Housing
Partnership
Canada

Business Transformation: Promising Practices for Social and Affordable Housing in Canada

Case Studies

"I think that to succeed in today's world you need to continually get better. You don't get better by staying the same, so achieving growth is pretty much essential if you want to succeed. If Affordable stayed at the 22 projects/1,250 units it had 20 years ago, we would be quite stale by now."

Bob Nicklin, CEO, Affordable Housing Society

Affordable Housing Societies

Business Transformation Activity

Scaling up operations; strategically managing and leveraging assets

Context

Affordable Housing Society (AHS) is a private non-profit society that was established in the Vancouver lower mainland in 1982 in response to the federal non-profit housing program. As such they can be described as a “traditional provider:”—created specifically to develop and manage housing for low-moderate income families and seniors under government programs.

Over the years they have remained focused on their core function – providing subsidized affordable housing – eschewing ancillary activities such as assisting other societies with development, or offering property management services to others, remaining primarily a landlord. They have also made a conscious decision to not take on responsibility for providing support services (in some properties, support services are delivered by other agencies).

Thus the trademark of AHS has been to stay focused on core competencies and perform these well.

It is this focus on property management excellence together with a strong motivation to better meet the needs of lower income tenants that has enabled AHS to expand in recent years through the acquisition of properties.

Between 1982 and 2001, AHS developed (and in a few cases acquired and rehabilitated) 2,200 homes using CMHC, Federal/Provincial and BC Housing subsidy programs.

Since 2001, they have added two new construction projects totaling roughly 360 units, working in partnership with the City of Vancouver and BC Housing.

A further 1,000 units have been added to their portfolio since 2001 as a result of either take-overs of projects/societies in difficulty or of single project societies who wanted to pass their property on to someone who would continue to serve low income residents. AHS’s track record gives these societies the assurance that their legacy will be protected and enhanced.

Type of business transformation activities

To be more self-sufficient, AHS focuses on what it does best and has not expanded into other types of activities. It has a strong orientation toward controlling costs and operating efficiently. For example, while their portfolio has grown by 200% over 20 years, their head office staffing has grown by 30%. As the size of the portfolio grows at a steady rate, economies of scale and efficiency are further enhanced.

Some of its existing projects are now reaching the maturity of their federal operating agreements and will soon be debt free and outside of agreements – what their CEO calls “Freedom 35”. This will create opportunities to lever existing assets for refurbishment, and possibly some new development. It will also lower administration and related costs (e.g. reporting and RGI calculations).

In addition, in a situation unique to BC, many federal-provincial and provincial non-profit projects were developed with 60-year land-lease arrangements. BC Housing has agreed to negotiate the transfer of freehold title to societies and AHS is “purchasing” the freehold title to 26 of its properties. This transaction will be financed by BC Housing with a 35 year loan; BC Housing will then flow ongoing subsidy to offset loan payments, but will no longer pay any operating or RGI subsidy once the current agreements expire. AHS will continue to operate as affordable non-profit housing, but will not be restricted to RGI rents.

With freehold title, AHS will have a vested interest in operating properties well to fully cover costs, fund capital reserves and undertake necessary capital renewal as the properties age. They will also be motivated in the full range of asset management considerations rather than being limited to the time frame of the land lease.

Leaving aside the new financing subsidy related to the land transfer, operating subsidy will continue to decline (initially on former federal funded properties). However, AHS has established a sound business plan to operate on a viable sustainable basis. It will not be reliant on subsidy once the first mortgages are paid off and will, in fact, become increasingly self-sufficient over time.

In short, through sound property management and a focus on core competencies, AHS has established itself as a sound social enterprise.

Governance and leadership

To the extent that this is a continuation of a long established practice of careful sound management and does not represent a transformation in focus or mission, this transition did not encounter 'push back.'

The Board has supported a policy of steady growth and recognized the benefits of achieving economies of scale. This reinforces their core mission and focus.

Within a strategic objective of continued growth, the management team has been opportunistic—taking advantage of offers to acquire other failing or retiring providers when these made sense within the context of a sound business plan. Similarly the decision to purchase the residual freehold interest in their leased properties was undertaken only after careful consideration and due diligence. Holding the freehold interest makes it possible to refinance, renew and in some cases potentially redevelop these assets.

Over the years there has been some board turnover and the society has always sought to recruit for needed board skills while maintaining a good mix of Directors with social policy and business perspectives.

Culture of organization

The way the organization operates and its organizational culture have not changed in any significant way. In many respects, AHS was ahead of others in operating as a social purpose business with careful attention to operating efficiency, especially in those portfolios where the policy allowed them to retain savings from efficiencies (vs. reducing subsidy).

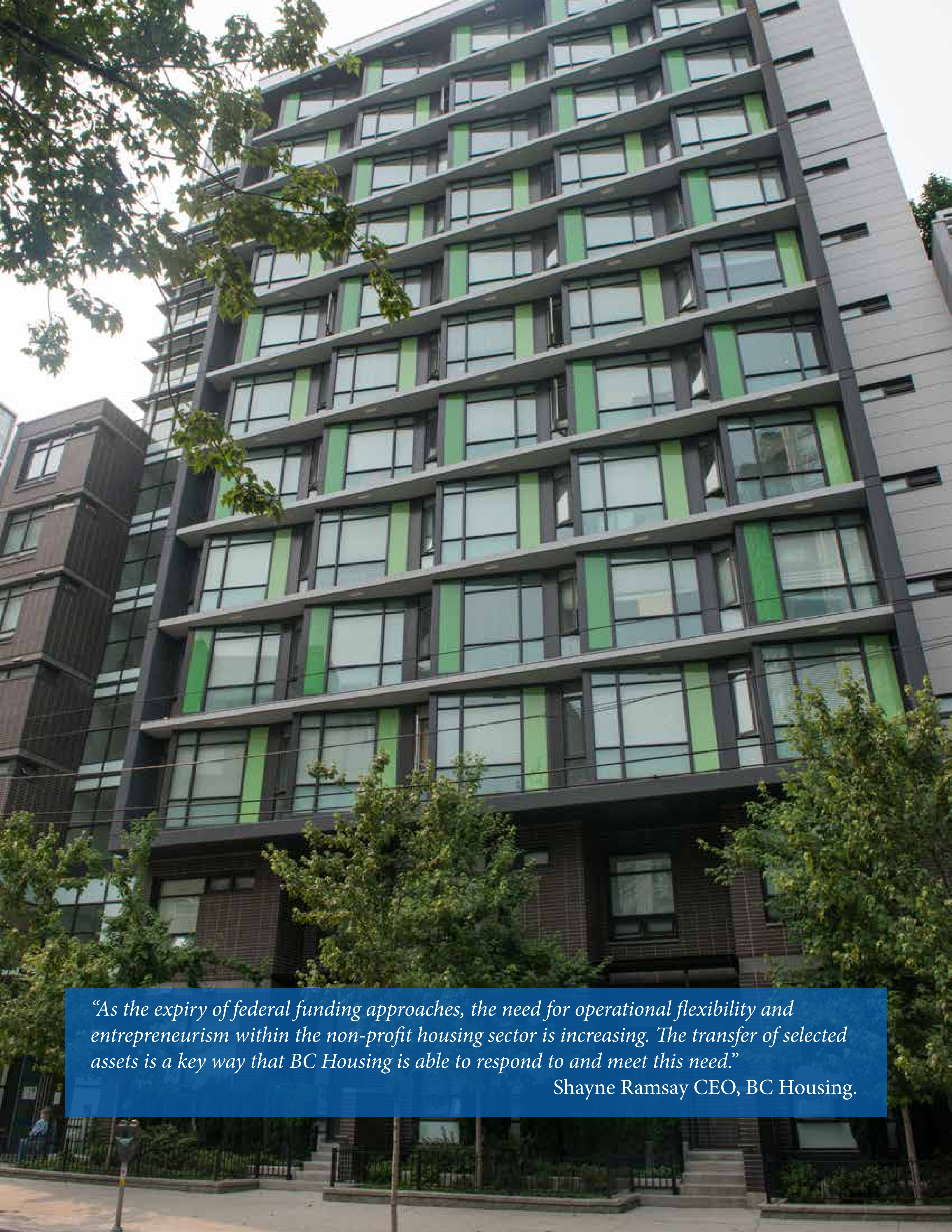
Managing risk

Affordable Housing Society's risk is limited insofar as they have remained focused and disciplined, even when venturing into new initiatives. They have remained geographically focused on a market they know and understand well. They made a conscious decision many years ago to not get involved in the provision of support services, in light of the fact that there are other organizations who are known to do this well. Likewise, they made the decision to not get involved in providing property management services to others.

So the key variable which they focus on in any new venture is the funding arrangements (including any operating agreement). AHS appears to take a rather conservative financial approach and will not undertake a new venture unless there is both a comfortable debt coverage ratio and a proven market demand. AHS assesses the viability of long-term funding arrangements (including any governments operating agreements) and will only proceed if satisfied that the arrangement will work.4

Staff skills

There is very little staff turn-over, with some additions to accommodate growth. AHS has hired from the public sector, the private sector and the third sector. Recently they created a Tenant Liaison position in order to help address their harder-to-house tenants, including seniors aging in place.



"As the expiry of federal funding approaches, the need for operational flexibility and entrepreneurism within the non-profit housing sector is increasing. The transfer of selected assets is a key way that BC Housing is able to respond to and meet this need."

Shayne Ramsay CEO, BC Housing.

BC Housing

Business Transformation Activity

Changing government culture; strengthening partnership with the community providers and strategic asset management

Context

BC Housing is a provincial crown corporation, initially created in 1967 as a vehicle to deliver and manage public housing. It is an operating agency, separate from the Ministry reporting to a Minister responsible for Housing. The Ministry's Office of Housing and Construction Standards is responsible for policy development.

Over the years its role has evolved from a developer-property manager to a funder and regulator of Federal-provincial social housing. While it owns and manages 7,200 units of provincially owned public housing, BC Housing also oversees the subsidies and regulatory framework under which almost 800 co-operative and non-profit housing providers deliver social and affordable housing to over 100,000 households. BC Housing also licenses residential builders and developers who build housing for sale and oversees the new home warranty system in the province.

As such it sets the operating framework and regulates BC's social housing system.

BC Housing as an operational crown corporation has historically played a somewhat different role from housing agencies in other provinces, which are more often internal parts of a ministry. In addition to funding and administering subsidy to housing providers, BC Housing has since the 1990's also acted as a technical advisor and enabler of social/affordable housing (and responses to homelessness). This has included a critical role in financing, where BC Housing is an approved lender under the National Housing Act, and as such is authorized to issue CMHC insured loans for social and affordable housing.

In 2006, the province adopted Housing Matters, a comprehensive strategy for reducing homelessness and ensuring every British Columbian has access to safe, affordable and appropriate housing. The strategy is broad, covering the full continuum from homelessness to homeownership (it is not narrowly focused only on affordable housing). At the same time a new housing allowance program for families was introduced, the Rental Assistance Program reflecting the direction of government to assist those with affordability issues through direct cash assistance for acquiring rental housing in the private market.

Housing Matters was updated in 2014, at which time it added new initiatives to increase the capacity of non-profit societies, to expand rental assistance in a manner that will give people more choices, support the renovation of social housing in need of major repairs and build new units for people with the greatest need.

Adding this focus to its strategic directions represented a continuing effort to support the sector. The Minister stated the view that non-profit housing providers are best suited to manage the social housing stock for British Columbians in need. This has established a new mandate for BC Housing to develop and implement a number of new initiatives specifically directed to strengthening the role and activities of non-profit providers. This includes plans to gradually transfer ownership and control of assets to community based non-profit societies and co-operatives.

Type of business transformation activities

In addition to its long standing role in enabling development of new housing (including for formerly homeless persons) and directly financing new construction and renovation under its status as an NHA approved lender, BC Housing is now developing and implementing a set of strategies to transfer ownership of provincially owned assets to the community sector.

BC is somewhat unique in having adopted a policy in the 1990's that required societies developing new social-affordable housing to allow the province to purchase the land and provide it back to the society on a leasehold basis. In part, this approach helped address high land costs in lower mainland markets because a leasehold interest has a lower cost than freehold (e.g. 60 year lease often valued at 75% of freehold value). But it was also a strategy to secure long-term control that would outlive 35 year operating agreements – leases were typically 60 years.

Such a policy also reflected a desire to ensure these assets would continue as affordable housing to low-income households once the operating agreements expired. There was a sentiment that suggested that public ownership provided stronger stewardship. This is contrary to the position now stated in Housing Matters (2014 update), which recognized a central role of the community sector as sound stewards.

Another problematic feature of the leasehold arrangement is that it created a disconnect between ownership of the building (society) and ownership of the land (BC Housing). The lease arrangement effectively establishes a property management function for the society. Because they don't own the asset in later years on the lease there is no incentive to invest in maintaining and updating the property, since it will revert at the end of the lease. Transferring the residual freehold ownership to the society changes the incentive structure and helps to ensure better asset management.

A third aspect is that under a leasehold interest, especially one into the latter half of the lease it is very difficult for societies to secure private financing to undertake any capital renewal (should then have the incentive or desire to do so).
So one recent initiative being implemented by BC Housing is to sell the freehold interest to the lease holding societies. This involves financing the value of the residual freehold (based on appraised value) through a direct loan amortized over 35 years. BC Housing then provides a loan agreement under which it provides subsidy equal to the loan payments for 35 years. This effectively transfers the asset to the society at no cost, but with the quid pro quo that once the existing operating agreement and subsidy matures the society will be responsible for all ongoing operating costs and any ongoing internal rent subsidy. Because this involves mixed income programs there are positive cash flows from market and quasi market units which offset lower rents in subsidized units to facilitate breakeven or positive operating income.

A related but separate initiative involves the sale of older BC housing assets (public housing) to societies. These are mainly 100% targeted properties and as such will have greater challenges in sustaining viability, due to low rents. The details of these asset transfers are still being negotiated. BC owns and managed some 7,000 such units and is gradually reducing their self-managed portfolio in favour of transferring viable assets to societies in order to help small-mid-size providers grow and achieve greater economies of scale. As in the transfer of leasehold–freehold interests, BC Housing proposes to finance the sale of the assets to societies.

In addition, to the extent possible, BC Housing has sought to identify areas under their Social Housing Agreement with CMHC where they can add some flexibility with the intent to create incentives for providers to be efficient and where possible to optimize use of their assets. Among other things, this includes creating society level umbrella agreements, with capacity to cross subsidize across individual projects.

Governance and leadership

As a crown corporation, BC Housing has a board of directors to oversee and help develop its policies. Its mission and mandate has always been to work in collaboration and partnership with the community sector societies and co-operatives through which social and affordable housing is delivered.

The Board was actively involved together with senior management in reviewing and establishing the core strategic directions that guide the organization.

Past BC Housing Service Plans reflect a long-term organizational commitment to the promotion of a sustainable, robust non-profit housing sector and a reliance on local non-profit expertise in delivering housing solutions. The 2014 update to Housing Matters, and the announcement of potential asset transfers, represented a significant advancement of an existing BC Housing commitment to increase non-profit capacity.

The strategic direction to focus on strengthening the not-profit sector was also influenced by the Minister responsible for BC Housing, who has served as Minister Responsible for Housing for more than 9 years (an usually long term for a Minister in the same portfolio – although he has changed portfolios, he has remained a Minister Responsible for Housing).

Culture of organization

As a crown corporation, rather than a line department, BC Housing operates with somewhat greater autonomy than a department or ministry and to some degree are seen as less bureaucratic and willing to take some risks (e.g. the purchase of the SRO hotels in the downtown eastside as part of a homeless initiative in the late 2000's).

That said the organization recognizes that there is a dynamic tension in its role as a funder/regulator responsible for public funds and its desire to enable and support societies to be creative and innovative in managing their publicly funded assets.

BC Housing has for many years had a culture that embraced partnerships and working in collaboration with the community sector as well as other provincial departments (e.g. with Health in delivering seniors programs for independent living; and in the area of Homelessness).

As suggested in the shift from leasing to transferring ownership to the non-profit sector, there has been an evolution in the corporate culture from one that was somewhat cynical of the community sector's capacity and expertise to one that now sees the sector as the best steward of affordable housing. In part, this reflects a maturing and increased capacity in the community sector over the last 2 decades. The transfers not only reflect changing culture and attitudes within BC Housing but are also indicative of evolution within the non-profit sector and BC Housing's commitment to support that growth. There is an interesting inter-play here; BC Housing and the non-profit sector are both shifting in response to each other and the challenges each is facing.

Managing risks

To some extent, BC Housing's new activities do create new and less familiar risks. Through its established role and maturity, BC Housing has been well-placed to manage these risks by adopting a strategic approach to risk analysis – weighing the opportunities for all parties involved against the potential concerns.

As part of their strategic approach, BC Housing has found that quantifying the risks involved with maintaining the status quo is also a revealing exercise and something they routinely do. Initiatives such as consolidated agreements are a good example, since they involve opportunities for streamlined administration and greater certainty for both parties and also risks, such as less frequent subsidy adjustments. However, maintaining the status quo brings other risks, such as prolonged inefficiencies or unnecessary administrative cost. Piloting these types of initiatives and committing to ongoing dialogue have been effective ways to manage new risks and capture the experiences and learning of all parties to inform future initiatives.

Staff skills

BC Housing has had a long-standing practice of being hands-on and providing technical assistance and support to community based non-profits and coops in undertaking new development and capital renewal. So the corporation already had strong expertise in development and capital planning.

Non-Profit Portfolio Managers (NPPMs) are BC Housing's front-line liaison with non-profit partners. In these roles, BC Housing is now increasingly looking for skill sets that incorporate strategic and creative problem-solving, collaborative consensus building and dialogue building across the sector and the provision of organizational development expertise and alternative funding solutions. This is a significant departure from the traditional more rules based management practices.

In general, BC Housing's entrepreneurial outlook attracts staff from the private sector with a solid grounding in social justice and a desire to give back to their community. The wide range of roles across the organizations creates pockets of diverse skillsets including non-profit expertise, health services, development and building maintenance.

New hires in executive positions are increasingly expected to bring high levels of credibility and well-established working relationships across other levels of government and both private and non-profit sectors. These relationships are critical to create and leverage new opportunities and solutions for BC Housing and its partners. In a climate where the efficient use of existing resources is vital, executive negotiation skills and solution-based originality are shifting to the forefront where mechanical expertise once dominated.

BC Housing has a diverse and inclusive employee culture that is often described by staff as a family, providing a safe platform for the risk-taking and creativity needed to remain entrepreneurial.

"Having roots in an activist community movement has always helped CCOC frame its activities within a broader neighbourhood context. From this perspective, CCOC is able to view government-sponsored housing programs, and even social housing itself, as a means to an end, rather than an objective in and of itself."

Ray Sullivan, Executive Director, CCOC

Centretown Citizens Ottawa Corporation
housing the community since 1974

Business Transformation Activity

Scaling up operations; expanding into new business areas

Context

CCOC emerged as a community based organization amidst the urban reform movements of the early 1970's. The organization was created to help preserve the existing stock and fabric of this inner city neighbourhood. In pursuing these goals, CCOC was able to draw on federal non-profit programs as a way to acquire and rehabilitate existing structures and, over time, became a capable private non-profit corporation, focused on preserving existing relatively affordable housing as well as adding affordable stock to the area.

CCOC now owns and operates 1,595 units in 53 properties, the majority in the Centretown area (inner city) of Ottawa.

Following the end of federal and provincial funding for new development, in 1994-95 CCOC was one of the more creative organizations exploring ways to both survive and also to continue building affordable housing despite the lack of a program. They managed to develop five small properties with 64 units, although in doing so moved outside their traditional geographic area (to take advantage of lower land costs in the inner suburbs). They were one of the first to evolve into combining multi sources of funding and financing "cobbling together" the funding and financing need to develop. More recently they have developed a large property (254 units, Beaver Barracks) under the affordable housing program (two phases), which is built to high environmental standards and is a flagship "green" project.

As one of the early developers of non-profit housing, CCOC has a number of properties in which the federal agreements have either just expired or are about to do so. With many acquisition rehabilitation properties from their early efforts in preservation, the assets are older than the program and require significant capital renewal. Managing this growing expense is the largest challenge facing CCOC, and was a key focus of their 2009 Strategic planning exercise (alongside adapting to a post subsidy world).

Expiry also brings the additional challenge of losing HST exemptions as the subsidy portion of their revenues will fall below the threshold (40%) that allows them to claim HST offsets.[1]

They do however believe that the end of agreements (and more importantly, end of mortgage payments) will generate some relief and most projects will have sound cash flows. This will create refinancing capacity, which may be needed to manage capital replacement, and hopefully generate funds for new development or intensification.

The next five to seven years will be a challenge; thereafter, CCOC expects to be in a better financial position.[2] Overall they believe they are becoming increasingly self-reliant and expect to expand their "non-program" activity.

Type of business transformation activities

As part of this process of creating new approaches to development in a "post program era" (as existed between 1995-2002) they ventured beyond traditional social housing into affordable homeownership. They designed and implemented a model to build for the ownership market targeting households on the margin who were less likely to be able to afford to buy at full market value. This included the design and experimentation with a new financing model of guaranteed equity. Prices to buyers were discounted but with a condition that owners that sold retain only a fixed portion of appreciation, so that CCOC could both avoid generating a windfall gain for initial owner and also to preserve affordability for subsequent buyers.

While successful in achieving this affordable objective, in retrospect CCOC realized that they may have missed the opportunity to develop on a more profitable basis and then use these profits to cross subsidize other activities. CCOC is moving the initial affordable homeownership project to a shared equity model, and considering a mixed tenure mixed income model structured to generate development profit, or at least cross-subsidies for rental housing.

Alongside this new homeownership model they also created a subsidiary corporation called Centretown Affordable Housing Development Company (CAHDCO). This was set up in part to shelter CCOC from the risks involved in their affordable ownership initiative, but also as a separate development consultancy and profit centre.

CCOC has subsequently sold their development expertise to assist other smaller non-profits in building new affordable housing – most funded under the F-P affordable housing program (currently developing three projects); and have similarly taken on some property maintenance contracts again, with smaller providers. This generates additional revenues and also helped CCOC generate efficiencies in its maintenance activities, as they had to price competitively to bid for these external contracts.

The basic model for CCOC has been to build on their core expertise and competencies, create marketable services and generate ancillary revenues to help subsidize their operations.

In part this is driven by a steady trend in declining subsidy revenues as federal subsidy ends. It is also driven by a desire to continue to meet their objective of creating new affordable housing.

Governance and leadership

Innovation and direction for the new activities has more frequently come from staff, although the Board has been very supportive.

CAHDCO has a separate board, which has strong financial and real estate development skills, enabling this subsidiary corporation to explore innovative new activities (currently looking at ways to undertake mixed tenure development).

CCOC has always operated with a strong community-based board, a minimum one-third must be tenants and one-third community representatives. There has been some longevity in directors (many serving 6-8 years) as well as a regular turn-over. The board tends to recruit based on values – gender equality, sense of community, resident involvement, etc., rather than specific skills. There have over the years been individuals with strong financial backgrounds, but the majority of the board do not bring financial skills, and tend to rely more of staff in this area. The board has been relatively neutral with respect to branching out into new activities, neither initiating nor opposing the ideas and initiatives suggested by staff.

Each administrative department at CCOC is directed by a volunteer committee that includes board members and other volunteers. Committees advise the Board, set policies and guide staff. Most committee members are tenants.

Culture of organization and managing risk

Given its origins in neighbourhood preservation, CCOC has a strong commitment to the local community as well as active participation from residents (e.g. one-third of Board). At the same time, with an objective of creating, maintaining & promoting affordable housing, they are an active developer, albeit, one with a social conscience.

CCOC identifies as a community-based landlord, and while taking advantage of government programs and serving a low-income community, it does not see itself as a social service delivery agency. It operates as a financially competent business and social enterprise.

By managing properties in multiple programs, and having some properties outside of any government programs since at least 1985, CCOC has always seen itself as a community-controlled corporation independent from specific government programs. This assertion of some autonomy has been a key influence on its evolving corporate culture.

In CCOC's earliest years, all properties were small, but scattered in a relatively tight geographic area. This meant that there was no single concentration of tenants where any kind of tenant-specific social programing or community-development initiatives would make sense. CCOC responded by taking a neighbourhood perspective: whatever is good for the neighbourhood must be good for CCOC tenants too. That outward-looking neighbourhood context has significantly influenced CCOC's culture.

Similarly, as CCOC grew with scattered acquisitions and mid-sized new developments (never over 100 units at any single site, with the recent exception of Beaver Barracks), tenant and community volunteers had to also take a broader corporate perspective rather than focus on only their homes or any one property.

The distributed governance model, where each department manager is accountable simultaneously to the executive director and to a volunteer/tenant committee, and where those committees report directly to the board (not through the executive director) creates a resilient accountability structure. Tenants have direct access to become decision-makers without significant filtering by management.

The board is elected by the general membership—tenants do not elect only "tenant representatives", rather, the whole membership votes on the whole slate of candidates. In fact, they reject the term "tenant representatives", viewing tenancy as just one of the skill/value sets needed on the board, and once board members are elected they are all equal and full board members). Membership is open to anyone, although it tends to be dominated by past and present governance volunteers. CCOC's by-laws do not allow for acclamation to the board; the nominating committee must submit a slate of candidates greater than the number of available seats.

CCOC's board is not typically risk-averse, understanding that its broader mission cannot be achieved through government housing programs alone and CCOC has a responsibility to lead and innovate.

Staff skills

Similar to the board, CCOC's recruitment tends to focus more on aptitude and values rather than technical/professional skills. In recent years, retirements and new hiring have tended to result in a younger age profile of talented well-educated individuals able to quickly learn on the job. Many come with a strong sense of social justice (a CCOC core value).

CCOC believes it is important to grow, in part to meet their objective of creating new affordable housing but also to achieve economies of scale (but balanced against responsiveness to its tenants). For CCOC, scale has been important because as they grew they did so under different programs. They are not defined by any particular program and have flexibility under different program regimes to be creative and generate some surplus to fund reinvestment.

1 A quirk in the Sec 95 subsidy formula (under which providers are penalized when renewing mortgages at a lower rate due to an error in the way CMHC implemented subsidy recalculation on renewals, a calculation retained by the Service manager, now managing the agreement) is also accelerating subsidy reduction.

2 The next 5-7 years will be a challenge due to premature reduction in federal 2% subsidy, as noted above); their improved viability is largely because they have a significant portfolio of Sec 27 projects, which had no subsidy, so the only impact will be the retirement of the mortgage, a positive effect.

HOUSING ALTERNATIVES INC.

Business Transformation Activity

Scaling up operations; expanding into new of business areas

> *"While we started out developing under federal programs we have continually faced challenges and have learned how to survive and adapt. We have had to be entrepreneurial in exploring how to meet continual challenges to help low income clients".*
>
> Kit Hickey Executive Director, Housing Alternatives Inc.

Context

Housing Alternatives Inc. is a technical assistance resource group, initially created in 1981 to build housing co-operatives under the federal co-op program. They have evolved into a multi service agency providing development technical assistance, property management and maintenance services and have a small portfolio of just over 100 units that they own through an affiliated non-profit. In recent years, they have helped develop just over 50 units under the federal-provincial Affordable Housing Program—among other things, this has entailed adding some units to existing co-op properties through intensification.

One of the key challenges facing HAI has been to sustain the level of service in the co-ops that they manage. Across the portfolio, there are governance challenges with individual co-ops unable to attract qualified board members to serve on the co-op boards. Weak governance can contribute to failure and is exacerbated by the expiry of federal subsidy. Post expiry, many of these co-ops (one has already expired) are no longer viable: they cannot continue to provide RGI subsidy to low-income members, nor can they afford to undertake necessary capital replacement. Much of the portfolio was originally acquisition rehabilitation and as such consists of older properties with high replacement need. Some did benefit from investment under the Federal-Provincial 2009-11 stimulus retrofit funding, but additional renewal is required and ongoing.

In addition, HAI is involved in the province's Organized Departure Program and accepts formerly homeless clients as tenants, though partnerships with the Department of Social Development and various community agencies that provide the supports required to ensure housing stability. The province also provides rent supplements to assist these clients, which is adding a new revenue stream above that from RGI rent for some of the properties.

Type of business transformation activities

Having originally provided development consulting to create nine co-ops (312 units) in Saint John through the 1980's and early 1990's, Housing Alternatives now provides property management services to these nine coops and another 300 non-profit units (as well as a few private rental properties). Their development consulting on recent AHP projects has also created consulting revenues. This generates the operating income to sustain Housing Alternatives.

However, if their client co-ops are non-viable, they will be unable to pay their management fees, ultimately impacting Housing Alternatives.

Beyond this organizational impact, HAI has a strong commitment to the sector and its survival for the purpose of ensuring affordable options for low-income residents.

Recognizing the risk that some co-ops may fail and lose their RGI units, HAI has initiated a process exploring the potential to merge the existing nine co-ops into one or two larger co-ops in order to achieve some economies of scale. This would add efficiencies, such as reducing nine separate sets of financial statements and audits, enable bulk purchasing, facilitate refinancing for capital renewal and/or intensification site redevelopment and generally create a more sustainable entity. It would also help to address governance issues, as a consolidated single board would require fewer volunteer board members and could more easily attract willing and highly-qualified directors.

HAI has already undertaken some intensification with funding under the AHP. The province provides ongoing rent supplements, which has increased revenues while also enabling those co-ops to serve low-income RGI tenants.

Another new initiative is an idea to create a land bank of coop and additional properties. HAI proposes to establish a Land Bank in Saint John for the purpose of reducing neighbourhood blight, providing affordable housing, while enhancing neighbourhoods and building strong communities. They have identified the expected benefit of the land bank to include:

- Elimination of blight & promotion of infill housing;
- Development of vacant or underutilized lots into affordable or market housing in low income neighbourhoods
- Increase in the number of neighbourhood green spaces, such as community gardens
- Positive contribution to the building of more attractive, green communities

Potentially, if individual coops transfer their title into the land bank, through a consolidated ownership of properties, this would create an equity base and balance sheet against which to leverage financing for capital renewal, intensification or new development.

Governance and leadership

HAI is governed by a community-based board. This has remained relatively stable over the years and supports staff efforts to strengthen the sector through some form of consolidation. Adaptation has come mainly from staff (rather than board) initiative, and some external influences.

It is noted that CHF Canada is supporting the consolidation approach and is seeking to implement a similar consolidation model across Canada (provincially or regionally focused).

The new initiatives being pursued by HAI do not represent a shift in mission or objectives. These activities aim to build on existing expertise and strengths with the objective of creating a stronger and more sustainable sector in Saint John (and possibly across NB).

Housing Alternatives has recognized that a small fragmented sector is unsustainable, both from the perspective of financial viability and governance—hence their focus on consolidation and getting to a more sustainable scale.

Culture of organization

The organization (staff and board) has always had a strong social justice culture with a focus on helping those in need. With a strong focus on serving low-income households, it has traditionally relied on and sought out funding from various government programs (e.g. to add support workers in Housing First projects; add rent supplements in existing projects) but considers itself entrepreneurial in its approach. There is a strong belief that if they do not adapt their approach and devise different ways of operating (e.g. consolidation) the organization and sector in Saint John will not be able to survive the impact of ending federal subsidy.

Staff skills

With a new focus on partnering with the province in the “Organized Departure” Housing First program, they are increasingly serving a higher-need tenant population, including tenants with mental health challenges. While specific support services are contracted through other specialized community and mental health agencies, there has also been a need to retrain existing staff with the skills needed to manage and interact with these new clients.

Business Transformation Activity

Shifting government culture; organizational effectiveness

> ***"With the external environment creating new challenges and pressures, including anticipated constraints on funding for new initiatives and to offset declining federal subsidy, Manitoba Housing recognized it had to modernize the way it delivers services to become more efficient while enhancing the quality of services it is delivering – Lean Management provided a valuable opportunity to help the organization initiate this transformation".***
>
> Steven Spry, CEO, Manitoba Housing.

Context

Manitoba Housing is a Crown Corporation that falls under the oversight of the Department of Housing and Community Development (HCD). Manitoba Housing is responsible for the delivery of social and affordable housing programs, renovation and repair programs, as well as homeownership programs. The total organization has a staff of 744 people who administer 35,187 housing units across the province.

Manitoba Housing has been in a state of renewal and restructuring since 2008. Significant work has been undertaken to improve core facets of the organization's functioning; in 2014, the Executive team made the decision to initiate a continuous improvement process to help meet the goals of the organization.

Type of business transformation activities

Beyond its traditional role as a funder-regulator, Manitoba Housing is now evolving into a facilitator-enabler. It provides support and technical assistance to community non-profit providers in areas such as governance renewal, asset management and renewal and in some cases (re) development support. This is a shift from previous roles in which the corporation acted as an arms-length regulator providing oversight to ensure program and funding compliance. It is now becoming more of a partner, working with community non-profits to ensure they have the skills and capacity to maintain and renew existing assets.

In addition to working with their community provider partners, the Manitoba Housing Executive team launched a continuous improvement program with the goals of improving the delivery of organizational processes/services and increasing the level of employee engagement. Based on the private sector experience of the Executive team, it was determined that introducing Lean Management principles would be the most effective model to assist in transforming the organization.

Lean Management is a Continuous Improvement philosophy and toolkit derived from the Toyota Production System. Since the early 1990's, Lean Management principles have been implemented by numerous private and public sector organizations. The basic principles of Lean Management concentrate on creating value for customers and engaging front line staff to be the drivers of the improvement process.

The challenge facing Manitoba Housing was determining how to effectively implement Lean Management concepts across the entire organization. Manitoba Housing had no previous exposure to Lean and previous efforts in establishing Lean Management principles across the Manitoba Government had focused on using consultants to run scattered, individual projects. The results of these projects had generated mixed results. The Executive leadership team at Manitoba Housing wanted to systemically deploy Lean Management techniques throughout the organization and generate the desired results.

The solution the Manitoba Housing Executive team decided upon was to design a "Lean Program" to focus on delivering the Continuous Improvement process rather than on the individual Lean projects.

In the first seven months of the Lean program, all employees were made aware of the program through email communications and cascaded leadership presentations. 10% of staff participated in a more comprehensive 3 hour session. In addition, the department identified and trained 10 Lean facilitators. The trained facilitators now have the capacity to lead improvement projects.

This team of Lean facilitators has launched six kaizen events and a further eight kaizen events have been scheduled in the next three months. In Lean Management language, these continuous improvement events are called "kaizens." Kaizen events are short workshops (i.e. 2 – 4 days) that focus on one specific problem and generate meaningful solutions. While the measurable results of the kaizen events are still materializing, early feedback from participating staff has been enthusiastic.

Governance and leadership

To date, several lessons have been learned in the process of establishing the Lean Program at Manitoba Housing. The first lesson is the critical need to have an engaged and supportive Executive leadership team. Launching and supporting this initiative requires a concentrated and sustained effort from all stakeholders. The program would have stalled without this support.

It was important to adapt the terminology to the language and culture of Manitoba Housing. This adaptation process was most apparent in the creation of the Lean Facilitator program. This program was tailored specifically to exploit the facilitation skills that were already present in the group of Manitoba Housing trainees.

Culture of organization

Manitoba Housing staff members were more ready for change than expected. There was some initial nervousness about the appearance of Lean Management principles in the organization (a traditional public sector bureaucracy), but these concerns were addressed through continuous communication and a concerted effort to maintain transparency. Specifically, the repeated message was Lean Management is about improving the level of service provided to tenants and finding ways to increase efficiency as an organization. To obtain 'buy in' from all levels of staff, focus was placed on using a slow and methodical approach to building a culture of continuous improvement within the organization. This was achieved by instigating a number of small scale kaizen events which sought to make tangible improvements to processes within a variety of branches throughout Manitoba Housing. Using this approach, staff have been able to comfortably familiarize themselves with how Lean Management can be leveraged within the public sector environment and the importance of their role in driving change forward.

Some of the lessons learned from the Manitoba Housing experiment are already being applied to other departments. The Department of Labour and Immigration is using the tools developed in the Manitoba Housing context to create their own Lean Management community and continuous improvement projects. The Department of Labour and Immigration partnered with Manitoba Housing on the in-house Lean Facilitation training and they now have 4 Facilitators who are beginning the improvement process in that area of the Government.

The adoption of a private sector approach to improving efficiency is seen as a way to modernize and enhance the quality of delivery of public services.

Managing risk

The new activities being implemented by Manitoba housing are more focused on improving existing activities than expanding into new more commercial areas of business, so the issue of managing new risk has not yet been encountered. That said, the organization recognized that there was risk in continuing the status quo. To a large degree, the Lean Management exercise was directed toward initiating a change and developing new practices and procedures to help the organization mitigate the risks associated with staying the same.

Staff skills

Manitoba Housing recognized they did not have the required expertise to implement a Lean Program so a consultant was engaged to be a full time resource for the initial phases of the program. The main objective of the consultant was to create customized training materials for the organization and to coach the Executive team and other staff members through the Lean process.

The Lean program consisted of basic Lean awareness training and the development of “Lean Facilitators” whose role would be to initiate, facilitate and complete continuous improvement events --“kaizens”.

Business Transformation Activity

Entrepreneurial culture; activities outside of operating agreements

> *"As housing pressures continue to grow in an era of decreasing support we need to make every effort to be as self-sustaining as possible. Through our entrepreneurial efforts we have seen great successes in this goal."*
>
> Bryan Lutes, President/CEO, Wood Buffalo Housing & Development Corp.

Context

Wood Buffalo Housing & Development Corporation (WBHDC) is somewhat different than most social/affordable housing providers. It also operates in a challenging high-cost market, vulnerable to the boom and bust cycle of a single resource oil economy.

As a development corporation, its mandate and capacity for additional activities is broader than in the case of traditional providers. In addition, it is relatively young, established only in 2001; as such, it does not have the legacy and constraint of earlier programs and associated operating agreements. In fact, WBHDC has no operating agreements beyond the basic funding agreement for the capital grants used since 2001 (which requires only that units be rented at 10% below average market rent).

The corporation was established as a special operating agency, wholly owned by the Regional Municipality. It has a mandate to undertake both land development activity as well delivery and management of housing for low- and moderate-income households, unable to secure housing affordably on the market. It is incorporated under the Companies Act but as a not-for profit entity; and it is permitted to generate surpluses, provided these are reinvested back to support its objectives. This creates a capacity to generate and reinvest surpluses.

WBHDC has a portfolio of some 1,300 units, most constructed since 2001 and most developed under the affordable housing program capital grant funding; two small public housing authority portfolios, totaling fewer than 100 units, were inherited in Fort McMurray and Fort Chipewyan. A further 100 units were developed without subsidy using internal surpluses.

The corporation serves a full continuum of households, including low-income households and those with moderate incomes, unable to access market housing due to the unusually high housing costs in this region of Alberta. A large focus is to ensure housing opportunities for essential workers (nurses, teachers emergency service staff) referred to as the "gap market" – the part between low-income social housing and the market. For example, the core need threshold (Housing Income Limit) for a one-bedroom unit is $72,000 while staff in starting positions as teachers or police officers often have incomes significantly below this threshold.

Type of business transformation activities

As a development corporation WBHDC buys and develops land in order to both create affordable housing and to serve broader community need. Under this role they have developed an industrial park, commercial space and a residential subdivision (for ownership). Profits generated from these land development activities have been reinvested to create housing – and some 100 of their units were fully funded without F/P grants, using only internally generated capital surplus from these activities.

WBHDC uses an asset management strategy to optimize its portfolio. This has included selling some of the older, former public housing properties. In some cases, directly-owned properties have been divested and replaced with more flexible rent supplement arrangements to sustain assistance to qualifying households. WBHDC has a provincially-funded rental assistance fund of roughly $5million to specifically address affordability issues.

Meanwhile, it undertakes new development with rents set at 10% below market and, where needed, utilizes a stacked rent supplement to provide deeper subsidy to very low income households. In doing so, it has separated the issue of affordability from supply and does not "rob" its assets of the solid cash flows needed to operate on a sound financial basis. The Wood Buffalo portfolio operates on a self-sustaining basis and has fully funded capital reserves and an active capital renewal plan.

Recognizing that it will be a challenge to build enough housing to meet ongoing and growing need, WBHDC has adopted a practice of managing its small portfolio as a transitional resource. This is a strategy to encourage tenants to address the causes of lower income that led them to seek social housing so that within a reasonable period they will move out and free up the unit for other households in need. At initial placement every household is assisted in creating an exit plan. This focuses on addressing core issues and connecting them to key community services (e.g. addictions, labor market skills development). Again, the young population profile of the Region means WBHDC has very few seniors units, for whom such a strategy is less applicable. Leases are for one year and the household must demonstrate progress toward their exit plan. Through this strategy residents are assisted to move on into the private market and in some cases into ownership, using the corporations assisted ownership program.

The ownership program involves a shared equity model. Qualifying buyers pay full market price but finance 70%-90% with a soft second from WBHDC for the remaining 10%-30% structured as a shared equity loan (no payments). Upon sale, the full second is due, together with the share of any appreciation. In the event that they remain, upon rollover of first mortgage, they are required to refinance to payout the soft second loan. In the context of rapid price increases, this has been an additional revenue source for the corporation. If prices fall, WBHDC shares proportionately on the loss up to the value of the second mortgage. In a worst case scenario, they would not see any recovery of the second mortgage or any equity growth.

Governance and leadership

As a municipal non-profit corporation, the WBHDC is governed by an independent board; all of its members are appointed by the Regional Council. One is a sitting councilor to ensure liaison with the region. WBHDC identifies specific skills sets and recruits board directors, which are then appointed by the municipality. Some years ago, the Board tended to be more 'hands on' and involved in operational matters; but this has evolved and the board is now mainly a governance board, leaving operations to the executive team.

As local residents, the Board members understand the dynamics of the rapidly growing region and accept and support the more entrepreneurial culture and approach that characterizes the corporation. Most of the new activities – affordable ownership, land development have been initiated from senior staff, but the Board has endorsed this approach.

Culture of organization

Because WBHDC is relatively young, this is not a shift or change in corporate culture – it was set up to operate with a broader and more entrepreneurial mandate and to take on activities beyond those often associated with a social housing provider.

Managing risk

The resource-based (i.e. oil sands) economy in which WBHDC finds itself is characterized as a risky economy and has experienced boom and bust cycles, so managing risk is a key element of the corporation's business plan. The Board is active in monitoring and ensuring sound risk management and the corporation has dedicated staff in risk management. The past decade has been one of continued expansion – it is only very recently that growth has slowed. With a slowdown in oil sands expansion and new infrastructure projects, Fort McMurray (the municipality) is currently experiencing high vacancy rates (over 8%, albeit on a small rental universe), which creates some challenges for new affordable housing reaching completion. However, with its units priced at 10% below market, WBHDC units have a competitive advantage, which targets those unable to readily afford full market rent.

Staff skills

The corporation has a small staff, and due to the relatively remote location and high cost of living, labor usually recruits from outside the region. Most senior staff have come from outside the social-affordable housing sector. Many have a private sector background and this tends to reinforce a more entrepreneurial culture across the corporation. WBHDC has now reached 1,300 units, a scale which the President/CEO feels is good to create economies of scale. They expect to continue to grow gradually as internal reserves and program funding allow.

SOCIÉTÉ D'HABITATION
ET DE DÉVELOPPEMENT
DE MONTRÉAL

Business Transformation Activity

Becoming self-sustainable; scaling up and expanding into assisted ownership

> *"The SHDM's flexibility, timeliness, financial capacity and a wide expertise, make us a partner of choice to undertake innovative and ambitious projects in Montréal."*
>
> [SHDM Website]

Context

SHDM was created in 1988 as a municipal non-profit corporation after a merger between Société d'habitation de Montréal (SOMHAM) and Société de développement de Montréal (SODEMONT). These corporations had been developing various homeownership projects as well as rental housing under the then recently created Federal Sec. 95 non-profit social housing program. However, as its name suggests, it was not solely a social housing provider, its mandate was more like that of the US housing and redevelopment agencies – it had a capacity to undertake land acquisition and development roles on behalf of the municipality.

Over its life, SHDM has merged and demerged with other municipal organizations. It is active in developing many forms of affordable housing – i.e. traditional rental housing, rooming houses and affordable homeownership.

SHDM defines its role more as a gap housing provider – as noted on its web-site it is neither a provider of very low income nor luxury housing, rather it fills a gap as an affordable housing provider (leaving more targeted low-income housing to the public housing agency, Office municipal d'habitation de Montréal – OMHM).

Under its development role SHDM undertakes development both for its own portfolio as well as on behalf of community non-profits and co-operatives, effectively providing development services to these other groups, such as temporary land or building acquisition and pre-development operations.

In addition to developing housing under Sec 95 (more than 3,000 units) of which 2,082 are still owned by SHDM, including 1,100 of the Sec 95 units which are targeted to senior independent living. From 1988 to 1994 SHDM also developed a portfolio under a municipal program that supported acquisition rehabilitation. In total almost 3,256 units were acquired and rehabilitated under the Acquisition Program for Rental Housing (PALL, in French). A smaller version (400 units) focuses on the acquisition and rehabilitation of rooming house properties. Once SHDM purchased and renovated the housing, it sold a portion of this portfolio to housing co-operatives and to non-profit organizations. For the remaining 2,600 units SHDM entrusted the management of the properties to non-profit organizations who also established partnerships to develop community support programs adapted to different clienteles

Much of the Sec 95 portfolio is no longer receiving any subsidy, because the latest mortgage renewal was below 2%, and the first operating agreement will expire in 2015. As a consequence, SHDM is unique among social housing providers in operating a significant portfolio (totally 4,700 units) with no ongoing operating subsidy. Most are rented at levels approximating 80% of market and as such fully cover their operating expenses. A small number of units (roughly 230) are assisted with a separate provincial rent supplement from SHQ, which allows them to house lower income households, in addition to 150 Sec 95 tenants who benefit from the remaining (and fast decreasing) RGI assistance.

Type of business transformation activities

Over its history, SHDM has maintained a strong focus on sustaining development expertise and capacity. This has helped them to develop their own portfolio of affordable housing as well as providing development consulting services to other non-profits. In some cases SHDM initiates the project and has subsequently sold to community non-profits. In addition it has contracted ongoing property management functions for its retained portfolio to some of the community non-profits, which enables SHDM to concentrate on new development activity. It also provides management fee revenues to help the non-profits augment their income and sustainability.

In part due to tacit agreement not to compete against community-based non-profit resource groups, SHDM did not pursue development under the provincial rental program AccèsLogis Québec. This created an incentive to explore other options to use their development expertise and capacity. In 2003, SHDM commenced a new line of business to build affordable homeownership, which is now the corporation's flagship product. Through a partnership with the Toronto based Options for Homes they adapted this non-profit ownership model to the Québec context (where the legal framework of real estate and co-operatives does not match that in Ontario, requiring adjustment to the OFH model).

Their new initiative was branded Accès Condos. The Accès Condos program supports individuals who wish to buy a home in Montréal. It also contributes to urban revitalization by sharing the risk with the private sector builders and community groups and investing in districts they would normally elude. The program is based on a partnership with developers and a financial tool that provides a 10% purchase credit to buyers to lower their down payment to $1,000. The SHDM holds a soft second mortgage for their share of the equity and recovers this through a share of appreciation on future resales.

Reflecting SHDM's municipal development mandate it often uses the Accès Condos program as a way to implement the City's social and economic revitalization of Montréal's neighbourhoods. For example these assisted ownership units (sometimes incorporating AccèsLogis rental units), are used to help meet the City's inclusionary objectives in new and revitalization areas.

Accès Condos generates revenues with development fees and recuperation of equity resulting from unit resales, which are reinvested in real estate development projects. These revenues do not currently cross subsidize the affordable rental portfolio, except on some administrative overhead expenses.

Governance and leadership

SHDM identified a key strategy of the Ville de Montréal to encourage and facilitate homeownership as a way to retain families in the city and reduce urban sprawl (many were moving out to suburbs). It also needs to maintain and develop rental units for the "gap population". The Accès Condos was "founded" and adapted by staff and the Board received it with enthusiasm. The City, the Board and staff agree that the program is a very powerful development tool for the City. And since it requires no municipal subsidy to work, all parties are proud of this autonomy.

Culture of organization

SHDM is governed by a board of independent Directors, many with strong private sector experience as well as experience in major institutional and governmental management. Many staff have also come from the private sector. At the same time, others originated in the community sector, building social housing. This provides some balance while reinforcing a strong entrepreneurial culture that respects the City's social and economic objectives (e.g. inclusionary policies).

The corporation is proud of its status of being subsidy free while able to continue serving its mission. Board members wish the corporation to maintain its autonomy and viability and to be more creative.

The management team shares these objectives and provides the Board with innovative approaches such as the development of between 500 and 1,000 new rental units using the Sec 95 post EOA units as a financial leverage, and a second generation of a more permanently affordable Accès Condos program.

Managing risk

In moving into the affordable ownership market, SHDM has some exposure to cyclical effects of real estate markets. Since commencement of the program, this has been a positive cycle with strong appreciation. This is now slowing, and requires SHDM to be more cautious. Accès Condos developments risk is managed by partnering and sharing risk with private sector partners.

After building more than 3,600 Accès Condos units, SHDM's finances have not been affected by the slowing down and in a few cases slightly declining values. No losses related to the slowing down of the real estate industry have been observed so far, even though SHDM promises to buy the unsold units from the builder after a certain delay.

SHDM will recuperate a portion of the capital gain in Accès Condos projects, but will not pay for losses with individual resales. In some projects, the revenues generated by capital gains will be less than expected, but without compromising the corporation's financial health.

The corporation remains prudent in assessing the risk of new initiatives. There is a special committee of the Board called the Comité de gestion des investissements (Investment Management Committee), which is responsible for risk analysis, which reviews all operations and real estate projects having a financial impact on the short and long term viability of the corporation.

Through careful and efficient management practices (including contracting some management to non-profit property managers and being prudent in distributing deep RGI subsidy rents) SHDM has managed risks in its affordable housing activities. With its healthy and balanced management, the SHDM has succeeded in achieving financial self-sufficiency, which allows it to operate without public funding. The implementation of development projects and the maintenance of the SHDM's highly diverse inventory of properties require responsible financial planning and foresight. To ensure the proper management, the Corporation optimizes the use of its capital while remaining cautious, in order to deal with market fluctuations and prevent recurring deficits.

It also favours the sustainability and protection of its heritage as well as an integrated risk management approach. "Protection of its heritage" means that new development will not put the current assets at risk. For example, the Sec 95 portfolio has the leverage capacity for many more units than are planned. But the absolute priority is the preservation of the assets. As a consequence, the generated revenue will be invested in the maintenance and capital replacement and only the remaining cash flow will be invested in the new rental projects.

"As Alberta's largest social housing management body, CRHC has a sound asset base and experienced capable staffing, strategic assets that enable the corporation to position itself to take on new challenges. By using our internal expertise to create a "head-office" service that we can sell to other smaller organizations, we can help them while improving our own bottom line."

Greg Dewling, CEO, Capital Region Housing Corporation

Capital Region
Housing Corporation

Business Transformation Activity

Self-sustaining new development; selling administrative expertise

Context

The Capital Region Housing Corporation is a public management body created by ministerial order under the Alberta Housing Act to develop and manage social housing. It is the largest management body in Alberta with a portfolio of 4,500 social housing units, some of which were previously public housing owned by the Edmonton Housing Authority (since dissolved with its assets taken over by CRHC). Since 2002, under the federal-provincial program, CRHC has added a further 600 Affordable Housing units to its portfolio.

The CRHC's affordable housing program generates annual surpluses close to $1M that is reinvested in the development of new affordable housing. This has created a number of investment opportunities, as outlined below and is enabling CRHC to become increasingly self-sustaining. To date, no units have reached the maturity of federal agreements, the first is scheduled to expire in 2018.

Type of business transformation activities

CRHC is adopting a number of different practices as a way to expand without dependence on public funding. These include purchasing a market property that will provide mixed market housing, a new debt investment partnership, and selling core services to generate a new income source to help sustain the organization.

In addition, as a result of solid retained earnings from existing operations, they have recently completed four Affordable Housing Projects by investing their own equity from retained earnings. This creates unencumbered assets with positive cash flows, which create future opportunities to lever the asset to self-finance future projects.

Another investment is the purchase of an existing recently completed apartment structure and to provide a mixed income rental property. It will be financed against rental income, with the down payment coming from the corporation's internal reserves from retained earnings. As this is outside of a subsidy program, there are no constraints on rents, but CRHC plans to internally cross subsidize, and may also be able to draw on some rent supplements to penetrate to lower income levels.

CRHC is now piloting a partnership with the Edmonton Community Foundation to access low-rate subordinate financing. The pilot involves the redevelopment of an existing site. Typically, foundations distribute their interest earnings but hold their endowment in low-risk secure investments (e.g. fixed income bonds). There is however a growing trend among US foundations to accept "mission based investment" wherein they also invest their capital to support causes, with the proviso that they generate a competitive return and preserve the capital.

In this case, the Community Foundation will fund a loan on the redevelopment project. This represents 25% of the cost, excluding land. The CRHC is investing its land equity and will finance 75% of the remaining capital cost through private financing. The Community Foundation is a subordinate loan with an 8-year term at a rate close to 4%, repayable interest only; at maturity, the CRHC will refinance to payout the foundation loan. This generates a better yield for the foundation than would a treasury bond, provides them with $120,000 annually for their contributions program and enables the CRHC to redevelop its property with no subsidy. Rents will be set with a mix from 80% to full market. It is expected that via amortization on the primary loan as well as rising rents, that there will be adequate capacity to refinance and pay out the foundation in Year 8.

CRHC has also created a strategic function to provide financial services to a small non-profit on a fee for service basis. This includes all financial accounting, rent roll, preparation of required reporting and filings and payroll services. Because this is a core function of CRHC and it has necessary systems in place, it can use its economies of scale and expertise to deliver these services on a cost-effective basis; the contracting housing management body is too small to manage these activities internally, and benefits from CRHC's expertise and efficiency.

Finally, for many years, CRHC, through its subsidiary Foundation, has partnered with the Real Estate Board to deliver a homeowner assistance program. This involves a financial literacy education program and a small down payment grant. Roughly 100 families are assisted annually and recently CRHC has started to invite some of its higher-earning tenants to transition into ownership through this program and thereby free up a subsidized unit for other households in need.

Governance and leadership

The corporation is governed by a board on which two representatives are appointed by the City of Edmonton, while the remaining nine are independent directors recruited and appointed by the existing Board. This draws on a cross section of expertise from volunteer directors. Most of the new initiatives have originated and been driven by the executive team (including the past and new CEO).

Culture of organization

CRHC has gradually evolved and matured from a program delivery agency, following program rules and guidelines and managing government programs into a more autonomous business oriented social enterprise.

Its mission and purpose have remained rooted in helping low-moderate income families and improving the well-being of children and families in our communities through a continuum of quality housing options, supports and partnerships. However, the activities and practices of the corporation have become more business oriented, focusing on operating efficiently, generating surpluses and strategically reinvesting to advance their mission.

The CEO believes that it is important to continue to grow and estimates that they require a ratio of 2:1 market-affordable: social housing units in order to be sustainable. So their focus is on expanding profitable business lines as a strategy to sustain their core services to lower-income individuals and families.

Managing risk

Much of the recent development has been undertaken under the Affordable Housing Program and as noted CRHC was able to develop these without any debt financing. The projects are very viable and their equity investment is not seen to be at risk.

They have adopted fairly conservative assumptions in their project pro forma and ensure a strong business case underpins each development. Their proposed acquisition of a private rental property has some risk given the slowdown in the Alberta market, but again the acquisition is premised on a sound conservative business case. And their ability to adjust the mix of market versus sub-market rents provides a cushion to weather any slowdown.

The sale of financial services and human resource expertise provides a business unit that generates revenues with minimal downside risk.

Staff skills

Although the CEO (who is relatively new) came from another housing management body, most other recent hires have come from the private sector, with strong expertise in development, asset management and property management. There is a strong staff 'buy in' to a bottom line focused business orientation, while maintaining a commitment to the corporation's mission.

Business Transformation Activity

Established revenue generating subsidiary; scaling up through management contracts and potential takeover; rationalizing existing housing assets

"Having a well-managed strategic organization has helped stabilize other urban native assets and created improved operating economies for M'akola and has allowed us to move into the Development Consulting and Project Management realms which further diversifies the Group's revenue streams."

Kevin Albers, CEO, M'akola Group of Societies

Context

M'akola is somewhat unique in Canada in adopting a more UK like group structure with a broader geographic reach. The original society, M'akola, is an urban Native non-profit society initially established to deliver, own and manage a portfolio of housing on Vancouver Island (initially under the Federal Urban Native program). Over time, as new and different types of programs have been introduced, M'akola created eight separate legal entities to hold the assets under different programs (e.g. for Rural and Native housing, independent seniors, leasehold projects) and in one case assumed ownership of a pre-existing society in Northwestern BC.

In total, they now own nearly 1,100 homes and manage under contract a further 500 homes including single family dwellings, apartment structures, assisted living, rural housing and a number of scattered sites throughout BC.

Type of business transformation activities

As noted above, as new assets have been absorbed or acquired under different programs, M'akola has created separate new societies, operating in a group structure. The group structure that has evolved is an outcome of the most expedient and feasible way to assume other existing societies and their assets. It was easier for M'akola to have the absorbed society's board and members resign and to replace these with M'akola's board members and then elect the directors. This avoided the more complicated and onerous legal and costly process of formally transferring assets and operating agreements

The parent society provides overall governance as well as core head office functions (administration, finance, HR, payroll etc.) while the other societies take on more operational activities, including property maintenance and management.
A separate subsidiary non-profit society, M'akola Development Services has also been created as a development consultant and project manager on a fee for service basis to other Urban Native societies, Bands, and some non-Aboriginal non-profit societies. This has created a source of revenues to help sustain the organization (these revenues partly cross subsidize some staffing costs, as staff are shared between M'akola Group and these developments or management contracts).

Recently, M'akola expanded into the northwest region of BC, to assume ownership of a struggling Urban Native society (Muks Kum Ol). This too has been integrated into the group structure. This merger created a challenge for M’akola due to the distant location from their home base on Vancouver Island. In order to justify local staffing, M’akola has negotiated management contracts with BC Housing to manage 267 BC Housing homes in the Prince Rupert-Terrace area in the Northwest. This helps expand the portfolio and establish economies of scale in management activities. It is anticipated that, ultimately, M’akola will negotiate a full title transfer of the BC Housing units and take over full ownership of these assets from BC Housing.

External research as well as M’akola’s own portfolio analysis has demonstrated that few Urban Native portfolios are viable beyond the expiry of federal subsidies (especially those that were unilaterally Federal subsidy).

As a result, M’akola has initiated a planning process and asset rationalization strategy. In some cases, particularly for scattered site portfolios, which involve a number of older detached homes, physical conditions are poor and it is more rational to sell off some of these individual homes and to use the capital receipts to fund capital renewal on properties that are retained. In some markets there is weak demand so it is a business decision to dispose of unneeded assets and to redeploy the proceeds towards developments in urban centres. This will result in some contraction of the portfolio (potentially up to 30% reduction), but this is seen as a necessary path to overall sustainability of the society.

Governance and leadership

While comprised of subsidiary societies, the group shares a common board of directors. This is made up of Aboriginal representatives on Vancouver Island who subscribe to the vision of improving living conditions for Aboriginal people while encouraging and reinforcing traditional practices and cultural beliefs. This vision includes hiring and training as many staff of Aboriginal ancestry as possible to provide necessary services to the tenants, and to manage and maintain the sites.

The Board of Directors consists of six elected members, four members appointed from the Friendship Centres on Vancouver Island and one elder.

Much of the leadership for new initiatives (e.g. setting up the development consultancy) has been driven by the CEO and executive team. However, these new directions have been discussed and approved by the board.

Culture of organization

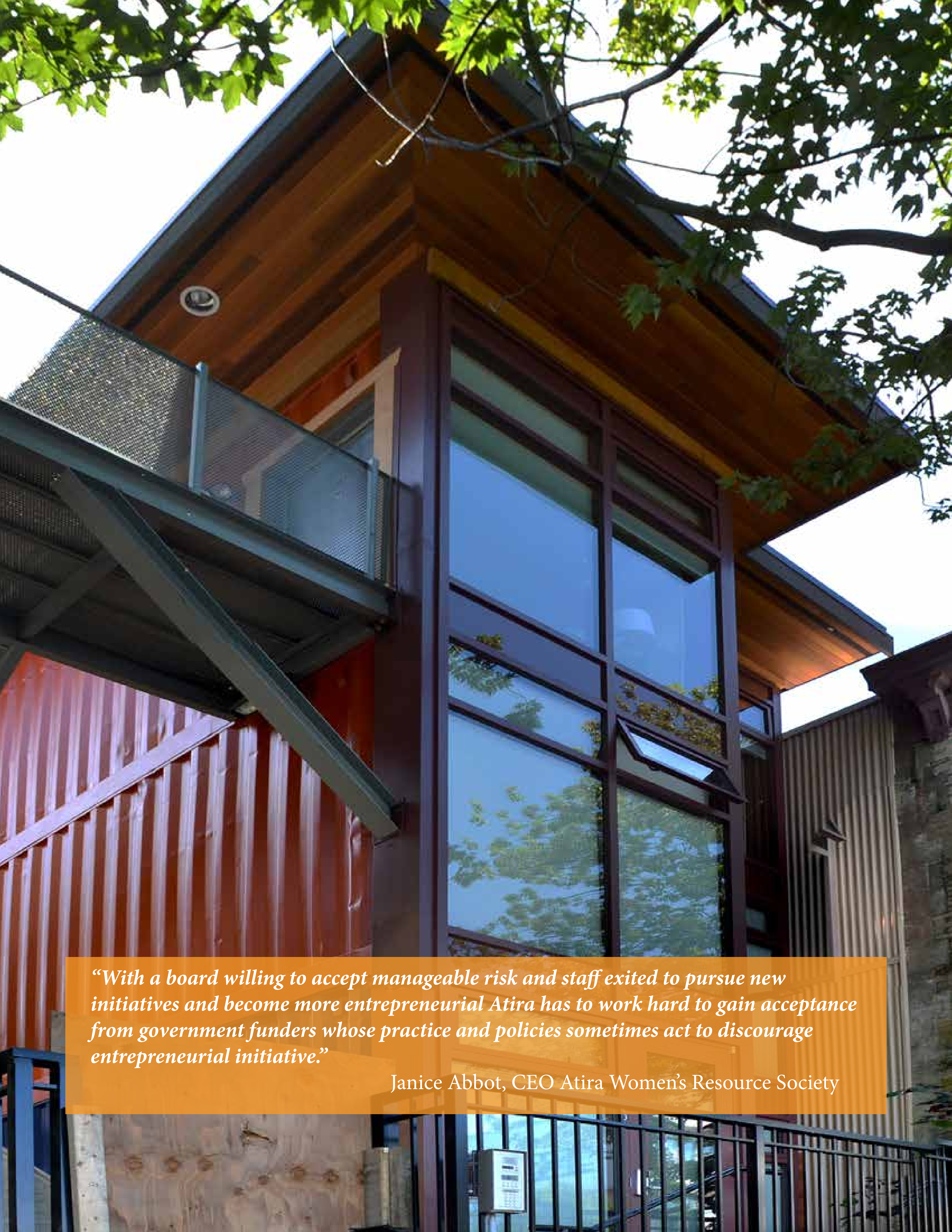
Extensive review and discussion with the Board has helped to increase understanding of the consequences of expiring agreements and subsidy, and despite strong support for the vision of improving living conditions and outcomes for their Aboriginal tenants, the Board has accepted the necessity of new polices (e.g. raising rents, strategic sale of some properties, and contracting the portfolio). As such, there has been some movement in the Boards culture.

There has, however, been some challenge in selling these ideas to staff. They remain committed to helping low-income people and do not always agree with new more business- oriented policies that M’akola is now seeking to implement.

Managing risk

As noted, the form of the subsidy formula for Urban Native Societies has placed them in a high-risk situation at expiry of agreements. M’akola is fully cognizant of these impacts and has developed a long term plan to manage this issue. Across their existing self-owned and managed portfolios, they have implemented risk management strategies to ensure both organizational sustainability and portfolio sustainability. This includes remaining diligent in financial monitoring and reporting across the group’s societies, streamlining and making consistent many procedures and processes across the portfolio and where possible adding to internal capacity in skills areas such as asset management and capital planning.

One of the largest challenges is recruiting and retaining competent staff in some of the geographically distant communities in which M’akola operates and where industry expansion is underway, including Liquefied Natural Gas.



"With a board willing to accept manageable risk and staff exited to pursue new initiatives and become more entrepreneurial Atira has to work hard to gain acceptance from government funders whose practice and policies sometimes act to discourage entrepreneurial initiative."

Janice Abbot, CEO Atira Women's Resource Society atira

WOMEN'S RESOURCE SOCIETY

Business Transformation Activity

Creating separate subsidiaries; undertaking new development without subsidy

Context

Atira Women's Resource Society is a community-based organization that supports all women, and their children, who are experiencing the impact of violence committed against them and/or their children. Through education, advocacy and outreach, Atira is an active voice in the struggle to end violence against women and their children.

While their focus is as a women's resource centre providing support, advocacy and education, the provision of housing as a refuge and home is central to their mission.

As part of this mission, Atira develops and manages housing across a continuum from emergency shelters, transitional supportive and permanent housing. Initially created in 1983 as a resource centre, they undertook their first housing development (a transition house) in 1987. Over the past 30 years, Atira has grown from a single transition house located in South Surrey with a staff of seven, to a large multi-service agency with two, for-profit subsidiaries, a development arm and more than 500 staff.

Over this period, the organization has developed a portfolio of over 1,400 units and now provides management services for other societies' units totaling another 400-500 non-market units. They also manage more than 4,000 market condominium, rental and commercial units.

Type of business transformation activities

As the society developed internal capacity in property management and administration, it identified this as a marketable commodity and established a for-profit subsidiary, selling property management services to other societies and market projects. Though this has been a source of income, these revenues have fluctuated from barely break-even to a peak of $220,000. To the extent that the subsidiary covers its own costs, it adds some economy of scale and efficiency to Atira's internal property management functions.

A recent initiative, which has become a flagship project for Atira, is an innovative development using recycled shipping containers to create 12, self-contained studio apartments, alongside a restored heritage hotel with 18 single room accommodations. With funding assistance from the Federal Shelter Enhancement Program this was a highly innovative model and proved to be relatively cost- effective compared to more traditional wood frame or masonry construction. The unique nature of the container housing has also created much public attention and interest and, as such, has created a priceless platform to support Atira's education and advocacy mission.

While most of their housing portfolio was developed under F/P and Provincial housing programs, the society has recently undertaken the development of three new projects totally almost 400 units outside of the federal-provincial housing program. These are currently underway and involve partnerships with private developers. The projects will build 198 and 170 units respectively, with roughly one-third in each targeting rents at the maximum shelter rent of BC Benefits; one-third at the Housing Income Limit (upper threshold for social housing eligibility); and one-third at full market rent. The market units will generate rental surplus to help offset lower rents and create capacity to finance the cost. For the first development (198 units, with 78 at full market), the society is contributing land equity and the City of Vancouver is contributing a modest grant ($10,000 per unit) to the targeted units. Other than a loan to help purchase the site, the society has not received any funding from either the federal or provincial government. The private developer is contributing their construction management fee as an in-kind contribution. This development approach is seeking to test the feasibility of creating new low-income housing opportunities without reliance of federal provincial funding as a way for societies like Atira to continue to grow despite constraints on new public funding.

Governance and leadership

Atira is governed by an independent board. This is largely a policy and governance board; they provide oversight and review and approve operational policy, but leave day-to-day operations to the staff and CEO.

Much of the leadership for innovation and new initiatives has originated from the CEO, but the board's breadth of expertise and support has helped bring these ideas to fruition.

Culture of organization

Atira remains committed to its fundamental mission to support all women, and their children, who are experiencing the impact of violence. As such, it retains a strong sense of compassion. While a more entrepreneurial business focused approach is needed in order to take on innovative new development initiatives, these are undertaken somewhat separately as ancillary activities.

At inception, when its focus was primarily as a women's resource and advocacy centre, the Board was dominated by directors with a social justice and social welfare background and commitment. Over the years, as the organization has evolved and taken on real estate development and management, it has actively recruited directors with a strong business and legal background to ensure it has appropriate guidance and governance.

Managing risk

The recent initiatives, particularly the ongoing partnership developments, create a degree of risk because they are not supported or backstopped by large infusion of subsidy. Atira has to develop and present a sound business case to lenders to secure financing. The society is managing risk in a number of ways. To isolate the existing portfolio, the new development is being undertaken with a separate corporation – Atira Development Society.

While both the Board and CEO have a high tolerance for some risk, they work with well-established consultants with whom they have a working relationship and trust. They also have an advisory committee to review and oversee the process and ensure that risks are appropriately assessed and mitigated.

Similarly, the property management subsidiary is separately incorporated and is established as a for-profit corporation to avoid any potential tax consequences and legal liabilities for Atira Women's Resource Society.

Risk is managed within the main society (Resource Society) through a well-established set of policy manuals.

Staff skills

With most day-to-day activity related to providing support and counseling to the women and children who access its resource centre and its housing, much of the staff have backgrounds in social work, counseling and mental health.

Many of the staff are hired from among residents and provided with education and training to help them improve labour market skills and opportunities.

New development activities rely more on professional consultants, who work with the CEO; Atira does not retain internal development expertise.

Celebrating our 40th Anniversary

HALDIMAND NORFOLK HOUSING CORPORATION

1975-2015

Business Transformation Activity

Expanding core expertise in property management services; embracing use of technology.

> ***"By remaining as a stand-alone local housing corporation since 2001, rather than becoming a housing department within the municipality, we believe we have been more business agile and able to adapt to new challenges, including embracing and using various technologies to enhance residential and property management services".***
>
> Christine Brutin, CEO, Haldimand Norfolk Housing Corporation

Context

Located in a rural area of south western Ontario, Haldimand Norfolk Housing Corporation (HNHC) is a stand-alone Local Housing Corporation (LHC) established under the transfer of former public housing assets from the province to the local municipal service manager in 2001. They are a mid-size provider owning and managing 391 public housing units as well as administering a small portfolio of rent supplements on behalf of the County. In addition, as discussed below, they provide property management services to four independent non-profit providers in their local community. Of the 11 housing providers in their service area, they manage five of them representing 65.85% of the total social housing portfolio.

At the time that former provincial public housing was being transferred to local municipal "Service Managers", the county of Haldimand and Norfolk decided to retain an arm's length housing corporation, separate from their Service Manager administrative role. Most of the senior staff from the former Housing Authority remained with the corporation, so it has retained a strong management team.

The funding for HNHC has been severely constrained by the way the legislation was crafted for local housing corporations and how the County implemented its obligations under the legislation. Rather than benchmarking and indexing costs similar to the provincial non-profit housing funding model, the municipal subsidy amount (approximately 50% of total revenue) is adjusted annually through an inflationary allowance. Over time this has had the effect of increased constraints on the corporations operation and viability. Recently, property reassessment has resulted in a significant increase in property taxes (estimated to be $110,000 at the conclusion of the four year staged increase) but the annual subsidy adjustment was not increased to neutralize this impact. This severely constrains budgets for operational costs and new capital improvements. The HNHC will be appealing the property taxes and has formally requested retroactive municipal funding from the municipal Service Manager for 2014 to cover the added property tax costs.

The HNHC is currently negotiating with the Service Manager to move to a different funding formula, which is more typically applied to non-profit housing providers in Ontario with 100% RGI units. It is expected that if successful, that this will better cover increasing operational costs, reconcile flat revenues, add funding for capital repairs and provide the opportunity for adequate operational reserves.

HNHC has established a strategic goal to become the affordable housing partner and provider of choice across the two counties within which they operate. They envision potential growth by possible aggregation with other non-profits to continue to improve local housing services and leverage collective housing assets. And they hope to leverage their existing asset base in the future to build new units potentially with funding under the affordable housing program. They also see the new Condominium Act in Ontario as a potential opportunity to expand property management services into the private expanding condominium sector.

Type of business transformation activities

HNHC's core focus is on providing sound affordable public housing. In delivering this role they have developed strong property management expertise and they have been able to "sell" their property management services to small single project non-profit corporations. This started in 1990 and based on a solid track record has since expanded to four managed NPs. The most recent taken on in 2013 was at the urging of the Service Manager who recognized HNHC's expertise and needed competent management to assist a non-profit.

These property management contracts generate new fee revenues for the corporation (some $114,000 in 2014, on a total budget of $3 million) and, in addition, allow them to allocate some of their fixed costs (such as their Yardi property management system) to these commercial contracts.

As part of their goal to be a quality property manager, HNHC has implemented various initiatives to contain costs and add new efficiencies. This includes a reorganization in 2008 that eliminated two property management positions to achieve what the corporation calls "focused work responsibilities" – and created a Maintenance Services division and a Residential Services division.

This reorganization was undertaken due to the need to provide enhanced services to the increasing number of vulnerable tenants that was not successful in the previous property management model. Both departments have achieved enhanced and improved work processes. Successes have included decreased rent arrears from 25% to 5%, improved unit turnaround times, enhanced community engagement initiatives and ever increasing partnerships with local agencies. The corporation has converted underused common rooms in adult and seniors properties to scooter parking with charging stations and will be adding a small "parking/charging charge". Since 2001, for new family unit tenancies, all utility costs were shifted to the residents and numerous energy efficiency measures were implemented in housing assets to reduce utility consumption in apartment buildings. Last month rent deposits were introduced about 5 years ago to reduce tenant receivables on move out and in July 2015 mandatory tenant insurance will be implemented or all new tenancies and transfers to reduce future insurance costs.

In addition to extending their property management role, the corporation is also modernizing this role, through a process that has embraced new opportunities presented by technology. HNHC has become very "tech savvy" and has implemented one software tool to help manage issues/cases, by adapting a customer relationship management system developed by Sales Force©, a California-based software company.

The corporation acquired this software through the Sales Force Foundation which provides software at a deep discount to qualifying non-profit housing corporations around the globe. Management staff took online training, retained a consultant to develop the program to the Housing Corporations' needs and then trained front line staff in using the software. This cloud-based software was a necessary tool for information management and mobile technology use by staff. Information can easily be accessed through mobile devices to record and manage over 100 pre-populated issues/cases that may arise between the housing corporation, applicants, tenants and contractors. This provides mobile access and real time updates on tenant issues, documenting telephone conversations, staff actions, and the ability to email their clients directly from the program, and archive this e-information in the client database. The software also provides knowledge e-management features on housing assets, standard procedures and forms.

The HNHC has also implemented building automation systems in their apartment buildings which lessens the requirements for on-site staffing. This technology e-manages boiler systems, MUAU, sanitation pumping systems, proximity card access for tenants and contractors, roof de-icing cables, sanitary system flushes and the timing of exterior lighting systems.

Property management financial systems, legal systems, and maintenance work orders are managed through a cloud-based Yardi Voyageur© and this program will be migrating to enable enhanced mobile technology features in the near future. This will likely include mobile unit inspections, e-photograph attachments, and e-documentation/notes using handheld technology. Capital planning and updating is utilized through Ameresco's Asset Planner, talent management, performance appraisals and job description management through Halogen© and other HR software systems.

Governance and leadership

The strategic planning and new initiatives have largely been instigated by the Board of Directors and the management team. The Board of Directors are actively engaged and fully supportive of moving the organization in a new direction. They see the effects of constrained funding from the Service Manager and are working hard to become increasingly self-reliant and expanding its housing role in the community.

Culture of organization

Having evolved from a somewhat bureaucratic public housing authority, the HNHC has continually evolved and now sees itself as a strong social entrepreneur. They have embraced change and the use of technology as a means to reduce dependence on and the constraints of the Service Manager. They are positioning the corporation as a leader in both housing management and plan to expand through new housing development.

Managing risk

The greatest risk to the corporation is the constrained funding imposed by social housing legislation and the Service Manager. As a small county with limited funding, the county tends to budget conservatively, which impacts on the housing corporation. HNHC seeks to manage this issue in part by trying to negotiate a new funding agreement with the Service Manager, to fully cover increases in costs such as tax increases and utilities and meanwhile continues to seek new opportunities to diversify its revenue stream.

Staff skills

This is a fairly small provider, with a total staffing of 13 persons. As noted, most staff carried over from the former housing authority and the senior management team remains intact with extensive experience. While they have taken on new initiatives and embraced technology and new information systems this has not to date necessitated new recruitment – existing staff have trained themselves (e.g. through a 5 day on line course).

"I see affordable housing as an industry. Because of the changes in the way we have to operate to remain sustainable, affordable housing now plays an important role in the local economy."

Robert Byers, CEO, Namerind Housing Corporation

Business Transformation Activity

Expanded into new areas of business; pursuing social enterprises scaling up operations and diversifying; development of homeownership options; purchase land for mixed use development.

Context

Namerind Housing Corporation started providing affordable housing in Regina in 1977 in response to an identified need for affordable housing for Aboriginal people in the community. Over the years, as its federal government subsidies have decreased, Namerind has increased the number of affordable housing units it operates and has become a self-sustaining housing provider.

In 2005, Namerind was receiving approximately $2 million per year in subsidies through the Urban Native Housing federal funding program. As operating agreements have expired, this amount has dropped to $200,000 for 2015 for the 31 units that are still under operating agreements and will further decrease as these agreements expire. The organization's 31 units under operating agreements will expire over the next while, with the last 3 government subsidized units expiring in 2029. In 2002, Namerind operated 311 affordable housing units. In 2015, Namerind operated approximately 350 affordable housing units. Among the 350 units, 31 were subsidized through government operating agreements ($200,000 in 2015) and the remaining units were subsidized through the $1.4 million generated through Namerind's social enterprises.

Type of business transformation activities

Starting in 2007, in the face of decreasing government subsidies through expiry of operating agreements, Namerind began pursuing social enterprise opportunities, where profits could be used to sustain and expand their affordable housing portfolio. Since that time, Namerind has taken on a number of social enterprises, with all profits supporting its core mission of providing affordable housing for Aboriginal people in their community:

- Its first social enterprise was the Resting Place Lodge. The Lodge was founded to provide support to those away from home for medical treatments and appointments, as well as the family members who support them. The Lodge serves visitors from Saskatchewan and across Canada. Suites at the Lodge may be rented for one night or for several months, depending on the needs of visitors.

- In 2009, Namerind purchased a retail mall. This project provided a springboard for Namerind to forge strong partnerships and support the community in ways beyond affordable housing. In addition to collecting rent that goes back to supporting Namerind's affordable housing stock, Namerind also installed solar panels on the roof of the mall to generate energy for the mall and save money that is then reinvested into affordable housing.

- The mall purchased by Namerind houses a medical clinic. There was an unused space beside the clinic where Namerind saw an opportunity to open a pharmacy. The pharmacy is wholly owned by Namerind Housing Corporation, with all profits reinvested into affordable housing.

- A number of years ago, Namerind reviewed its housing stock and sold some of the less desirable homes, providing the organization with income to invest in new affordable housing units. With that income, Namerind purchased

19 condominiums from a project of 94 units. Namerind saw these homes as an opportunity to create affordable home ownership options for their existing tenants. Namerind believes this affordable home ownership initiative creates wealth in the Aboriginal community, while enabling a family to leave a legacy for future generations.

- When Namerind began to grow and diversify its organization, it became apparent it would need to rely on skilled contractors and trades people to keep its properties in top shape. As such, Namerind purchased a warehouse that could house a number of contractors and trades people. Namerind purchased the warehouse, not only to create another revenue stream, but also to instil the importance of contractors as part of the team.

- In the summer of 2013, Namerind expanded to include residential and commercial landscaping services (Grounds Guys). These services include everything from summer maintenance to snow removal. Of the over 800 franchises of Grounds Guys in North America, Namerind is the only franchise owned by a non-profit.

- Recently, Namerind purchased a piece of land in downtown Regina. This land will be redeveloped as a mixed use development (including both affordable housing and commercial/retain space).

- Namerind has taken on property management responsibilities for smaller non-profit housing providers in the community. This consolidation of property management services for affordable housing units creates efficiency in the sector.

Namerind's expanded services provide additional benefits for the organization beyond sustaining and creating affordable housing. The growth of the organization allows it to increase staff and purchase equipment, which creates wealth and opportunity in the community as per its mission statement. Also, these new businesses have allowed the organization to play an important role in the community's infrastructure, which is being recognized by the private sector. These new relationships with the private sector have led to business leaders providing valuable mentorship as Namerind pursues new areas of business. As a result of these new areas of business, Namerind continues to work towards its goal of becoming fully self-sustaining. Namerind credits the decline in their government subsidies as the motivation to pursue these new endeavors and look for opportunities outside of housing to support its affordable housing stock.

Governance and leadership

Leading up to 2007, some positions opened up on the board. The CEO and the board of directors were strategic in recruiting new board members who would be open to expanding the organization's core areas of business to become more self-sustainable (e.g. board members with financial and business related skills). The board uses a governance model rather than a management model, so a lot of the changes were led by the CEO, but the CEO, the board, and staff have all played key roles in the transformation of the organization.

In order to engage in social enterprise activities and recruit board members with more business-related skills and skills relevant to specific social enterprises considered, the organization's articles of incorporation and bylaws needed to be revised.

Culture of organization

Namerind values its tenants, staff, and contractors through a culture of care. In terms of tenants, Namerind believes that giving tenants nice homes is important, so tenants feel proud of their homes. Namerind also creates opportunities to show tenants they are valued as part of the organization. For example, the organization hosts an annual summer picnic for tenants, staff, and contractors to mingle outside of regular property/tenant management relationships. As for the staff culture, Namerind places value on family. When recruiting staff, interviewers look for candidates who demonstrate this value. Namerind also sees it as important to ensure contractors feel part of the team.

Managing risk

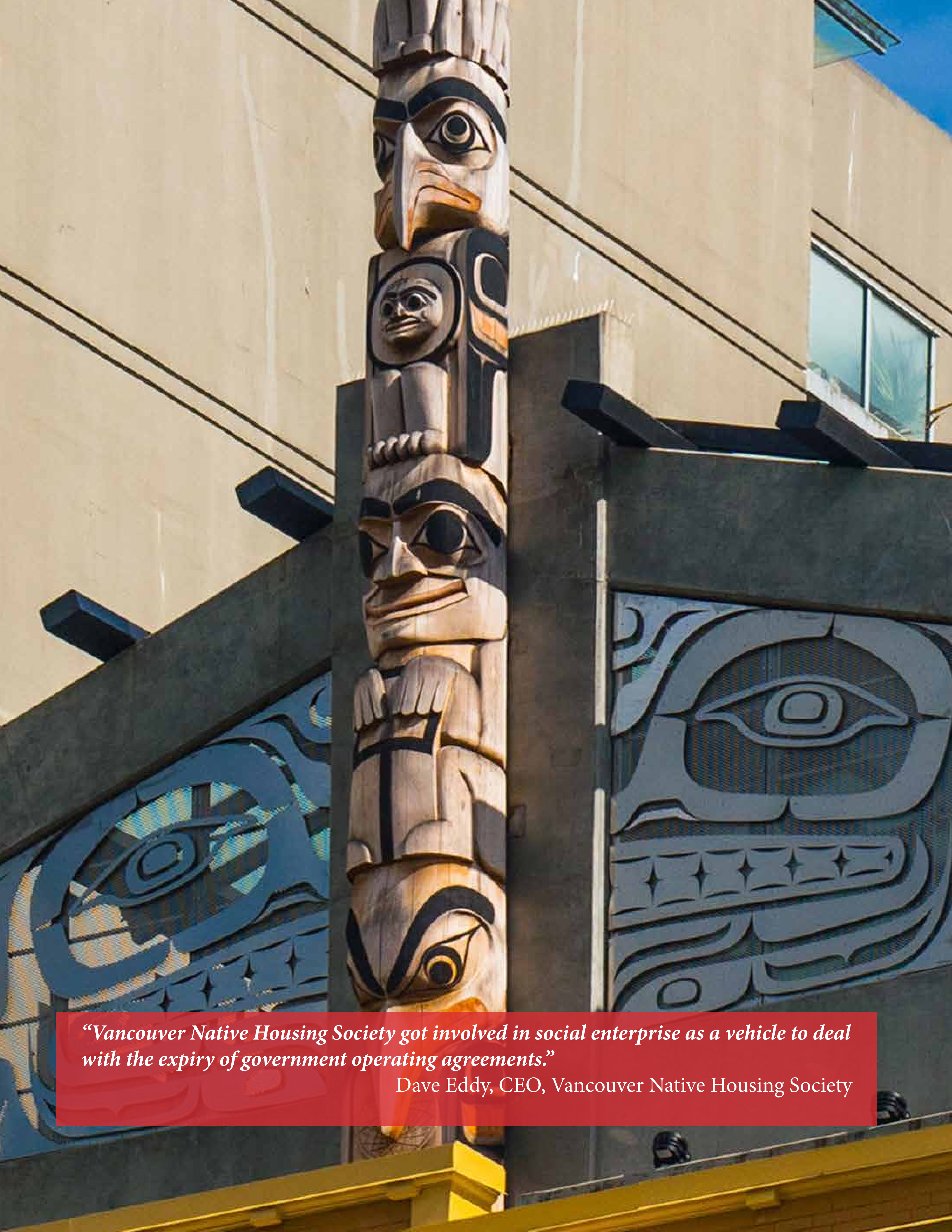
The CEO and board accepted there is always risk when taking on new investments. Processes were put in place to evaluate the social enterprises being considered to ensure that risks would not be detrimental to the overall success of Namerind, though it was accepted there may be some initial and short-term losses. For instance, with the pharmacy, they knew it would not be profitable right away, but the pharmacy was located next to a community health clinic, so they were confident patients would come, eventually making the social enterprise profitable.

Risks were further mitigated by:

- Creating separate entities for some social enterprises (e.g. for Grounds Guys and created the Namerind Development Corporation for the land purchase downtown);
- Having an advisory board and mentors from the local business community;
- Having a sound financial department;
- Trying to work with the same contractors and consultants if they offer fair prices; and
- Hiring a professional auditing company to ensure transparency and credibility in financial reporting.

Staff skills

The organization has grown to accommodate new areas of business. This involves bringing on new staff, some with professional designations (e.g. pharmacist, trades people with journeymen certification, and people with financial credentials) recruited from the private and non-profit sectors. The CEO's advisory committee has helped create and revise job descriptions with each new area of business. Namerind values investing in staff and creating opportunities for staff to act as leaders. For example, Namerind made an extensive investment in safety training for all staff and have taught staff to lead safety training sessions. The fact that staff feel valued is demonstrated through their willingness to step and help out when extra work needs to be done.



“Vancouver Native Housing Society got involved in social enterprise as a vehicle to deal with the expiry of government operating agreements.”

Dave Eddy, CEO, Vancouver Native Housing Society

Business Transformation Activity

Expanding into new areas of business; social enterprises

Context

Vancouver Native Housing Society (VNHS) started providing affordable housing in Vancouver in 1984 with financial support from Canada Mortgage and Housing Corporation (CMHC) under the Pre-86 Urban Native Housing Program. Over the years, as its federal government subsidies have decreased, VNHS has increased the number of affordable housing units it operates.

In 2002, VNHS operated 311 affordable housing units, mostly with funding from the federal government and some through provincial funding programs. By 2015, VNHS was operating 825 affordable housing units. Units were added through former CMHC funding programs, BC Housing funding programs (such as the Provincial Homelessness Initiative), capital from municipal, provincial, and federal governments, and self-sustaining social enterprises.

Type of business transformation activities

In 2012, VNHS opened its first fully self-sustained supportive housing project with 24 units for Aboriginal artists who were homeless or at-risk of homelessness. The project requires no ongoing government subsidies because it is funded through two social enterprises, both located on the same site:

- Skwachàys Lodge is a boutique hotel owned and operated by VNHS and Canada's first Aboriginal arts hotel, located in Vancouver's historic downtown. The top three floors of the building contain the 18 hotel units for travelers and Aboriginal patients travelling to Vancouver from remote areas to receive medical treatment. Each suite features original wall murals by Aboriginal artists. The hotel was the winner in its category of the Certificate of Excellence from TripAdvisor in 2015. Skwachàys Lodge also has a smudging room and a sweat lodge. To help create the Lodge, VNHS was awarded $3.5 million from the Federal Infrastructure Stimulus Fund. As well, designers offered their services pro bono and suppliers provided furniture free of charge to help create this hotel.

- The Urban Aboriginal Fair Trade Gallery, created by VNHS, provides a community owned resource for Aboriginal artists. This site is a community driven initiative dedicated to sharing the artistic and cultural work of the urban Aboriginal community. Originally conceived in 2008 as an on-line project to view the Downtown Eastside neighbourhood through the eyes of Aboriginal artists and increase the First Nations cultural content, the project has matured into a fine-art gallery dedicated to sharing and promoting the artistic and cultural work of the Vancouver's urban Aboriginal community. Some of the art sold in the gallery is created by artists-in-residence, living in the building's supportive housing units.

Both social enterprises are turning profits, which are used to subsidize the 24 supportive housing units in the building. The Aboriginal artists living in the building pay $375 per month in rent. The actual cost of operating these units is closer to $900 per month, so the Lodge and gallery are subsidizing each unit by approximately $525 per month. The two social enterprises are now generating more than the $150,000 per year required to subsidize the supportive housing units in the building. VNHS has plans to use this additional funding as capital to expand its portfolio of affordable housing units and sustain existing units, as operating agreements expire for their government subsidized units.

Operating agreements for two of VNHS' affordable housing projects (51 units) will expire in 2019 and operating agreements for all government subsidized units in VNHS' portfolio will expire by 2030. As such, the organization is actively exploring strategies to ensure these units will be self-sustaining upon expiry, including potentially:

- Doing an assessment of their portfolio and exploring possibly redeveloping some properties;
- Selling the office building they currently own for profit and including new office space in a redeveloped site;
- Creating affordable homeownership for some existing tenants;
- Creating affordable mixed income projects (including maybe partnering with a private developer) that may be able to turn a profit to subsidize some units in the same building (affordable home ownership, affordable rental, subsidized);
- Developing an affordable housing trust, which would involve partnering with a philanthropist or private developer and crowd-funding to raise funds – the money would then be leant out on a 2 or 3 year timeframe and returned with a small interest or tax receipt, with the proceeds used to build units to sell at market rate or affordable home ownership rates, and create affordable rental units;
- Working with a social enterprise committee to explore additional unique and high revenue opportunities;
- Looking to work with other Aboriginal communities across Canada to replicate the gallery, lodge, and housing for artists model, which could potentially generate income for VNHS either through franchising the model or through consultant fees to provide mentorship; and
- Creating opportunities for tenants who are able and ready to move along the housing continuum to free up subsidized units for others who need this form of housing through providing tenant education around financial literacy and by encouraging/assisting tenants in developing housing goals and plans to achieve those goals.

Governance and leadership

The idea of engaging in social enterprise to help sustain and create new affordable housing units was part of a four part strategy developed by VNHS' board in 2009 as they began preparing for the expiry of operating agreements. This strategic plan was given to the CEO to implement. While the Lodge and gallery represent new areas of business for the organization, they are closely linked to the organization's mandate and support its core missing to provide safe and affordable housing to Aboriginal people in the community, as the proceeds from these social enterprises all go back to sustaining and creating affordable housing for Aboriginal people.

Culture of organization

As the organization has grown, the culture of the organization has changed. The growth of the organization has required a more formal structure (including a CEO position, HR department, and Communications department). The organization is now operating under a more business-like model than it did in the past. The organization has also implemented processes to demonstrate accountability and transparency, such as developing business cases to ensure value for dollars spent and stricter processes in the areas of rent collection and income verification. The pace of work is much faster than it used to be and being flexible and adaptable to change is important.

While operating under more of a business-like model, VNHS still works with marginalized populations and continues to be sensitive to issues this population may face. Also, the organization is stepping into a business model while maintaining traditional Indigenous values that have been part of the culture of VNHS, such as valuing the role of Elders and stewardship of Mother Earth. The organization aims to balance its social purpose within a framework that is effective and efficient.

Managing risk

Stepping outside of the regular work done by VNHS and into the world of social enterprise was uncharted territory for the organization. This meant the organization needed to be less risk adverse and more flexible than it had been in the past. The organization considered its options carefully when identifying appropriate social enterprises to take on, so as not to alienate partners, such as funders and the bank, etc. The board and CEO had conversations with key partners to ensure they supported the new direction of the organization and got pre-approval from relevant partners before pursuing any new business ventures. The board focused on social enterprise opportunities that were tied to the organization's mission. These new endeavors required careful planning and research into to the potential pitfalls and risks. VNHS made sure it had appropriate insurance in place to cover potential risks of its new businesses.

Staff skills

As the organization moves to a more formal structure, VNHS has recruited new employees with skills such as Communications and HR. VNHS has also recently recruited staff with financial expertise from the private and government sectors. Generally, the organization looks for staff that can think on the spot and respond to situations based on life and work experience or through their education and training. They also look for employees and board members that are independent thinkers and have a more entrepreneurial spirit.

The CEO has also gained new skills to help implement the new direction of the organization. For example, he has earned a Master's Degree in Leadership. He also sits on many local, national, and international boards and associations related to housing. Participation in these boards and associations provides important networking opportunities and helps the CEO stay informed of emerging best practices and lessons learned from other organizations that can help VNHS grow.

“Our old site was aging and in need of major repairs. Without the sale of the old site and development of the new site, we would not have been able to continue meeting our mission of providing affordable housing to seniors in the community. The newly developed site is sustainable, without ongoing government subsidy.”

Leona Watts, CEO, Lynnhaven Society

Lynnhaven Society

Business Transformation Activity

Change of rent structure to include low end market rental units for seniors (replaced RGI model); cross-subsidize.

Context

The Lynn Ave homes were originally built in 1957 to house veterans and their spouses returning to the Abbotsford area. The 2.5 acres on Lynn Ave in Abbotsford was purchased by members of The Royal Canadian Legion, Branch15, Abbotsford. Although members of the Abbotsford Royal Canadian Legion originally founded the Lynnhaven Society, the society has always acted as an independent not-for-profit society. Originally, the land housed 10 duplex units and units were added as funding became available over the years until 1982, with the site ultimately consisting of 40 units. These 40 units were funded through private donations, as well through the PRAP Seniors funding program up until 2003 (when the operating agreement for these units expired). The units rented out at rent-geared-to-income rates. While the units were originally targeted for veterans, over the years, the need for affordable housing changed in Abbotsford and Lynnhaven opened up the housing to seniors aged 55+ years.

By the early 2000s, the units had aged and were in need of significant repairs, which would have been too costly for the organization. Also around that time, Lynnhaven's waitlist became longer. Lynnhaven considered redeveloping the site, but the Official Community Plan at the time did not allow for 4+ storey structures on that site. In 2010, Lynnhaven sold the Lynn Ave site for $2.675 million. Lynnhaven used this money, along with a low interest mortgage through BC Housing's Community Partnership Initiative and a grant of $320,000 from the City of Abbotsford, to purchase a new site for development. The site purchase and development cost $4.4 million.

The new site, called McCargar and McMath, opened in 2014 and houses 64 low-end-of-market rental units for seniors and people with disabilities, aged 55+ years. Rent includes furniture, hydro, hot water, and heat. While 56 of the units rent out at $650 per month , the remaining 8 units rent out at $375 and are dedicated for adults with disabilities aged 55+ years that do not yet qualify for seniors' pensions or BC Housing's Shelter Aid for Elderly Renters (SAFER) rent subsidies, but receive Income Assistance through the Persons with Disabilities category.

Type of business transformation activities

McCargar and McMath receives no ongoing government subsidies to operate. The project is self-sustaining through the following initiatives:

- Through a relationship with the Fraser Valley Housing Network, Lynnhaven was connected with Algra Brothers, a private developer in the area. Algra Brothers had an affordable housing model plan, which they shared with Lynnhaven. The Algra Brothers model involved creating micro-suites. The 64 self-contained suites at McCargar and McMath are 300 square feet and include built in furnishings to create a functional and livable layout. These smaller suites and use of an existing design plan led to lower development costs, which meant lower breakeven operating costs.

- Algra Brothers provided design and development services at below market value to help save costs on the development of the site, again leading to lower breakeven operating costs.

- With the move to the new site, Lynnhaven moved from a rent-geared-to-income rent structure to charging rent at breakeven rates. This allowed Lynnhaven to cover its operating costs without ongoing government subsidies.

- To help tenants afford the breakeven rent rates, Lynnhaven assists all eligible tenants in applying for SAFER. Tenants aged 60 years and over with qualifying incomes are eligible for BC Housing's SAFER rent subsidies. SAFER provides cash assistance to senior renters in BC who pay more than 30% of their income towards their shelter costs. This rental assistance allows McCargar and McMath tenants to pay rent at affordable rates, while still allowing Lynnhaven to break even on its operating costs, including cross-subsidizing the 8 units that rent out at $375 per month. Tenants at the old site were paying well-below breakeven rent at rent-geared-to-income rates. To help tenants transition to their new units and flat rent rates, Lynnhaven began working with tenants before the move to connect all eligible tenants to SAFER.

- Lynnhaven received a low interest mortgage from BC Housing through the Community Partnership Initiative to help lower mortgage payments for the McCargar and McMath site, and thereby, ongoing operating costs.

Though McCargar and McMath is self-sustaining, there are no additional profits to allow the organization to grow and expand. Some initiatives the organization would like to pursue include creating additional independent seniors' affordable housing, as well as creating an assisted living facility to allow tenants who can no longer live independently transition into assisted living operated by the same housing provider.

Governance and leadership

The board was completely onside with the sale of the old site and development of a new site. Had they not developed the new site, the organization would no longer have been able to meet its mission, as the units on the old site were too expensive to repair.

Culture of organization

Lynnhaven now provides more supports to tenants than at the old site. Since moving to the new site, Lynnhaven has partnered with other local service providers to provide supports to tenants, such as connecting tenants to home care, social workers, and mental health workers as needed. Staff get involved quickly with tenants as new needs emerge and work closely with tenants' families to keep them connected.

Managing risk

There are always unforeseen costs when developing a new site, but Lynnhaven had a pro forma in place for the McCargar and McMath site, which helped keep costs under control. Now that the site is developed, there is always risk of damage to the occupied units. Lynnhaven has a contingency fund in place as part of its breakeven calculations to help cover repairs, as well as adequate insurance to cover bigger unforeseen problems (e.g. a flood).

Staff skills

The organization has remained the same size with the move (an Executive Director and a maintenance person, along with a volunteer Board); however, the roles for the two staff positions have broadened. The maintenance worker and Executive Director easily adapted to these changes and no new training was required.

The Executive Director came to the position with training in the real estate sector, which helped her, along with the board, oversee the sale of the old site and the purchase/development of the new site. Where additional expertise was required, professionals were hired on a consulting basis (e.g. lawyers). Because Lynnhaven provides more support to tenants, the Executive Director now works full-time and has taken on additional onsite administrator duties.

The role of the maintenance worker has also changed. Not only is the maintenance worker more involved with the tenants (e.g. tenants may go to the maintenance person directly with questions), but the nature of the maintenance work has also changed in that the old site had separate ranch style units, while the new site has two multi-storey buildings and grounds.