

*Organizational Capacity and Housing
Production: A Study of Nonprofit
Organizations in Michigan*
Final Research Report
October 2001

Michigan State University Center for Urban Affairs
Community and Economic Development Program

Sponsored by:

The Fannie Mae Foundation's
University-Community Partnership Initiative
and
The Aspen Institute's
Michigan Nonprofit Sector Research Fund

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With Financial Support From

Fannie Mae Foundation, University-Community Partnership Initiative
Aspen Institute, Michigan Nonprofit Sector Research Fund
Michigan State University, Office of the Provost
Michigan Agricultural Experiment Station
MSU Urban Affairs Programs
MSU Vice President for Research and Graduate Studies

Community Partners

Michigan Habitat for Humanity
Michigan Local Initiatives Support Corporation

I. Executive Summary

Introduction and Goals

A critical question in community development is how best to organize, fund, and otherwise support affordable housing development by nonprofit organizations. In particular, defining and measuring organizational capacity have emerged as important issues. The current study is an effort to build upon Michigan State University's longstanding commitment to engaging university resources in mutually beneficial partnerships with community based efforts to improve the quality of life in Michigan communities. This study attempts to devise a valid and reliable instrument for describing and measuring organizational capacity. The team used this instrument to identify relationships that might exist between the components of capacity and the efficient production of affordable housing. In addition, the study identified some specific needs and opportunities for capacity building.

Methods and Procedures

The subjects of the study are nonprofit housing organizations in five geographic regions of Michigan. Habitat for Humanity affiliate organizations were represented in the sample to permit comparisons by organization type. Based on a model learning curriculum, the research team developed a survey instrument consisting of 49 questions and over 150 distinct elements, which was used in conducting personal interviews with the leaders of nonprofit housing organizations. Index scores were generated for the five components of capacity previously identified by Glickman and Servon (1998): political, networking, resource, programmatic, and organizational. Annual average units produced (*production*) and comparative on-time and on-budget performance (*efficiency*) were calculated. Regional and organizational comparisons were made, along with comparisons of high and low production organizations, high and low capacity organizations, and high and low efficiency organizations.

Key Findings and Recommendations

The 37 groups represented in this study produced a total of 4,385 housing units over a 32-year span. A relatively small number of organizations accounted for most of the housing production, primarily through multifamily housing development. Organizations with higher levels of organizational capacity had higher levels of unit productivity; efficiency scores varied by region but did not match productivity patterns. Specific training topics frequently requested included construction and project management, board development and training, and human resource management. Recommendations include further refinement of organizational capacity measurement

tools, research into the ability of the nonprofit sector in general to fully meet the low-cost housing needs in Michigan communities, and careful consideration of the relationship between housing production and more broadly targeted community building activities.

II. Introduction and Background

Organizational capacity for housing development

The nonprofit sector in the United States is increasingly relied upon to play a leading role in community building for distressed communities. Many argue that a community building approach led by local nonprofit organizations is more efficient than traditional, top-down approaches because such an approach relies less on bureaucracies and pays special attention to families and children (Development Training Institute, 2001). Despite the fact that considerable attention has been paid to “comprehensive” development approaches since the advent of Community Development Corporations (CDCs), many communities have come to view CDCs as “primarily housing producers” (Mourad, 2001). Given the fundamental role that housing plays in communities, and the growing crisis in the available supply of housing for low-income individuals and families, affordable housing development is frequently the central element of a nonprofit community building agenda.

In this context, the question of how best to organize, fund, and otherwise support affordable housing development by nonprofit organizations has emerged as a critical topic in community development. To fulfill the mission of building affordable housing for low and moderate income families, nonprofits must develop into fiscally sound organizations that can effectively utilize staff and volunteer resources. They must also develop the capacity to plan, finance, and construct quality housing. Organizations and their funders are continuously seeking effective strategies for helping to develop these capacities within nonprofit organizations.

Defining and measuring organizational capacity have emerged as important issues for private sector lenders, government agencies, foundations, intermediary agents, and universities committed to promoting successful community development practice. Such stakeholders have

long focused on building the capacity of nonprofit organizations through activities such as providing technical assistance to organizations, conducting training for individuals in leadership positions within organizations, and supporting the development of more informed and active boards of directors. In recent years, those committed to capacity building are paying increasing attention to understanding when and how capacity building activities do in fact translate into more effective action by nonprofit groups.

Models for understanding organizational capacity

One approach for evaluating the effectiveness of community development organizations has been to simply equate organizational capacity with housing production. As Glickman and Servon (1998) observe, this approach overlooks many important community building functions that nonprofit groups perform that may supplement the production of housing units. Stoecker (1997), in arguing that the adoption of a development mission may diminish a community based organization's ability to effectively advocate for members of the community, implies that the capacities required for housing production differ significantly from capacities for other community building work. Others have noted that, to be effective over time, community building must be "comprehensive," simultaneously addressing the multiple challenges that a community may face (Development Training Institute, 2000).

Even so, as long as affordable low-income housing remains scarce, unit production remains an important measure of success for nonprofit organizations with housing-related missions. In order to increase their unit production in an increasingly demanding environment, affordable housing organizations must build capacity. By carefully defining and measuring capacity in terms of its components, those committed to building the capacity of affordable housing organizations can better understand their own potential roles in the process.

In interpreting the findings of this study, the research team builds upon the conceptual framework of Glickman and Servon, who describe an organization's "capacity" as a complex of five components: political, networking, resource, programmatic, and organizational. While

other promising conceptual models are available for articulating the components of capacity,¹ the components proposed by Glickman and Servon were selected because of their direct relevance to housing development activities and their attention to the community building context.

¹ E.g., USAID (2000) offers a model for assessing capacity that includes four components—administrative/support functions; technical/program functions; structure/culture; and resources—each of which has subordinate elements.