Bridging the Gap:
How Capacity Networks and Spatial Clustering Support San Francisco’s Housing Nonprofits

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Abstract: Using a case study metropolitan conurbation in the US, this paper highlights the practical workings of housing networks, in particular the capacity support for nonprofit housing developers. In the face of some of the most extreme housing affordability problems internationally, and in a country where public funding for housing and social welfare is weak, San Francisco nonprofits are at the centre of a broad coalition of support. The strong network can be explained by contemporary policy initiatives (tax credits for affordable housing, devolution of housing decisions and funding constraints) impacting a fertile region (strong nonprofit ethos, liberal universities and a co-operative city and business community). There is also an important spatial clustering of local organisations which reinforces and deepens the capacity network. The study of the San Francisco Bay Area uses key tenets of new institutional theory to identify isomorphism within a ‘nonprofit housing’ field (DiMaggio & Powell, 1983). The article concludes by briefly considering whether networks as strong as in the Bay Area can be cultivated in other metropolitan regions to ‘bridge the gap’ and provide support for the expansion of the nonprofit housing sector.
INTRODUCTION
San Francisco is linked to its metropolitan region by a series of iconic bridges. Without the Golden Gate, Richmond, San Mateo and Bay bridges, organisations in cities surrounding the San Francisco bay would be isolated, less likely to adopt best business practice and not the economic dynamos that many have become. Bridges are a useful metaphor for the less tangible links that bind together successful organisations in a regional cluster. Through dense networks of personal contacts, shared support services and infrastructure, successful sectors can gain competitive advantage. Though less well known that the technology firms of Silicon Valley, the Bay Area of San Francisco is home to one of the strongest, most vibrant nonprofit affordable housing ‘industries’ in the United States. The region’s leading nonprofits produce environmentally and socially sustainable homes for low income Americans in a financing regime that is competitive, complex and costly. This paper asks why the Bay Area nonprofit sector has grown so strong, how it obtains scarce resources, and whether the model could be replicated elsewhere. In contemporary society, networks are the intangible bridges between nonprofit organisations and their support infrastructure.

Using the conceptual framework set out in the special issue of Housing, Theory and Society in March 2007, this paper presents an American case study to complement European research applying network theory to social housing (Mullins and Rhodes, 2007). The important role of San Francisco Bay Area nonprofit housing organisations is set against the backdrop of regional housing affordability problems. Details are provided of the Low Income Housing Tax Credit (‘tax credit) program as this funding and regulatory framework defines actors in the sector and establishes the nature of inter-relationships. The new institutional theory of organisational fields, developed by American scholars DiMaggio and Powell (1983) and recently applied in Europe (Mullins et al., 2001; Mullins, 2002; van Bortel and Elsinga, 2007), is used to identify sector boundaries. This paper, while reinforcing insights that can be gained from network theory, suggests (rather than tests) two new hypotheses: are capacity building organisations integral actors within the nonprofits housing organisational field, and is the spatial location of organisations a factor explaining network strength.

METHOD
The regional case study approach used in this paper, addressing how networks operate at the level of both actors and the network itself, is recommended as the best way to investigate social housing networks (Marsh, 1998; Mullins and Rhodes, 2007). Research for this paper included a literature review, analysis of unpublished primary data from a survey of nonprofit organisations (Bay Area LISC, 2004-5) and 34 semi-structured interviews carried out between August and December 2007 of directors and employees of three nonprofit organisations:

- BRIDGE Housing Corporation (‘Bridge Housing’), founded in San Francisco in 1983, have developed 13,000 workforce housing units across California. They are considered one of the most entrepreneurial and innovative US housing nonprofits.
- East Bay Asian Local Development Corporation (‘East Bay Asian’) are a community-focused nonprofit who since 1975 have built 900 lower income homes and 21,000 square metres of space for nonprofit neighbourhood organisations in the City of Oakland.
- Burbank Housing Development Corporation (‘Burbank Housing’), based in Sonoma County 80 kilometres north of San Francisco, have developed 2,300 low to middle income rental properties and over 700 low cost ownership homes since 1980.
In addition to the case study housing providers, a further 21 interviews took place with Bay Area housing consultants, support organisations, financiers, government officials, lobbyists and researchers. Because not all actors in the network were known at the start of the research, snowball sampling was used with interviewees from nonprofit housing providers asked to supply names of organisations and individual who supported the sector. These individuals were then interviewed, and asked to suggest further names. Whilst normally used for ‘hidden’ populations of individuals such an injecting drug users, the method can usefully identify informal organisational networks (Salganik and Heckathorn, 2004).

CONTEXT

The strength of the nonprofit housing sector in the Bay Area is due to three inter-related factors discussed in this section. First, the region has considerable housing affordability and homelessness problems. Second, a devolved housing policy has allowed some states and cities to favour nonprofit organisations in the allocation of the most important subsidy to increase affordable housing supply - tax credits. Third, the Bay Area has well established nonprofit capacity and a tradition of supporting community approaches to social problems.

Bay Area housing affordability

The San Francisco Bay Area, shown in Figure 1, has a population of over seven million people and acute housing affordability problems. In 2006 the top three US unaffordable counties measured by the hourly wage needed to rent a two bedroom unit were in the Bay Area: Marin, San Mateo and San Francisco counties respectively (NLIHC, 2007). In 2003 only 12% of San Franciscan households could afford to purchase the median priced property (Rosenthal et al., 2003). Prices have been driven by the limited availability of developable land near to employment centres and strong neighbourhood opposition to urban-infill (Hird et
al., 1991). Median salaries are higher in San Francisco than California or the US, though there is a skewed wealth distribution with a higher proportion of households earning under $15,000 [€9,500] (Bay Area Economics, 2004). The poverty rate, at 9.5%, is well above the state average and homelessness is a major problem with 1% of San Francisco’s population sleeping on the streets or in shelters in 2002 (Rosenthal et al., 2003). Owner occupation is relatively low in the Bay Area, at 60%, and extremely low in San Francisco county at 35%, making rent control and the supply of affordable rental housing major political issues.

**Tax credits and devolution**

The largest US scheme for increasing affordable housing supply works through the taxation system not public grants. Tax credits date from the Tax Reform Act of 1986 which simplified the tax system and brought market forces to deciding which new affordable housing projects to support. The scheme replaced various Federal subsidy programs for small-scale private rental investors that were seen to be inefficient. Tax credits were declared ‘permanent’ by Congress in 1993, enjoy bi-partisan support and are backed by a broad coalition of for-profit and nonprofit developers, banks, investors and consultants (Dreier, 2006). Between 1986 and 2005 tax credits helped towards funding 1.5 million units of affordable housing in 27,410 schemes. The current annual cost is $5bn [€3.2bn], making it the main subsidy for low income rental housing ahead of public housing at $4.2bn [€2.6bn] (HUD, 2008a). Numbers of tax credit funded homes have overtaken the 1.2 million public housing units, despite the latter scheme having operated since 1937 (HUD, 2008b). In the decade to 2005 an average of 110,000 new tax credit subsidised units were provided each year. A typical scheme is a multi-family building containing 52 units in a lower income ethnically diverse central city location. 60% of schemes are new build, 40% refurbishments (Schwartz, 2006).

Figure 2 summarises how tax credits provide funding for affordable housing. Once a developer has identified a scheme and been allocated tax credits by the state, development capital is raised by ‘selling’ the credits to investors. Normally the sale will be to a syndicator who acts on behalf of a group of institutional investors. Ernst & Young (2003) estimated the investor mix in 2002 was banks (43%), ‘Government Sponsored Enterprises’ such as Fannie Mae and Freddie Mac (30%), insurance and other financial service companies (19%) and non-financial corporations (8%). Many banks invest to satisfy their obligations under the Community Reinvestment Act of 1977 to support community development in the locations where they operate. Tax benefits only flow to investors if the scheme remains compliant for 15 years with rules set when the tax credits were allocated, for example the proportion of tenants on particular incomes. Initially in 1986 properties only had to remain affordable for 15 years, although this requirement was extended to 30 years in 1989. Tax authorities monitor compliance based on annual reports from housing providers and periodic visits. The regulation of tax credit housing is through the tax system, monitored by syndicators on behalf of investors to preserve tax benefits. There is no direct regulation of developer organisations.

Tax credits do not, and were never intended to, fund the entire cost of affordable housing. Land purchase costs cannot be claimed by developers, tax credits are calculated at only 70% of the present value of eligible expenses and investors will pay less than the face value for tax benefits due to compliance risks. Ernst & Young (2003) estimated tax credits in 2002 contributed on average 42% of project cost, followed by conventional bank debt secured by a mortgage at 36%. Beyond tax credits and bank debt, the additional funding is known as ‘gap finance’ of which two-thirds is likely to be ‘soft loans’ from state and local governments. Normally these loans are accompanied by extra conditions on the developer, but are eventually written-off if all terms have been met (Cummings and DiPasquale, 1999). The

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final slice of funding comes from donations if the developer is nonprofit, developers’ retained earnings, tax exempt local government bonds and various grants (NPH, 2006). Bay Area Economics (2004) found San Francisco tax credit affordable schemes needed nine finance sources compared to only three for market-rate schemes. This increases the costs of complexity as transaction and compliance expenses are multiplied for each finance type.

Figure 2: US tax credits example

Following the shift to devolution in US housing policy, dating from the 1973 Housing and Community Development Act, it is the states and local government who decide how to spend federally funded block grants (Schwartz, 2006). Similarly with tax credits, Congress sets broad criteria for tenant eligibility and affordability periods, but their allocation is left to states who can apply additional rules (Cummings and DiPasquale, 1999). For example, California awards extra points to bids incorporating smart growth principles and for energy efficient buildings. It is a condition of Californian gap financing is that properties should remain affordable for 55 years. Credits are distributed each year to states based on headcount not housing need, originally $1.25 [€0.80] per person rising to $1.75 [€1.10] in 2002 then indexed by inflation. For-profit and nonprofit developers compete for credits in annual rounds and the top rated bids meeting the application criteria receive funding. Competition for tax credits introduces market forces and developers can move up the allocation rankings if their scheme serves poorer tenants than the minimum required. Over time the transparent bidding procedure has raised the quality of schemes, although it remains a complex and expensive process with most organisations employing consultants to advise on fundraising.
California’s Tax Credit Allocation Committee allocates funding in two rounds, in March and July (CTCAC, 2008b). Their value in 2007 was $759m [€480m], measured over a ten year term, and assisted 70 housing schemes build 4,424 units at an average subsidy per unit of $188,000 [€118,000]. Since 1986, 1,730 schemes have been supported at a total cost of $9.6bn [€6.0bn] (CTCAC, 2008a). While this level of funding is impressive, demand for tax credits consistently exceeds supply: in 2007 by a factor of three to one. California switched to distributing tax credits on a regional basis in 1997, in part a reaction to much early funding going to the more professionally run Bay Area nonprofits. Targets for the ten regions are based on a formula incorporating population, cost of housing, wealth and urbanisation. The three Bay Area regions are shown in Figure 3. San Francisco, which is a single administrative city, county and tax credit region, has a ‘queuing system’ for city-funded gap finance through a managed list of predominant nonprofit housing organisations. Across the Bay in Oakland, organisations have to bid for tax credits against competition in 6 counties and over 100 cities.

<table>
<thead>
<tr>
<th>Development by region (% of total Californian tax credits)</th>
<th>Non Profit</th>
<th>Total cost $m</th>
<th>Low rent units</th>
<th>Tax credits $m</th>
<th>City, County</th>
</tr>
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<tbody>
<tr>
<td>Tax credit region: Alameda, Contra Costa, Marin, Napa, Solano and Sonoma Counties (10%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Brookfield Place</td>
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<td>60</td>
<td>8.2</td>
<td>Oakland, Alameda</td>
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<tr>
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<td>60</td>
<td>13.0</td>
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<tr>
<td>Oak Grove Terrace</td>
<td>Yes</td>
<td>10.9</td>
<td>53</td>
<td>8.5</td>
<td>Oakley, Contra Costa</td>
</tr>
<tr>
<td>Oak Place Senior Villas</td>
<td>Yes</td>
<td>11.0</td>
<td>53</td>
<td>8.2</td>
<td>Oakley, Contra Costa</td>
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<tr>
<td>Petaluma Avenue Houses</td>
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<td>44</td>
<td>10.4</td>
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<td>65</td>
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<td>Civic Center Residence</td>
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<tr>
<td>Tax credit region: San Mateo and Santa Clara Counties (6%)</td>
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<td>Monterey Family Village</td>
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<td>24.7</td>
<td>71</td>
<td>16.2</td>
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<tr>
<td>The Fairways, San Antonio</td>
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<td>31.0</td>
<td>84</td>
<td>16.8</td>
<td>San Jose, Santa Clara</td>
</tr>
</tbody>
</table>

Source: (CTCAC, 2008a) Table A5 with data extracted for 9% tax credits in Bay Area counties. Nonprofit status derived from developer being within the nonprofit set-aside, or by additional Internet search.

Figure 3: Bay Area tax credit allocations, 2007

Federal legislation sets-aside a minimum 10% of tax credits for nonprofit developers though they always receive more than this, for example 26% of national allocations in 2005 (ABT Associates, 2007: Table 2). However, in some cities such as Boston, Chicago, Cleveland, Minneapolis, New York and San Francisco there are strong concentrations of nonprofit housing providers (Vidal, 1996; Davis, 2006). Between 2000 and 2005 over 70% of the very low and low income units in the Bay Area were developed by nonprofits (Bay Area LISC, 2005). From Figure 3, seven of the ten 2007 Bay Area tax credit allocations - and 71% by value - were to nonprofits. Both the San Francisco tax credit allocations were to nonprofits. The dominance of Bay Area nonprofits in competing with for-profit developers for tax credits is not typical of the rest of California: in the south of the state, particularly populous Los Angeles county, for-profit developers win most tax credits.
Bay Area capacity

Davis (2006: p.372) noted that due to devolution, ‘the most stable, sophisticated and accomplished nonprofit housing networks are found in cities and states that have historically been the most generous in providing operational support for … nonprofit producers of below-market housing’. US nonprofit housing providers have been publicly funded since the 1959 ‘Section 202’ Housing Program, and cities such as San Francisco have used these and other sources such as municipal bonds to support nonprofits. Community development corporations (CDCs), 90% of whom provide affordable housing (Vidal, 1996), grew out of 1960s radical activism which became synonymous with Berkeley and San Francisco. Of the respondents to a recent survey of nonprofit housing providers in northern California, just under three quarters had been formed before the first bids for tax credits in 1987 (Bay Area LISC, 2004-5). High-capacity housing organisations and networks in the Bay Area pre-dated, and disproportionately benefited from, tax credit financing:

‘Part of the reason why the [Bay Area] nonprofits were successful early on is that there was an infrastructure already in place. So you had Eden Housing and MidPen, EAH in Marin. Three long-term solid organisations that were doing affordable housing from before the tax credits … in southern California that infrastructure didn’t exist … Hence early tax credit allocations mainly came to the Bay Area’ (Capacity building organisation employee).

Tax credits provide developer fees to the organisation structuring the transaction, and this income further built Bay Area nonprofit capacity into the 1990s such that new tax credits continued to be awarded to nonprofits. The funding structure encouraged growth by existing organisations, creating barriers to entry to new nonprofit or for-profit developers. Vidal (1996: p.154) suggests ‘a dense network of CDCs both requires and attracts support … success breeds success’. The network encompasses a much wider set of organisations as explained by one interviewee who commented that for nonprofit housing:

‘Northern California is one of the most advanced, if not the most advanced [areas] in the country. We have the infrastructure here - not just the nonprofit developers but the lenders, the consultants. It’s a whole infrastructure … It’s primarily up to the organisation to have the capacity, but it does have to have the environment where it’s easier for things to happen. I think that San Francisco’s a relatively easier environment than Oakland or Santa Rosa … arguably it’s the most liberal city in the country as so it accepts affordable housing, people here recognise that it’s the number one issue so they voluntarily taxed themselves. There is tremendous support from the city government and the housing agencies here. The Mayor and everyone on down in my experience wants to see affordable housing get built’ (Nonprofit housing organisation employee).

The support network includes other nonprofit organisations of which the Bay Area has a high concentration: 1.1 per 1,000 residents compared to an average of 0.7 per 1,000 in both California, and for the US as a whole. These nonprofits contribute 13.8% to Bay Area GDP compared to only 5.0% in Los Angeles and 6.9% across the whole country (Gammal et al., 2005). Corporations have also been generous supporters of nonprofit housing organisations. In the 1980s the Bay Area Council, an employers’ consortium concerned about the lack of workforce housing, promoted what would become California’s largest nonprofit housing developer - Bridge Housing. Similarly, the two largest nonprofit capacity building organisations were funded by business donations: the Local Initiatives Support Corporation (LISC) was established by the Ford Foundation in 1979 and property developer James Rouse created Enterprise Community Partners in 1982 (O'Regan and Quigley, 2000).
Housing Networks

Having established the strength of Bay Area housing nonprofit organisations, and commented on the connectedness between housing providers, city authorities, other nonprofits and the business community, this section applies network theory to the case study region. First, the conceptual framework of organisational fields is used to suggest possible field boundaries for affordable housing organisations. Second, the newly identified nonprofit housing institutional field is tested for evidence that organisations in the field are becoming more similar. Third, a new category of actors that support the nonprofit affordable housing providers, termed capacity building organisations, is identified and their networking role explained.

Tax credits are a classic example of new forms of governance that are ‘self-organising, inter-organisational networks characterised by inter-dependence, resource exchange, rule of the game and significant autonomy from the state’ (Rhodes, 1997: p.15). Networked forms of governance are now common in housing, unlike the hierarchical relationships in the past between governments and housing providers based on a principal/agent relationship with an active/passive power balance (Reid, 1995; van Bortel and Elsinga, 2007). Each US tax credit transaction requires many forms of finance including debt, equity, donations, grants and soft loans from the city and state. This brings together a wide range of influential and often wealthy actors who have a financial stake in ensuring the tax credit system continues and that nonprofit organisations succeed (Keyes et al., 1996). These finance providers need to work closely with affordable housing developers, and with each other, to move complex affordable housing proposals from the drawing board to reality. They must also continue cooperating for 15 years to ensure schemes remain compliant with tax and other regulations. As a result of this complexity, a minor industry of consultants and support organisations such as LISC has grown to help structure transactions. These advisers are particularly important for nonprofit organisations who often lack necessary in-house financial and legal expertise.

Organisational fields

New institutional theorists use the term organisational field, to describe ‘organisations that, in the aggregate, constitute a recognisable area of institutional life’ (DiMaggio and Powell, 1983: p.148). Unlike sectors which can be defined by economic or social outputs, organisational fields are understood by network strength and forces of institutionalisation. Fields can be more or less institutionalised depending on the extent of interaction and information flow between actors, and the awareness of organisations and the media that they are involved in a common set of activities. Common regulation, funding, legal structures and professional accreditation help build organisational fields in housing (Mullins, 2002). Boundaries between organisational fields can be either firm or permeable, and the structuring of fields can change over time. Taking the British Isles as an example, Mullins (2001a) observed an emerging social housing field in England encompassing public and nonprofit housing providers but considered it relatively weak, whereas the nonprofit sub-field was becoming stronger and more institutionalised. In Ireland, the nonprofit sector is less institutionalised due to weaker regulation and less coordination through professional bodies, and may fragment between ‘growth’ and ‘community’ organisations (Mullins et al., 2001).

In the US there remains a strict demarcation between public and nonprofit housing. The former is nationally funded and managed by 3,300 local housing agencies which are independent of local or state government (HUD, 2008b). Most agencies are small, with 87% managing fewer than 500 properties (Schwartz, 2006). Since 1993 HOPE VI Federal grants have led to the demolition of some of America’s most notorious high-rise project homes and their replacement with better designed units. Tenancy management on these properties is
often contracted-out to the private sector: North Beach Place, San Francisco was developed by nonprofit Bridge Housing but on completion management responsibilities passed to the for-profit John Stewart Company (Reid, 2005). Funding for HOPE VI is now scarce, and 90% of public housing has been unaffected and still in need of major renovation. From Bay Area research, public and nonprofit housing do not appear to be in the same organisational field due to weak institutionalisation: funding, regulation, tenant eligibility and waiting lists are different and there is no common professional staff institute or trade organisation. Interviewees confirmed staff do not transfer between the public and nonprofit sectors. The San Francisco Mayor’s Office of Housing is currently promoting a bond-financed scheme, HOPE SF, where nonprofit and for-profit organisations will refurbish the city’s remaining public housing (Task Force, 2007). If successful this would, like in England, make the boundaries more permeable between public and nonprofit housing organisational fields.

US tax credit allocation allows for bids by both for-profit and nonprofit housing developers and therefore they operate within the same institutional environment. There is some movement of specialised property developers from the for-profit to nonprofit sector, and occasionally staff are lured in the other direction with higher salaries, but there is little interchange of senior managers. Most capacity building and trade organisations and consultants such as Community Economics specialise in assisting nonprofit developers whereas for-profit developers work together with each other through a separate industry association. The Bay Area research for this paper supports Crowe’s (1996) view that there are fundamental differences between for-profit and nonprofit affordable housing developers. They do not, therefore, constitute a single organisational field. During interviews, nonprofit employees could often not name any for-profit affordable housing developers in California and the sector was normally referred to with disdain, or cultural differences emphasised:

‘…there’s tensions that play out, the private sector folk are really focussed on: let’s get the project done, done, done, done - and keep the costs down, and go onto the next project. The nonprofits are I think a bit more sensitive to the softer side of stuff in terms of what are the services going to look like, what type of organising can we do in the neighbourhood’. (Nonprofit housing organisation employee).

The best explanation of Bay Area affordable housing organisations, using network theory, is that there is an nonprofit housing institutional field in the Bay Area. This field would include nonprofit developers, nonprofit capacity building organisations and several of the tax credit consultants. Also included would be for-profit tenancy management organisations such as John Stewart Company and A F Evans: the former having been described as ‘a sort of a nonprofit operating as a for-profit’ (nonprofit housing organisation employee). Together these organisations meet the test of DiMaggio and Powell (1983: p.148) in forming a ‘recognisable area of institutional life’. Although many organisations in the field have the same legal structure (as tax exempt corporations) their dominant common characteristics are operating within the tax credit framework and a shared vision ‘that nonprofit sponsors are the appropriate vehicle for building houses and developing communities’ (Keyes et al., 1996: p.211). In the Bay Area, though not elsewhere in California, there is a relatively strong and institutionalised nonprofit organisational field. Boundaries exist separating it from the for-profit developer and public housing fields, though they are relatively permeable. Greater use in future of public-private-nonprofit partnerships to reinvigorate public housing estates, and the formation of professional organisations recruiting staff across all three fields may in time lead to the formation of a broader social housing field as in England.
Isomorphism

Within the Bay Area nonprofit housing institutional field, are there consistent patterns of organisational development? New institutional theorist have observed institutional isomorphism, or the tendency of organisations operating in the same organisational field to adopt similar business practices. Isomorphism will only take place once a field has become sufficiently established, therefore the identification of field boundaries described above is important in understanding which organisations could be expected to become more similar, and when. DiMaggio and Powell (1983) identified three mechanisms contributing to isomorphism. Firstly coercive factors, where dependency on resources prompts organisations to behave certain way so as to be seen as legitimate. Coercive isomorphism can be both by force of law or by persuasion. Second, mimetic factors can be important, such as the emergence of organisations considered to be leaders in their field which others seek to emulate. Role model organisations are particularly valued at times of uncertainty and sectoral change (Jefferson and Meyer, 1991). Third, normative factors are shared assumptions established through professional training, career structure and networking.

The US tax credit funding mechanism is an example of coercive isomorphism. Land and development costs are high so it is unlikely an organisation would be able to build affordable housing to scale in California without using tax credits. The application process promotes the values of the state’s allocation committee, therefore in California bidders are coerced into green building design and serving lower income households as otherwise they will not win funding. Bid documents are complex, requiring organisations to have a high level of financial acumen and nonprofit tax credit applicants have been compelled to professionalise their business practices to compete with for-profit developers. Normative isomorphism is also important given that Bay Area nonprofits work closely with a relatively small number of capacity building organisations such as LISC, Enterprise Community Partners and NPH who, through best practice guides and presentations, convey ideas of ‘appropriate’ nonprofit business processes. Similarly, consultants such as Community Economics, who have advised 104 nonprofit organisations on 440 tax credit projects in California, count as their clients virtually all Bay Area organisations (Community Economics, 2008). Many senior nonprofit staff, and half the Executive Officers of the ‘big 6’ Bay Area providers, have been educated through the planning programme at the University of California, Berkeley.

Interviews with case study organisations identified consistent changes to business practice over the last 5-10 years: appointing an Asset Manager to plan for long term property maintenance, introducing succession planning, producing a procedures manual and moving from a bookkeeper to a more strategic Finance Director. As was noted '[the organisation] should have employed a Finance Director a long time ago. [We are] a well run organisation but I still think [my predecessor] had a lack of financial understanding. He looked at the financial statements but did not understand' (Finance director, nonprofit housing organisation). These changes are evidence of institutional isomorphism, though they may apply across the nonprofit sector, in part a reaction to well publicised US charity scandals such as at the United Way in the 1990s (Glaser, 1994). It is also hard to determine whether the move to professionalisation is normative (through nonprofits networks) or mimetic (by following local examples). If mimetic, the likelihood is that organisations are following the lead of San Francisco based Bridge Housing who are the largest and highest profile nonprofit housing provider in California. Bridge, established in 1983 as a professional organisation, faced opposition from more traditional, voluntary CDCs who served local communities:
‘When we started as a regional organisation it was blasphemy ... the idea that we had a President not an Executive Director, that Don [Turner] made everybody wear suits, be clean cut and try to be understandable to the financial institutions as opposed to the community advocates. We were a really odd duck in the nonprofit world’ (Bridge Housing, employee A).

This changed, with other organisations following Bridge Housing’s level of professionalism:

‘I think the other regional developers have gotten over who we are just because in many ways they’re more like us than not like us’ (Bridge Housing, employee B).

The final issue with isomorphism in Bay Area nonprofits, which is difficult to address from the limited number of case studies researched, is whether there is increasing differentiation between ‘growth’ and ‘community’ nonprofit housing organisations. This trend has been identified by researchers in other countries: in Ireland by Mullins et al. (2003) and in Australia by Gilmour and Bourke (2008). Bay Area housing nonprofits are dominated in terms of housing production by the ‘big 6’, who produced 70% of the region’s new affordable housing since 2000 (Bay Area LISC, 2004-5). The ‘big 6’ have adopted the ‘regional’ model described in the last quotation, unlike smaller organisations who retain the CDC ethos of connectivity with an ethnic community, high-needs tenant group or specific neighbourhood. One interviewee observed that Bridge Housing is ‘far removed from the sector’s heritage in poverty work, in de-segregation, literacy and homelessness’ (Bay Area academic). This divergence between ‘growth’ and ‘community’ organisations suggests a potential split within the Bay Area nonprofit housing institutional field with isomorphism taking place around two different organisational models. It also highlights the helpful insights network theory can give to understanding, and mapping trends in, complex institutional environments.

**Capacity building organisations**

With partnerships becoming important in the supply of affordable housing through the use of governance networks, there needs to be a greater understanding of the capacity of the sector as a whole, not just of individual housing organisations. Keyes et al. (1996) described LISC and Enterprise Community Partners as the key supporters of nonprofit housing organisations, raising equity by syndicating tax credits and acting a bridge from nonprofits to philanthropists and equity investors. Snowballing sampling techniques used for this paper confirmed their important role but also identified a number of other actors in the nonprofit housing institutional field, shown in Figure 4, that are termed *capacity building organisations*. Unlike the ‘support/service organisations’ such as banks, consultants, foundations and city housing departments listed in Figures 5 and 6 that have longstanding roles defined in an era of hierarchical governance, capacity building organisations have developed as a consequence of governance by network. Their role, implicitly or explicitly, is to build network strength:

‘NPH offers professional training, networking opportunities, and resources for housing policy analysts, advocates and activists ... NPH amplifies the voice of key stakeholders in support of affordable housing is by initiating and cultivating relationships with related and allied groups’ (NPH, 2008).

‘While we bring capital, we also provide the network for organisations. Most of the housing developers that are in the Bay Area ... are excellent developers, but I think there’s still a need for some level of capacity building and also the ability to bring people together and share and learn from each other as they have not developed their own systems and one of the things that our office promotes is their learning and sharing of information’ (Capacity building organisation employee).
The eight capacity building organisations in Figure 4 undertake a range of activities, from training and research to consultancy and raising finance, though their most consistent role is in lobbying and advocacy. Lobbying is familiar practice in Washington DC, though equally important in helping shape state legislation and encouraging city governments to adopt favourable planning ordinances or raise money through housing bonds. Californian state law allows binding legislation to be passed by referenda, known as initiatives, if sufficient signatures are collected (Hird et al., 1991). Ballot initiatives affecting affordable housing are key in bringing together actors in the Bay Area network. California’s Proposition 46, passed in 2002, raised $2.1 billion [€1.3 billion] through bond issues for various housing initiatives including gap finance towards 11,081 tax credit backed affordable housing units (NPH, 2006). As this was not a permanent source of finance, when funds were expended a further initiative, Proposition 1C was passed in November 2006 raising $2.85 billion [€1.80 billion]. This Proposition 1C campaign was coordinated by a key organisation in the cluster of capacity building organisations at 369 Pine Street San Francisco described in the next section, the California Housing Consortium (2007). Although for nonprofit housing providers the need for regular ballot initiatives to raise essential local funding is a structural weakness, it is useful in building and reinforcing networks that support Bay Area affordable housing.

There are differences in the regional scope of the capacity building organisations with some having responsibility for the whole state, and others more grounded in the housing needs of San Francisco. Bay Area LISC [C1: see Figures 4, 5 & 6], NPH [C2], Enterprise Community Partners [C6] and East Bay Housing Organizations [C8] are most closely identified with nonprofit providers. Others such as the California Housing Consortium [C3] are a ‘big tent’ group of which nonprofit organisations will be members, along with for-profit developers, banks and builders. The common thread between the eight organisations in Figure 4 is that they support the work of nonprofit developers, either with practical help such as training, lobbying for legislative changes or trying to overcome opposition to building affordable housing in wealthier neighbourhoods. Networking occurs on many levels. Most of the capacity organisations have large boards with members drawn from nonprofit providers, banks, businesses and directors of other capacity organisations. For example the Executive Director of NPH [C2] is also chairperson of the California Housing Consortium [C3]: four members of the ‘big 6’ nonprofit providers are represented on NPH’s board, as are key senior executives from John Stewart Company [S9] and Community Economics [S16]. Hence the capacity organisations through their governance structures build a strong, interconnected web of personal networks of senior people in the Bay Area nonprofit housing institutional field.

The capacity network does not just connect senior managers and board members. By attending three nonprofit housing conferences and the monthly meeting of the San Francisco Housing Action Coalition in San Francisco in 2007, the author observed peer networking and the exchange of normative guidance on best organisational practice. The eight capacity building organisations establish arenas where actors meet: conferences, workshops, training schemes, presentations by visiting speakers, site visits, brown-bag lunches and social events. NPH host a web site advertising job opportunities in the nonprofit sector, and staff movement between organisations transfers knowledge - often middle ranking staff from the ‘big 6’ move to smaller organisations in senior positions. The dynamism of the network established within the nonprofit housing institutional field has been built over the last three decades, for example NPH’s first annual conference in 1979 attracted only 50 people from 13 organisations but by 2006 this had risen to 500 participants from 100 organisations (NPH, 2008). The next section will consider whether the strength of this network can be explained not just by the institutional links between organisations but by their spatial location in the Bay Area.
<table>
<thead>
<tr>
<th>Organisation &amp; map ref</th>
<th>Activities</th>
<th>Locations</th>
<th>Funding</th>
<th>Governance</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>[C1] Bay Area Local Initiatives Support Corp. - LISC</td>
<td>√ √ √ √ √</td>
<td>[1]</td>
<td>√</td>
<td>11</td>
<td>'81 National community org. with Local Committee</td>
</tr>
<tr>
<td>[C2] Nonprofit Housing Association of N. Cal - NPH</td>
<td>√</td>
<td>√</td>
<td>14</td>
<td>8</td>
<td>'79 Nonprofit housing membership organisation</td>
</tr>
<tr>
<td>[C3] California Housing Consortium</td>
<td></td>
<td>√</td>
<td>√</td>
<td>2</td>
<td>27 '97 'Big tent’ state-wide affordable housing lobby</td>
</tr>
<tr>
<td>[C4] California Housing Partnership Corporation</td>
<td>√ √ √</td>
<td>] [1]</td>
<td>√</td>
<td>10</td>
<td>n/a '88 Established by state to assist nonprofits and counties/cities</td>
</tr>
<tr>
<td>[C5] Bay Area Council</td>
<td>√</td>
<td></td>
<td>√</td>
<td>23</td>
<td>28 '45 Business sponsored advocacy group</td>
</tr>
<tr>
<td>[C6] Enterprise Community Partners</td>
<td>√ √ √ √</td>
<td>[1]</td>
<td></td>
<td>3</td>
<td>n/a '82 National community organisation with SF office</td>
</tr>
<tr>
<td>[C7] San Francisco Housing Action Coalition</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>0 '99 Membership based, supports affordable housing</td>
</tr>
<tr>
<td>San Francisco Housing Development Corporation [5]</td>
<td></td>
<td></td>
<td></td>
<td>11</td>
<td>13 '88 Advice for affordable home ownership</td>
</tr>
</tbody>
</table>

Notes: [1] National organisation with a structure of regional offices [2] Organisation is a nonprofit but has a for-profit tax credit syndicating subsidiary [3] Local Committee [4] There are 28 members of the Executive Committee together with 155 Directors [5] not interviewed as part of the research, and not in map area in Figure 5 [6] Based in Oakland and shown in Figure 6.

Sources: Websites of the various organisations (consulted May 2008) and interviews (late 2007). Additional information on funding etc has been sourced from 501(c)3 tax returns at www.guidestar.org

Figure 4: Capacity building organisations
**SPATIAL CLUSTERING**

The networks detailed in the previous section function when the various actors form connections or relationships. These are thought to be strongest when people meet together. In San Francisco, at the heart of the Bay Area, a variety of nonprofit housing developers, capacity building organisations and service providers are located within close proximity to each other. This fits the definition of an industry cluster, described by Michael Porter as:

> ‘geographical concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries and associated institutions (for example universities, standards agencies and trade associations) that compete but also co-operate’ (Porter, 1998: p.197).

Traditional examples of industry clusters include watchmakers in Switzerland and technology firms in Silicon Valley. While co-location of similar firms has long been casually observed, more recent research suggests how business clustering and the availability of support services might strengthen regional competitiveness (Porter, 2000). Internationally successful industries are often concentrated in a single region where competition is vigorous, suppliers close and information flows rapid. The proximity of a university to a successful cluster can be important as over time it will supply courses to meet the demands of local employers, and become part of the network. However, clustering is not without its critics, particularly when used as a tool by cities to try and build new clusters (Lovering, 1999; Benneworth and Henry, 2004). It is also important not to focus solely within a region as most sectors have knowledge flows connecting organisations within the cluster to what is happening in the sector elsewhere in the world (Maskell and Lorenzen, 2004; Harrison et al., 2004).

There has been far less research on clustering by nonprofit than for-profit organisations (Bielefeld and Murdoch, 2004). Joassart-Marcelli and Wolch (2003) used nonprofit tax return data to map the location of 2,099 nonprofit social service organisations in southern California against poverty indicators from the 1990 census. Their conclusion was that nonprofit organisations serving poor families are more likely to be concentrated in locations with middle to high income levels. This reinforced earlier research by Wolpert (1993a) that nonprofits tend to locate in central city rather than peripheral areas. This is due to the availability of wealthier donors and volunteers who wish to make an impact close where they live (Wolpert, 1993b), and to functional links that can be set up with other similar organisations (Lee et al., 1999). Recent research by Bielefeld and Murdoch (2004), using regression techniques to study the location of education and human service nonprofit and for-profit organisations in six US metropolitan regions found less consistency on location. For example, although nonprofit clustering was widespread, it varied by city: in Boston location was determined by proximity to for-profit organisations, in Dallas/Fort Worth it was closeness to other nonprofits that was important. This suggests local factors should be taken into account, as should the dynamics of the particular nonprofit activity being undertaken.

Competitive funding of the US nonprofit housing sector through bidding for scarce tax credits, creates a greater degree of inter-organisational rivalry than for ‘traditional’ nonprofits funded by donations, such as the Red Cross. Figure 3 highlights that there were only ten Bay Area tax credit schemes funded in 2007 of which seven were allocated to nonprofits: slim pickings for the 69 nonprofit organisations in the region (Bay Area LISC, 2004-5). Not only do the organisations compete for tax credits but for land, donations and staff. There are particular shortages of experienced project managers with property development skills, and nonprofits have to pay these staff salaries close to those offered by commercial firms. Tax credits have forced nonprofit housing providers to adopt a commercialised business model.
Figure 5: Capacity cluster - San Francisco

Nonprofit Housing Organisations
N1 Bridge Housing (#1)
N2 ASIAN Inc.
N3 Citizens Housing Corporation (#6)
N4 Glide Community Housing
N5 Tenderloin Neighbourhood (#4)
N6 TODCO
N7 Community Housing Partnership
N8 San Francisco Habitat for Humanity
N9 Episcopal Community Services
N10 Progress Foundation
N11 Mercy Housing California (#5)
N12 Mission Housing

# 'Big 6' nonprofit developer in N. California

Capacity Building Organisations
C1 Bay Area LISC
C2 Nonprofit Housing Association N. Cal. (NPH)
C3 California Housing Consortium
C4 California Housing Partnership Corporation
C5 Bay Area Council
C6 Enterprise Community Partners
C7 San Francisco Housing Action Coalition

Support/Service Organisations
S1 Wells Fargo Bank
S2 Bank of America
S3 Citibank
S4 Federal Home Loans Bank of San Francisco
S5 Bank of the West
S6 S H Cowell Foundation (philanthropy)
S7 Wachovia Bank
S8 CSG Advisors (consultants)
S9 The John Stewart Company (tenancy manager)
S10 Asian Neighbourhood Design (community build)
S11 San Francisco Mayor’s Office of Housing
S12 California Reinvestment Coalition

Bay Area Rapid Transit (BART) station

Source: Google Maps
Nonprofit organisations raise bank loans, satisfy the demands of equity investors, negotiate against for-profits companies for land, and contract-out property development and/or tenancy management. On-going funding of administrative costs is dependent on developer fees from tax credits, therefore organisations continually need to undertake new projects to survive. This operating environment has similar characteristics to the commercial businesses studied by Michael Porter and others reinforcing the appropriateness of using a clustering lens to investigate the locational dynamics of nonprofit housing providers.

The various actors in the nonprofit housing institutional field are shown on maps of central San Francisco in Figure 5 and Oakland in Figure 6. These cities, and nearby Berkeley, are linked by the efficient, high frequency Bay Area Rapid Transit (BART) metro with travelling times from San Francisco to Oakland only 13 minutes. In theory - and in practice when lobbying or attending conferences - representatives of all the organisations shown on the two maps could gather within 30 minutes for a meeting in downtown San Francisco. Nonprofit housing organisations are relatively dispersed, with two of the ‘big 6’ ranked by number of affordable units developed since 2000 located outside the area covered by the maps: Mid-Peninsula Housing in Foster City (29 kilometres) and Eden Housing in Hayward (23 kilometres)(Bay Area LISC, 2004-5). Most nonprofits in San Francisco and Oakland are located in places of housing stress such as the Tenderloin and South of Market. Traditional CDCs are either in the locality they serve - Mission Housing [N5] are in the Mission District - or close to their target ethnic group assisted - East Bay Asian [N19] are in Oakland’s Chinatown. Location close to their tenants enables nonprofits to occupy less expensive
premises. For example, Tenderloin Neighbourhood Development Corporation [N5] have their offices co-located in a residential block they manage.

Capacity building organisations are less dispersed than the nonprofits they serve. Most have clustered in or close to San Francisco’s financial district which in Figure 5 is the area north of Montgomery Street BART station. In part this may be due to their provision of hard-to-evaluate services, making a prestigious location important in enhancing legitimacy in the eyes of funders and supporters (Bielefeld and Murdoch, 2004). However, a more likely explanation is their location is determined by the sector’s reliance on banks for loans and tax credit equity investment driven by Community Reinvestment Act obligations. Proximity to banks may also affect the location of Bay Area LISC [C1] and Enterprise Community Partners [C6] who are the two principal national tax credit syndicators for nonprofits, CSG Advisors [S8] who are the US’s largest housing bond advisers and the California Housing Partnership Corporation [C4] who assist with tax credits and bonds. NPH [C2], California Housing Consortium [C3] and Bay Area Council [C5] bring together banks and nonprofits in affordable housing coalitions. The only exception is the location in Oakland of tax credit adviser Community Economics [S16], whose owner lives in the East Bay and prefers to cycle to work. Also, somewhat away from the main San Francisco cluster, is the Mayor’s Office of Housing [S11]. The location pattern of capacity building organisations therefore appears to be driven by the way affordable housing is financed rather than the location of people in housing need or proximity to local government.

Spatial analysis of Bay Area nonprofits discovered four examples of organisational co-location. In the first two, nonprofits are in the same building as capacity building or support organisations. For example, on different floors at 995 Market Street, San Francisco are based both Habitat for Humanity [N8] and the Housing Action Coalition [C7]. These organisations appear to have few linkages, unlike the two based in 538 Ninth Street, Oakland. Here Community Economics [S16], a nonprofit corporation providing tax credit consultancy to nonprofit affordable housing developers have been co-located since the mid-1990s with East Bay Housing Organizations [C8] who are a membership based advocacy and coalition building nonprofit. They both rent space from East Bay Asian [N19], a nonprofit housing developer in Oakland who as part of their mission rent space to community organisations. The two tenants share meeting rooms and kitchen facilities, have cross-membership at board level and are further co-located with an architectural firm specialising in affordable housing design. However, the most significant co-location is of four capacity building organisations on the third floor of 369 Pine Street in San Francisco’s financial district. The two largest organisations are the mainstays of nonprofit capacity building through networking and training in northern California: Bay Area LISC [C1] and NPH [C2]. They joined by the smaller California Housing Consortium [C3] and California Housing Partnership Corporation [C4]. They share conference rooms, and transfer knowledge through staff movements:

‘It’s great to be able to go down the hall to talk to folks. [Person A] serves on our local advisory committee and we use his organisation to deliver the housing development training. We work with NPH on policy issues: [Person B], a co-director there, used to be at [Organisation C]. There’s interchange!’ (Capacity building organisation employee based at 369 Pine Street).

The co-location of these organisations has not been driven by public policy, city government subsidy or by favourable terms from a nonprofit landlord - all four organisations pay commercial rents. Nor was it planned from the start, as the organisations moved into the building at different times. From interviews with all four organisations, the drivers for co-
location appear to be a strategic desire to strengthen affordable housing networks through an ability to readily share ideas. There are also close personal networks between staff. When an office on the third floor at 369 Pine Street became vacant, it was suggested by one of the resident capacity building organisations that a new housing support group take this space as they were already linked through common directorships. For the newly joining organisation:

‘It’s important to us [that] we’re part of this housing sector fold. We might not always see eye to eye on some things, but we all have the same objectives in mind and have a mutual respect. It’s good for us too as a small organisation to have a lot of resources at our fingertips. NPH has brown bag lunches here and so forth ... It’s great to be located here so close to BART’ (Capacity building organisation employee based at 369 Pine Street).

Linkages between regional clusters such as at 369 Pine Street, and what is happening nationally and internationally were flagged as important at the start of this section. For example, in an analysis of the media cluster in central London, researchers confirmed that both local and global connectivity was important: ‘this localised cluster is bound tightly into world wide webs of interdependence’ (Nachum and Keeble, 1999: p.1). Field research into Bay Area housing nonprofits initially found them to be insular, with many staff having little knowledge of developments even in southern California. However, through national organisations with strong San Francisco regional offices such as Maryland based Enterprise Community Partners and New York headquartered LISC, training materials and knowledge of new initiatives such as inclusionary planning quickly pass through the US. Nonprofit housing provider Mercy Housing California are part of a national network of Catholic charities based in Colorado. Larger regional nonprofits such as Bridge, Eden and Mid-Peninsular Housing are part of the 85 member, Boston based, national Housing Partnership Network which is ‘a peer network and business alliance ... By collaborating through the Network, our members share and spread the innovations that emerge from their local practice’ (Housing Partnership Network, 2008). In April 2008 the Network facilitated a three day meeting in London with their counterparts in England, also attended by PowerHousing Australia who have a similar business model to the US Network. The San Francisco nonprofit cluster is therefore nested within, and impacted from, national and international affordable housing trends.

The limited spatial analysis in this paper is insufficient to draw definitive conclusions on clustering by housing nonprofits, though there are some useful pointers for further research. San Francisco appears to have an identifiable and robust affordable housing industry cluster of the type associated with technology firms in nearby Silicon Valley. The former is closely associated the University of California at Berkeley, the latter Stanford University. Locations of the ‘big 6’ large regional nonprofit developers are in cities rather than peripheral areas, reinforcing research by Wolpert’s (1993a) and Joassart-Marcelli and Wolch (2003) though many are not located in the highly liveable city of San Francisco, and only Bridge and Citizens Housing are close to the financial district. Capacity building organisations conform better to Wolpert’s analysis, though her study was just of nonprofit service providers - analysis of the relationship between the location of providers and their support network is missing from the literature. The more contingent picture of nonprofit location by Bielefeld and Murdoch (2004) works better for understanding San Francisco’s housing nonprofits, as similarly strong networks do not exist in Los Angeles or Sacramento. When the mists roll back from the Bay they reveal a region with long-established nonprofit organisations and a tradition of community support that permeates the public, business and nonprofit sectors. Such fertile territory for a strong housing nonprofit sector may not exist elsewhere.
CONCLUSIONS

This case study of Bay Area nonprofit housing organisations has identified that they exist within a relatively strong institutional field. Forces of institutionalisation come from a common financing and regulatory system through tax credits, but more importantly shared values of actors that it should be nonprofit organisations who build subsidised housing. Within the institutional field there are differences between the organisational models used by ‘growth’ and ‘community’ housing providers. Despite this, Bay Area housing nonprofits present a united front in championing affordable housing initiatives and work closely in a network that is strengthened by capacity support organisations that are spatially clustered in San Francisco. This pattern may only be replicated in a small number of US regions:

‘The number and sophistication of CDCs vary sharply across cities and regions because CDCs form in response to local events and circumstances. The institutional support system is correspondingly uneven. Some cities and states host more, and more vibrant CDCs and have richer institutional support systems than others’ (Vidal, 1996: p.161).

Given that specific local factors affect the strength of the nonprofit housing sector, it would be difficult to replicate the Bay Area capacity network elsewhere. This highlights the dilemma of a devolved housing policy: regions with more dynamic nonprofit organisations and better support networks will produce more affordable housing, irrespective of housing need (Keyes et al., 1996). Also, as noted by Schwartz et al. (1996: p.401), ‘the complexity and variability of these networks should not necessarily be viewed as virtues’. While networks have helped bridge the capacity gap in the Bay Area, and built a dominant nonprofit housing sector, the region continues to face extreme affordability problems. It is easier to describe governance networks than to find clear evidence that they are an effective policy instrument.
NOTES

The researcher is grateful for the assistance provided by the three case study nonprofit housing organisations and to the individuals who took part in the interviews. The paper has been structured such that anonymity of interviewees has been preserved. Thanks are due to Bay Area LISC who made available primary questionnaire data collected in a survey of community development corporations, subsequently published in summary form (Bay Area LISC, 2004-5; 2005). The survey response rate was modest, at 65% of organisations, although all major regional housing nonprofits took part.

Part of the research for the second section of this paper was prepared for a conference in Melbourne, Australia, in June 2008 (Gilmour and Milligan, 2008). References to $ are to US dollars and these have been converted to a rate of $1 = € 0.63.

This paper provides the first results from a doctoral research project at the University of Sydney: ‘How can nonprofit organisations supply more affordable homes: an international comparative study with special focus on institutional capacity’. Replicating the methods used in the Bay Area, similar research will take place during 2008 in the State of Victoria, Australia, and north-west England. One of the aims is to discover whether nonprofit housing networks are of similar shape and importance in the US, Australia and England. Most significantly, the research will seek a deeper understanding of the institutional capacity of the non-profit housing sector and whether the skills and networking capabilities of organisations are contributing to, or holding back, the delivery of affordable housing.
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