Self managed |
| 5. 416 | Mid West | 4% family 96% elderly | Yes | 97% | 2 units/144 units | Housing, social services, neighborhood development | Self managed |
| 6. 3000 | West | 100% family | Yes | 1% | 19 units/408 units | Housing, social services, neighborhood development | Contracted management - 99% Self managed -1% |
| 7. 3000 | Mid Atlantic | 50% family 50% elderly | Yes | 85% | 60 units/200 units | Housing | Contracted management |
| 8. 8500 | West | 70% family 20% elderly 10% special needs | Yes | 55% without other subsidies—75% of total include LIHTC | Varies greatly—average development size is 58 units | Service enriched housing, neighborhood development, home ownership | Self manage over 90% of rental units owned |