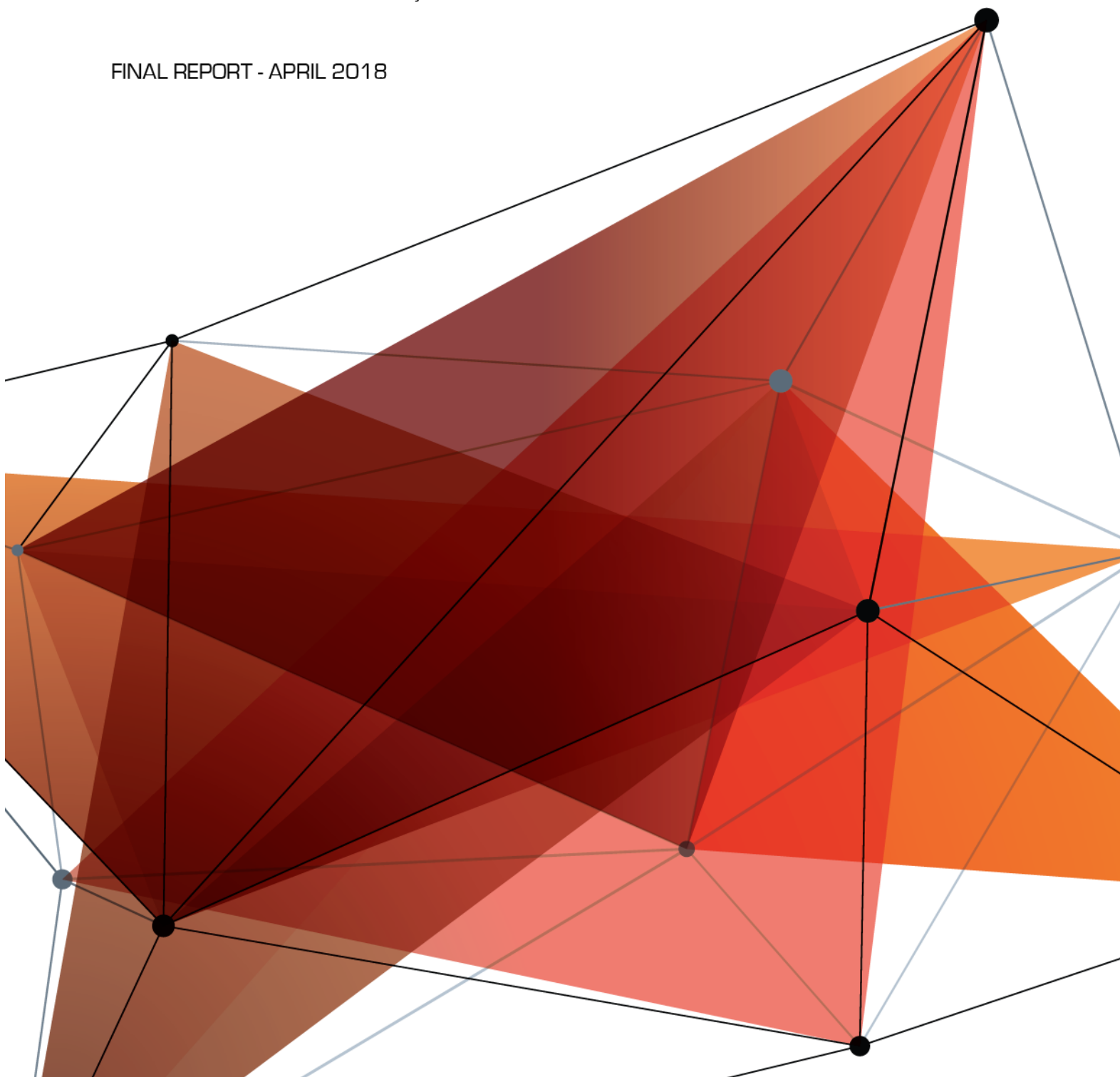




# **Skillsets and Core Competencies to Facilitate Business Transformation in the Non-Profit Community Housing Sector**

Business Transformation II Study

FINAL REPORT - APRIL 2018





## Acknowledgements

This research was produced with funding from HPC. HPC gratefully acknowledges the support received from sector organizations and associations, non-profit providers and their staff representatives, key informant and survey participants, and from the Leadership table and Working Group members.

The research team would like to thank all the participants in the research for their various contributions and interest shown. We would especially like to acknowledge the work done by HPC staff who contributed their time working with the consultants to support this important study.



## Housing Partnership Canada (HPC)

HPC is a collaboration of Canada's housing leaders. It operates as a peer-based network and business cooperative for senior housing practitioners of influential organizations that have a demonstrated commitment to innovation.

HPC is an independent, non-political body that initiated this project as part of its research priorities for the affordable housing sector. The study is intended to support non-profit providers as they work to transform and future-proof their business, and inform government and policy-makers about the changing needs of housing providers.

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## Consultants



R.A. Malatest & Associates Ltd. ('Malatest') is an evaluation and market research firm with over 30 years of experience in conducting evaluations of public sector programs, a considerable portion of which have been housing programs at both the provincial and federal levels. Malatest worked in collaboration with Dr. Patricia Streich to complete this research. Dr. Streich is a specialist in housing, urban studies, public policy and evaluation. She has worked on many national level studies of social housing in Canada over several decades, including work on non-profit and co-operative housing as well as all types of housing programs.

## Working Group Members



*While all reasonable care and attention has been taken in compiling this publication, the editors, the authors, and Housing Partnership Canada regret that they cannot assume responsibility for any error or omissions that it contains.*

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# FOREWORD

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The passion and commitment in Canada's non-profit community housing sector is impressive. Since the introduction of early social housing programs in the 1950s and 60s, the sector has grown in both size and sophistication, and its positive impact in local communities is significant. Likewise, our understanding of what underlies the collective capacity of the sector is growing, along with a clearer vision of the adaptation and change that are transforming our business practices into the future.

Building on Housing Partnership Canada's (HPC) first major examination of emerging business practices in the non-profit housing sector titled *Business Transformation: Promising Practices for Social and Affordable Housing in Canada*, this second major study focuses on business transformation from an organizational development perspective

Specifically, this second study examines critical questions that challenge every organization within the non-profit community housing sector. How do we make purposeful change within our organization to strengthen human resources capacity? How do we ensure investments in information technology are effective? What steps can we take to modernize our governance practices and boards? How can we create alternative sources of revenue? How can we improve and expand our services through new and innovative partnerships? How do we manage risk as part of a business transformation strategy? In short, how do we "future-proof" our organizations?

In this report each of these questions is examined in detail, revealing emerging strategies, skillsets and core competencies to support business transformation. The findings are based on a significant Canadian research effort involving an extensive literature review, interviews with leading senior managers of housing provider organizations, as well as the first-of-its-kind large survey of providers from across the country. Through these multiple lines of enquiry, I believe the study's findings are rich and informative.

On behalf of the HPC, I encourage you to review this study as I believe it will help stimulate ideas for further business transformation within your organization. HPC is carrying out additional complementary work on implications for practice document, highlighting ways in which government, sector organizations and the non-profit community housing sector can facilitate business transformation in the area of organizational development and capacity.

Finally, I would like to sincerely thank everyone involved in this study, including researchers, writers and participants, for your contribution to this important research initiative. This invaluable business transformation research project could not have taken place without the ideas, creativity, expertise, and energy of all its participants. I hope the research continues the stimulating discussions around non-profit and affordable housing in Canada that the first report provoked.

A handwritten signature in black ink, appearing to read 'Shayne Ramsay', with a stylized, cursive script.

Shayne Ramsay

Chair of Housing Partnership Canada and Chief Executive Officer of BC Housing

# EXECUTIVE SUMMARY

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## Introduction

Canada's housing system has a large and diverse non-profit housing sector, including both rental housing and housing co-operatives. For more than four decades, this community housing stock has provided affordable housing to hundreds of thousands of low- and moderate-income families, seniors, couples, and single people. The Federal government through the National Housing Strategy has committed to maintaining a resilient community housing sector by ensuring that Canada's existing non-profit stock remains affordable and in good repair. This study focuses on community housing, specifically the non-profit rental housing sector.

The non-profit community housing sector is experiencing many changes that affect its operating environment. These include the expiry of operating agreements, which will end ongoing government subsidies through the government programs under which they were funded. Housing operators are also experiencing changing tenant demographics (e.g. a growing seniors' population and increasing demand for services), changes in the workforce (retiring staff and a need to recruit and train millennials new to the sector), an aging housing stock, increasing demands for information technology, changes to the regulatory landscape, and demand for greater public transparency and accountability about housing development and operations.

In response to the changing operating environment, portfolios of non-profit housing are evolving and, with that, housing organizations are considering adjustments to their management and business approaches that still align with the role of the sector.

Housing Partnership Canada (HPC)  
contracted R.A. Malatest & Associates Ltd.

(Malatest) to conduct a second phase of research exploring business transformation in Canada's non-profit housing sector. Specifically, the ***Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Community Housing Sector*** study examines factors that drive business sustainability in three key areas: (1) Skill sets and competencies; (2) Governance and

internal organizational capacities for sustainable operations and housing development; and (3) Organizations' resilience and appetite for risks.

This study is the first in Canada to examine business transformation, from an organizational development perspective rather than purely a housing policy or financial lens. The study captures the decision making of housing organizations that have undertaken purposeful change, specifically the type or organizational changes and adaptations; in pursuit and planning for long-term business sustainability. This body of research makes a significant contribution to the scant literature available on the Canadian sector with respect to the changing skill sets and competencies of the non-profit housing sector; as noted in the literature review for this study.

## Methodology

This research focuses on community housing. The study used multiple lines of inquiry to explore the processes and types of changes being made within organizations; perceptions of risk to changing operations; lessons learned; and implications for the non-profit housing sector. Interviews were conducted with 21 individuals from different non-profit housing provider organizations (n=14) and "other organizations", including provincial or territorial housing corporations, housing development and financial groups, and other sector groups (n=7). An open online survey was also conducted to obtain data on organization types, sizes, and business transformation experiences. These key informant interviews provided the balance of qualitative and quantitative research methods and provided the opportunity to

focus on key issues that emerged either from the survey data or validate the views from sector representatives, and to address areas to explore from the previous HPC research study on business transformation.

Given the diverse nature (size, scale, geography) of the Canadian non-profit sector and the differences between types of community housing organizations, this research captured a total of 213 individual responses to the online survey, with representation from non-profit housing providers (69%), government organizations (18%) and other housing organizations, including housing development groups, agencies that support housing, contractors, or faith-based/charitable organizations (13%). This is one of the largest responses to a Canadian research survey conducted of the non-profit rental housing sector in over 15 years.

Despite the number of survey responses, it should be noted that there were fewer housing organizations from outside the provinces of British Columbia and Ontario that responded to the survey. A targeted outreach to ensure regional representation from all provinces and territories and specific to indigenous organizations was also included in the research approach.

The survey results and analysis included in this report, to a larger extent reflect the responses for non-profit housing providers as they represented a larger proportion of the respondents to the survey. Noteworthy, it was not the intention of this research to collect a statistically representative sample. While the results from this study could be generalized to the larger non-profit housing in Canada,



they cannot be generalized to the highly diversified non-profit housing sector (comprising many small community housing organizations). This study draws on trends and themes as indicative in this report to illustrate the variety of changes underway in the sector.

## Key Findings

### Types of Changes in Organizations

Results from this study demonstrate that the non-profit housing sector is on a trajectory of adaptation and change and is transforming the ways in which housing organizations learn, manage talent, and modify business practices and invest in organizational development; to ensure that they can become a thriving and sustainable business for the future.

Themes and types of changes were drawn from both the key informant interviews and the survey with housing organizations. Three broad categories of change processes were identified: (1) renewal (including improving boards, planning for succession, revising job descriptions); (2) diversification (broader changes including the introduction of a new management structure, new skills, partnerships, joint ventures), and; (3) refocusing (such as becoming more business-oriented, developing more corporate structures and senior management, and expanding specialized skill sets).

Within and across these change processes, specific strategic actions were identified: developing new human resource strategies; investing in digitalization and information technology; strengthening governance and

boards; and exploring alternative revenue generation or financial strategies. Additionally, organizations explored partnerships and collaborations across sectors as an approach to responding to the changing environment and needs of affordable housing tenants.

### Human Resources

Taking steps to address human resources (HR) was the most commonly reported change made by all organizations represented in the survey (48%). All key informants from non-profit housing provider organizations (n=14) also reported changes in staffing, skill sets, and competencies. The majority (68%) of survey respondents reported that their HR changes were effective to some extent and one-quarter (26%) reported these changes were largely effective.

Types of HR changes reported by both survey respondents and key informants included:

- Development of new plans or strategies (e.g. strategic plans, business plans, organizational plans, and HR strategies) although the pace of change varied from assessments of readiness for change, to plans, to re-assessing organizational resources
- Changes in missions and visions in response to the changing sector (e.g. expiring operating agreements, aging housing portfolios)
- Changes in senior management, including the development of succession plans as long-standing leaders retired and updating responsibilities to reduce the workload on a single manager

- Changes in staff recruitment to attract or retain talented staff, including changes in desired skill sets and new positions to address organizational gaps (HR skills, client services, marketing, IT, financial skills, and real estate development or project management skills)
- Use of external expertise or outsourcing in the areas of strategic planning, legal advice or services, financial or technical services, project development or project management

### **Digitization and Information Technology**

Investments in information technology (IT) were the second most common organizational change made by organizations. Just under one-third (31%) of survey respondents reported investments in IT. Key informants from non-profit housing organizations also reported investments in IT, or developing strategies or plans for updates and improvements. Challenges with new technologies were noted, including the lack of dedicated IT staff and unintegrated IT systems from different operational areas. Although new hiring can give preference to people with stronger IT backgrounds, the pace of change has been rapid and requires continuous learning.

### **Governance and Boards**

Approximately one-third of survey respondents reported that their organization had made changes in their board memberships (31%) or their board priorities (39%) as a method of business transformation. Both survey respondents and most key informants reported that their boards had gone through transitions in the past, resulting in changes in the structure or

process. These changes included: having fixed or limited terms for board members; implementing policies for operations, committees and carrying out governance responsibilities; recruiting diverse skill sets and backgrounds; and establishing committees and processes for filling vacancies to ensure continuity.

One-quarter (26%) of survey respondents reported their organization had made changes in the specific expertise and skill sets required of their board members. The most commonly reported expertise desired by organizations was experience in business, development, or finance (16%). Key informants supported this finding, noting that their organizations recruited board members with a range of skills and expertise (e.g., business, finance, real estate experience). Having a broad cross-section of senior and experienced people from multiple sectors was desirable. The majority (66%) of respondents reported that changes to governance and boards resulted in some level of effectiveness in supporting business transformation.

### **Alternative Revenue Generation and Housing**

Nearly one-quarter (23%) of survey respondents reported exploring alternative revenue generation options for their organization. The most common changes reported were joint ventures or pooling of resources with partners (22%), followed by diversification into new housing products and services (21%). Most non-profit housing provider organizations had not been actively developing new products, enterprises, or business activities to generate revenues. However, some key informants reported that their organizations had a range of revenue

sources from other activities, such as providing services to other groups, and a number had been involved in the disposition of assets as a source of funds for new builds or renewals. Some groups actively sought out other funding opportunities. While some new social financing approaches had emerged, these opportunities have been localized thus far and depend on the resources available in the area.

In addition to changes made in existing organizations, another key trend observed was the emergence of separate development and financing entities. Some key informants described this trend as building intermediaries so that each housing non-profit did not have to do everything for themselves.

### **Partnerships and Collaborations Across Sectors**

Interviews also identified changes across sectors that had impacts or implications for business transformation in the non-profit housing sector, including:

- Partnership approaches to engage multiple partners across sectors (e.g. Indigenous Peoples, municipalities, and service organizations) to help identify shared goals and opportunities for working together on a shared agenda. Leadership from government housing agencies helped enhance broader partnerships.
- Access to land for development was challenging and internal expertise was not sufficient to support the expansion of housing portfolios. Non-profits were increasingly looking for partners with available sites as the lack of potential

development sites put constraints on production capacity.

- Crossovers between housing and other sectors (e.g. health) require a broader set of community development skills due to their diverse service model. Better understanding of the types of business models best suited to support business transformation is required.

### **Challenges and Risks**

When asked whether changes to organizations for business transformation would create new risks, just under two-thirds (62%) of survey respondents reported that there would be some risk. Among survey respondents, some of the most commonly identified challenges or barriers to business transformation in their organizations were changing organizational culture or achieving staff buy-in, and the risk tolerance of board members, funders, staff, and others involved in decision-making processes. Key informants expanded on challenges to include finding or acquiring sites and obtaining financing for the development phases.

Few key informants reported that their boards were risk averse and more than one-third (37%) of survey respondents identified risk as a challenge for business transformation. These organizations saw the need for a change in mindsets from the past. Some non-profit housing providers said they deal directly with financial risk and a few key informants noted the need to take smart risks. There are inherent risks with new approaches, but this risk must be weighed against the risk of continuing to use old models.

## Lessons Learned

The study identified many lessons learned based on the perspectives and experience of the key informants and survey respondents. Specifically, the following factors for success in business transformation were identified:

- Get ready for change, including identifying priorities, shifting away from the traditional mindset, and assessing organizational readiness
- Have the necessary skill sets and competencies that match organizational needs, including HR, client services and marketing, asset management, and senior leadership expertise
- Invest in technology and staff with IT skills
- Develop strategies to meet new business goals, including increased marketing skills, appetites for calculated risks, and expertise or partnerships to develop new housing
- Be open to partnerships, including partnerships across sectors

## Conclusion

This report is the second inquiry into the business transformation capacity of the Canadian non-profit rental sector by Housing Partnership Canada. The first study focused on new business practices, strategies and innovations that foster business transformation in Canada's social and affordable Housing sector. Informed by the earlier research, this report explored capacity, organizational development and the skills sets and core competencies to support transformation. The key themes that emerged

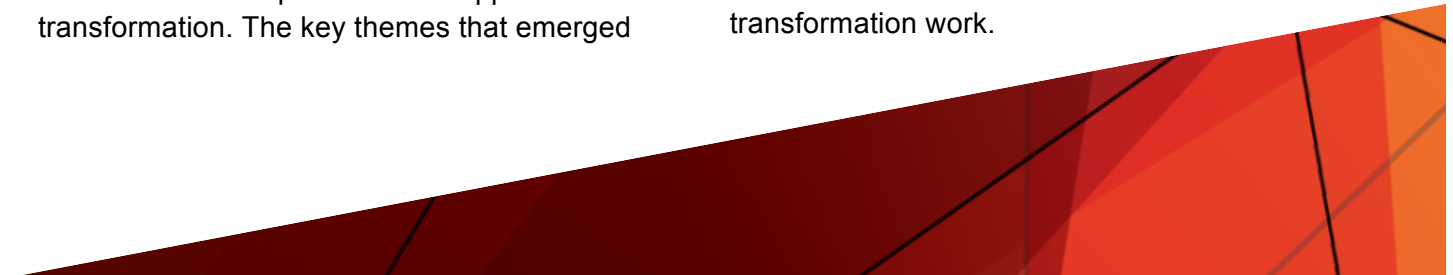
through the course of this research and addressed in this report, demonstrate the ways in which the community housing sector is evolving and defining its destiny.

Overall, the non-profit rental housing sector is transforming business practices in response to a changing housing landscape. Findings from the survey and interview data show considerable activity is underway across Canada. Non-profit housing organizations are strongly committed to their mandates and missions of meeting community housing needs and are adapting their structures and capacities to achieve long-term viability and sustainability through:

- Changes in skill sets and competencies to address organizational gaps
- Strengthening of boards, governance policies, and senior management to support operational sustainability

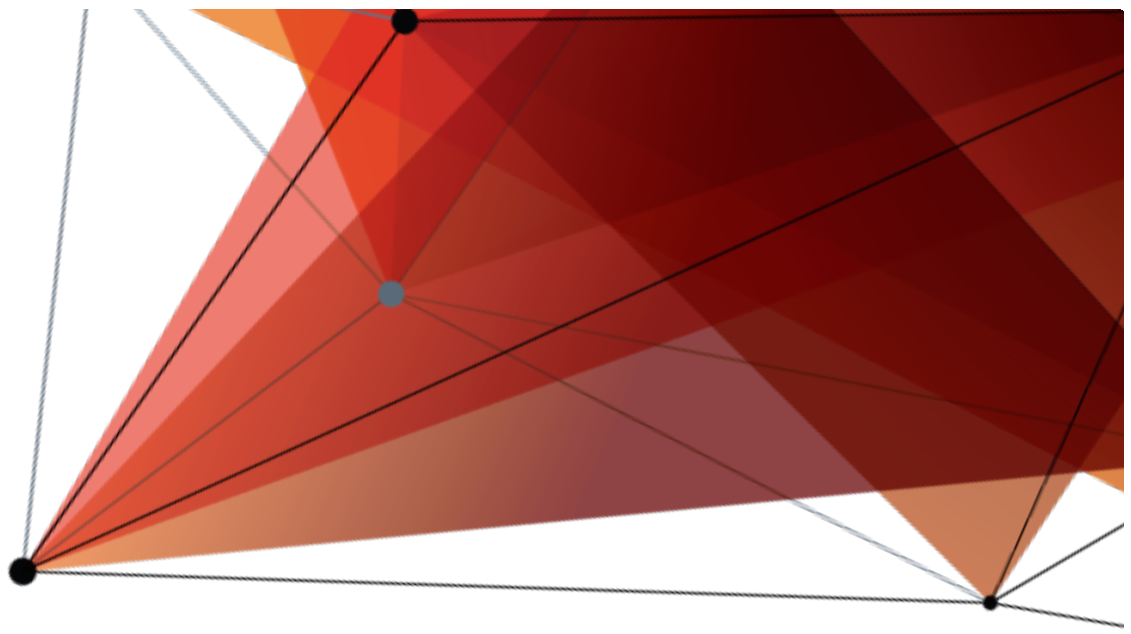
While not typically framed as “future proofing”, the need to be better positioned to respond to changing priorities and challenges was widely recognized.

Building on the findings of the research, HPC has prepared a companion document entitled “**Implications of Business Transformation II Study**”. This document highlights several areas for practice that can be undertaken by government, sector-based organizations and the non-profit community housing sector to facilitate business transformation. In addition, it indicates the role and ongoing activities of HPC to promote and support business transformation work.



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# 1 INTRODUCTION

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Canada's housing system has a large and diverse community housing sector, including both rental housing and housing co-operatives that make up the non-profit housing sector. For more than four decades, this sector has provided affordable housing to hundreds of thousands of low- and moderate-income families, seniors, couples, and single people. The current study focuses on the community non-profit rental housing sector.

Although up-to-date numbers are not readily available, over 250,000 units of non-profit rental housing were funded under former federal housing programs,<sup>1</sup> and additional units were financed under provincial programs in Ontario, B.C., and Quebec. Additional non-profit projects and units have been built with funding from other affordable housing initiatives.

Non-profit housing providers are increasingly looking for opportunities to increase their capacity for the delivery and administration of housing, recognizing that the social, political and environmental context within which they operate is continually changing. Many factors are driving the changes underway in the non-profit housing sector today, including:

- Changes to the operating environment of non-profit housing projects as their

mortgages mature with respect to the expiry of operating agreements

- Changes in tenant demographics, including a growing seniors' population, and increasing demand for services
- An aging housing stock with buildings that require major repairs or are becoming obsolete as they no longer meet current building standards
- A changing workforce with staff who are retiring and a need to recruit and train a younger generation of millennials who are new to the non-profit housing sector
- Increasing demands for information technology (IT) to meet operational and reporting requirements
- Changes to the regulatory landscape at the local, provincial and national level
- Demand for greater public transparency, accountability and scrutiny about how

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<sup>1</sup> Evaluation of the Urban Social Housing Programs, CMHC, 1999, Page 6 and Canadian Housing Statistics, CMHC, 1974, Table 53.

<sup>2</sup> Across Canada, a significant number of social housing

housing is delivered, what outcomes are achieved and how the current structure of non-profits can support the provision of housing

The time is right for embracing these challenges and examining the opportunities they present. For example, the expiry of operating agreements is important in driving non-profit housing providers to consider new business models that may involve providing mixed-income and mixed-tenure housing and using their equity for redevelopment. Some non-profits have also begun to consider their capital and asset management approaches for older housing that may require renewal or redevelopment.

To achieve long-term business sustainability, non-profit housing providers are recognizing that they must examine their organizational dynamics and internal operating environment, including leadership, strategic direction, scale of operations, human resources, skills and core competencies, and governance structures. Federal and provincial governments are also exploring capacity and ways to support the sustainability of the non-profit housing sector, through new investments and initiatives.

This study is the most comprehensive of its kind in and is the first in Canada to examine skillsets and core competencies needed in the non-profit housing sector to transform and future-proof their businesses. The study captures the decisions made by leading housing organizations that are investing in transformation and provides an “insider” perspective on how these housing organizations are responding to new

opportunities and responsibilities in the changing operating environment.

Housing Partnership Canada (HPC) commissioned R.A. Malatest & Associates Ltd. (Malatest) to conduct this research.

## **1.1 Purpose of the Study**

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This study is the second inquiry into the business transformation capacity of the Canada’s non-profit housing sector by HPC. The first study (CURE, 2015) focused on new business practices and strategies and innovations that foster business transformation in Canada’s social and affordable housing. Drawing on 14 case studies and a survey of 33 Canadian housing organizations, the study identified that housing organizations were pursuing four types of business transformation strategies: 1) Cost Efficiency and Growth, 2) Leveraging Core Competencies, 3) Innovation and Enterprise, and 4) Enabling and Facilitating. The activities associated with these strategies necessitated housing organizations to reconsider the skill sets and areas of expertise required to support new business practices (i.e., new development activity, property management).

Informed by this earlier research, HPC interest in this study is to explore and showcase organizational development and the skill sets and core competencies that support transformation. The study was designed to answer the following two key questions:

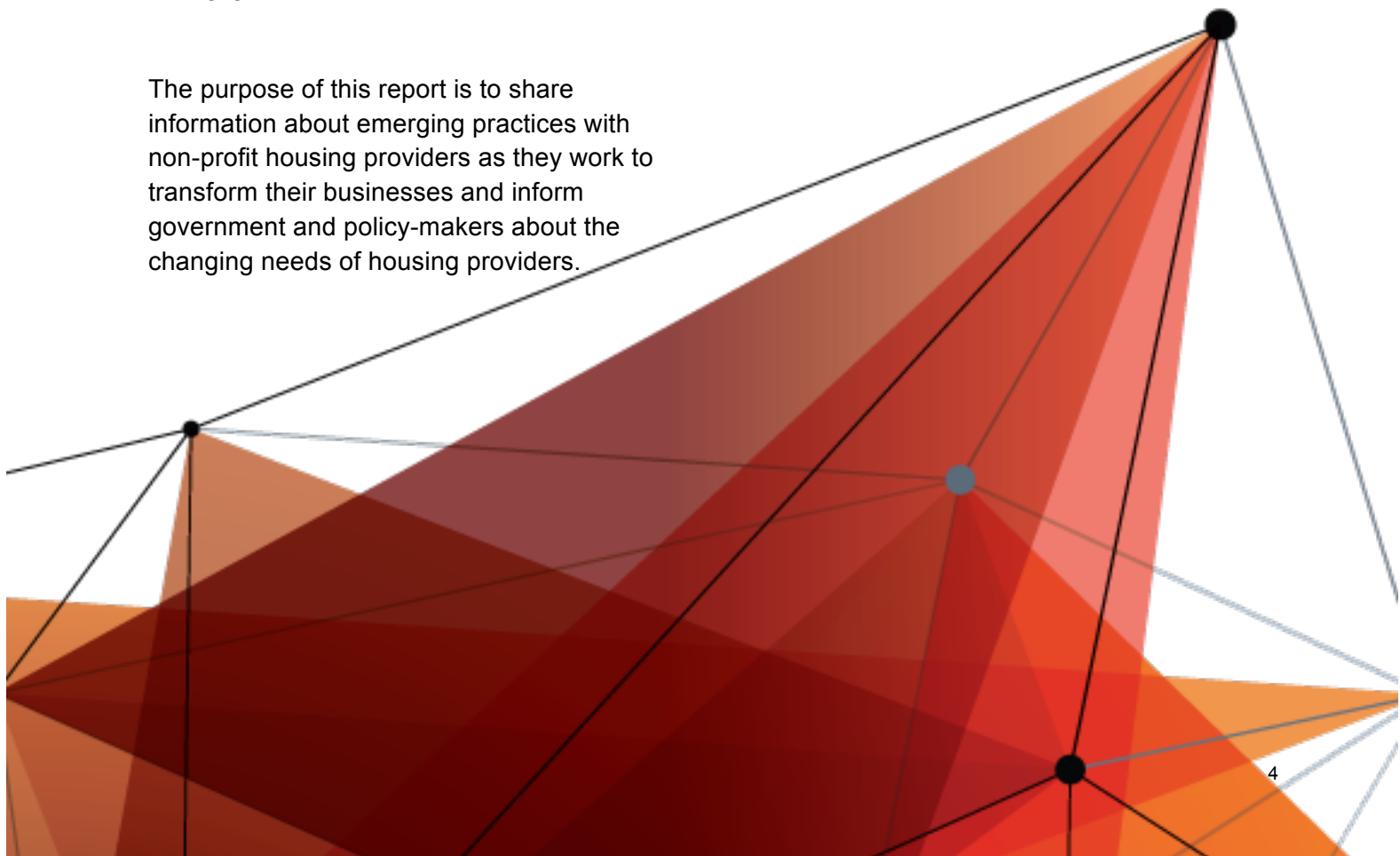


1. How do organizations respond to external factors (such as policy change and market conditions) in terms of their culture?
2. What types of skills and competencies are required by organizations to future-proof their businesses?

In particular, the study examines factors that drive business sustainability in three key areas:

1. Skill sets and competencies required of the non-profit housing sector in this changing operating environment
2. Governance and internal organizational capacities for sustainable operations and housing development
3. Organizations' resilience and appetite for risks

The purpose of this report is to share information about emerging practices with non-profit housing providers as they work to transform their businesses and inform government and policy-makers about the changing needs of housing providers.



# 2 METHODOLOGY

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Multiple lines of enquiry, including a literature review, survey and key informant interviews were used in the research design of this study. The process for each method is explained in this section. Noteworthy, there are various terminologies used to categorize organizations administering social and affordable housing, more commonly community housing and the non-profit housing. These categorizations have been used interchangeably in the literature and in publications. This research focuses on community based housing, specifically the non-profit rental housing sector. For the purposes of consistency through the report, the terminology non-profit housing is used.

## 2.1 Literature Review

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To inform this study, a literature review was undertaken to learn about trends taking place in the non-profit housing sector to facilitate business transformation and, in particular, to explore recent initiatives related to increasing the skills and core competencies in the sector. Academic literature and publicly available information from national and provincial housing organization websites were reviewed. These studies were augmented with targeted searches of Statistics Canada, the websites of umbrella organizations, as well as open-source information on social housing issues provided by consultants, academics, and representatives from non-profit organizations. Appendix A contains the literature review.

## 2.2 Key Informant Interviews

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A total of 21 interviews were conducted with senior managers (CEOs, general managers, or directors) of 14 non-profit housing provider organizations and seven others as shown in Figure 1.

A list of participating organizations is included in Appendix B. The interviews focused on the types of changes carried out by housing organizations around skill sets and competencies of non-profit staff and boards, how these changes were carried out, and lessons learned.

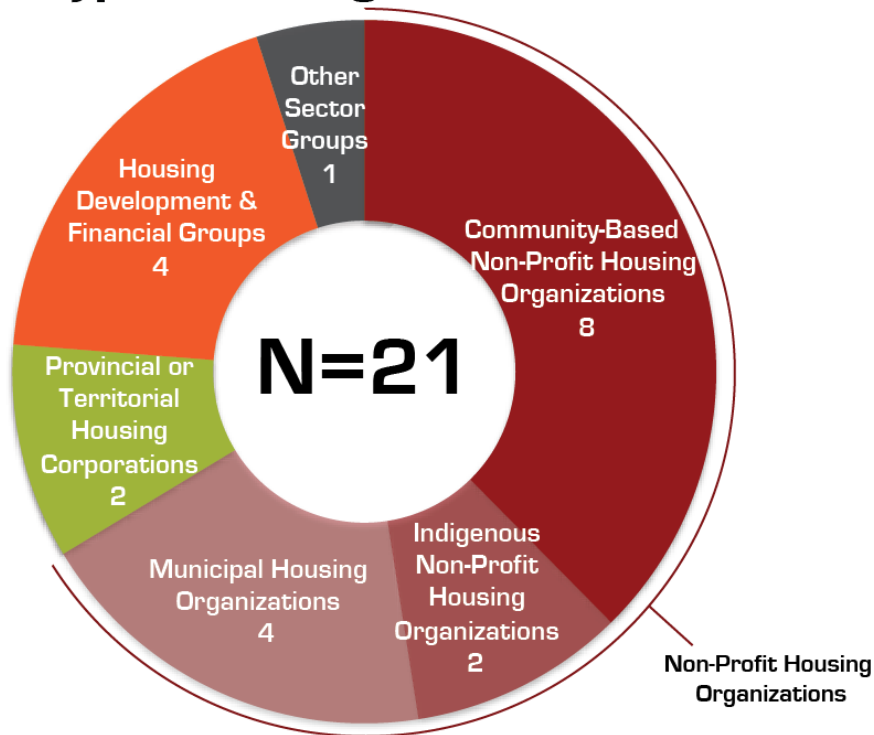
The list of key informants was obtained initially through the first study (CURE, 2015)

and from HPC representatives. The research team sought to include large and small organizations that had not participated in the original study and that had undertaken transformative changes to their business or the non-profit housing sector. This process resulted in a list of 27 potential key informants

from Alberta (n=2), British Columbia (n=10), Manitoba (n=1), New Brunswick (n=1), Ontario (n=10), Saskatchewan (n=1), Yukon (n=1), and national (n=1). Not all potential key informants were available to participate in an interview.

**Figure 1 Coverage of Key Informant Interviews**

## Types of Organizations



Along with the interviews, three related sources of information were reviewed:

1. *Business Transformation Study Phase 1*: The previous HPC study was reviewed for relevant information related to skills and organizational change. (CURE, 2015)
2. *Background documents provided by interviewees*: Some key informants provided reports or links to relevant sources on their organizations.
3. *Organizations' on-line websites*: Sources were scanned to follow-up on key points arising during the interviews.

These added sources of information assisted in interpretation of themes and the operating contexts affecting study participants' goals and strategies.

## 2.3 Survey Approach

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An online survey was conducted to find out the extent to which housing providers are changing their business practices, the types of changes they are making, the skills and expertise they believe are needed to operate in the current policy and operating environment, and lessons learned.

Participants were also asked to identify key challenges for business transformation in their organization and the non-profit housing sector in general. In order to hear from as many organizations from across Canada as possible, HPC enlisted support from national and provincial housing associations to distribute the survey to their members.

A total of 213 individuals completed the online survey (Figure 2). Most respondents represented non-profit housing providers (69%). The next most represented group was government organizations, including provincial or territorial government housing agencies and municipal governments (18%).

The remaining survey respondents represented other housing groups, including housing development groups, agencies that support housing, contractors, or faith-based/charitable organizations (13%). It is important to note that these completions represent unique respondents, not individual agencies. It is possible that more than one individual from an agency responded.

Almost two-thirds of survey respondents (65%) reported that their organization targets housing to specific population groups, with the most common being seniors (60%), followed by low-income individuals and families (23%) and women (20%). More non-profit housing providers (68% of all non-profit housing providers) and government organizations (58%) reported that their organization targeted specific population groups than other housing organizations (36%). The distribution of survey respondents by organization type and target population group is shown in Table 2.1.

**Table 2.1 Distribution of Survey Respondents by Organization Type and Size**

Organization Type	n	%
Non-profit housing provider	147	69%
Government organizations	38	18%
Other housing organizations*	28	13%
Total	213	100%
Target Population Groups	n	%**
Seniors	82	60%
Low-income individuals and families	31	23%
Women	27	20%
Indigenous	23	17%
Mental health, addictions, and disabilities	20	15%
Health	18	13%
Youth	16	12%
Homeless	12	9%

**Figure 2 Distribution of Organizations Surveyed**

## Organizations Surveyed



\*Other housing organizations include: housing development groups, agencies that support housing, contractors, or faith-based/charitable organizations. These groups were too small to report on separately.

\*\*Total % for target population groups do not add to 100% due to multiple responses.

Valid n for target population group is 137

When looking at the capacity within organizations represented by survey respondents, more than one-third (40%) had fewer than 10 employees. Of respondents who reported managing or administering housing units (n=191), most had small (1 to 99 housing units) or medium (100 to 499 housing units) housing portfolios (28% and 31% respectively). The distribution of survey respondents by number of staff and housing portfolio size is shown in Table 2.2.

**Table 2.2 Distribution of Survey Respondents by Number of Full-Time Staff and Housing Portfolio**

Number of Full-Time Staff	n	%
1-4 employees	66	32%
5-9 employees	17	8%
10-19 employees	17	8%
20-49 employees	48	23%
50-99 employees	21	10%
100-199 employees	18	9%
200-499 employees	10	5%
500 or more employees	12	6%
Housing Portfolio Size	n	%
1-99	59	28%
100-499	65	32%
500-999	26	12%
1000-9999	34	16%
1000+	7	3%
Does not manage a housing portfolio	22	10%

Valid n for number of full-time staff is 209

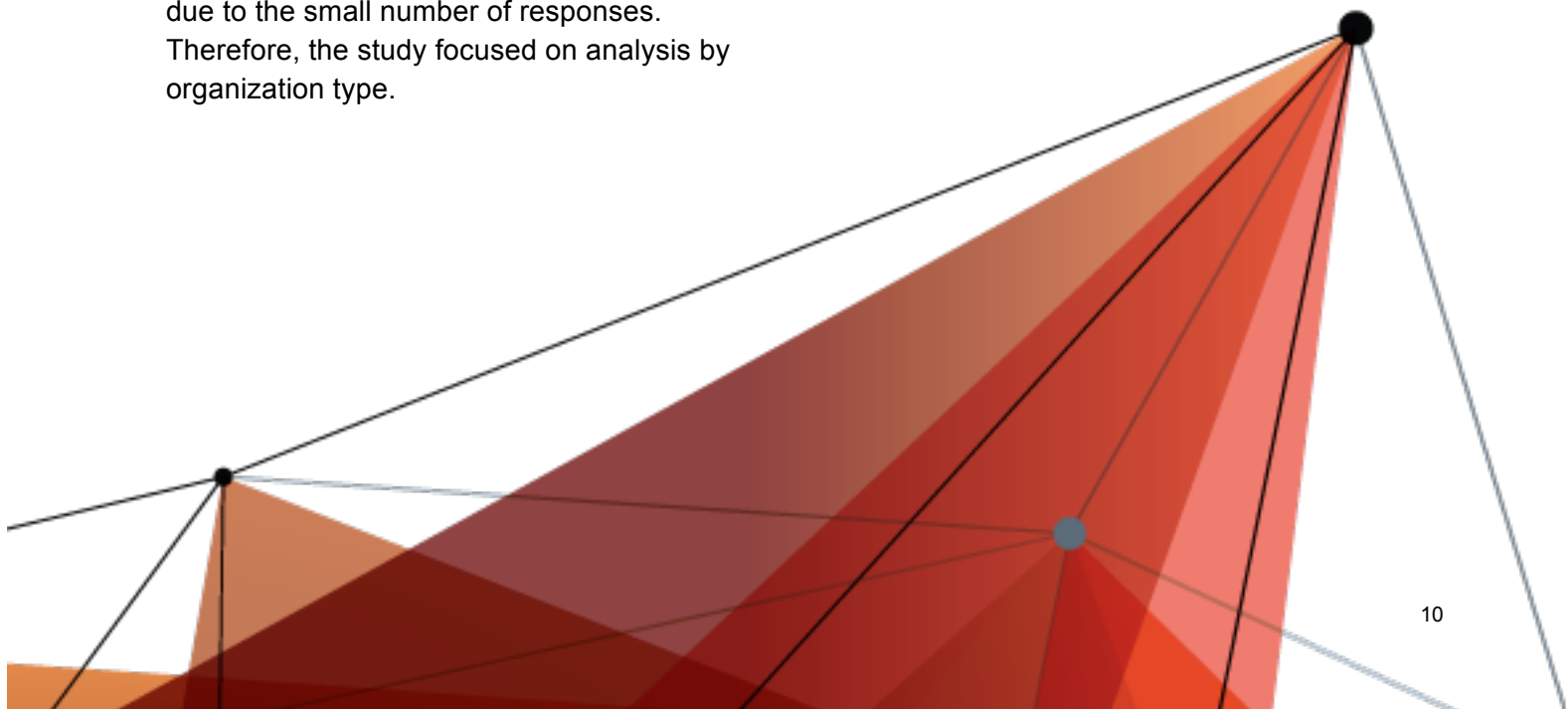
## 2.4 Methodological Considerations

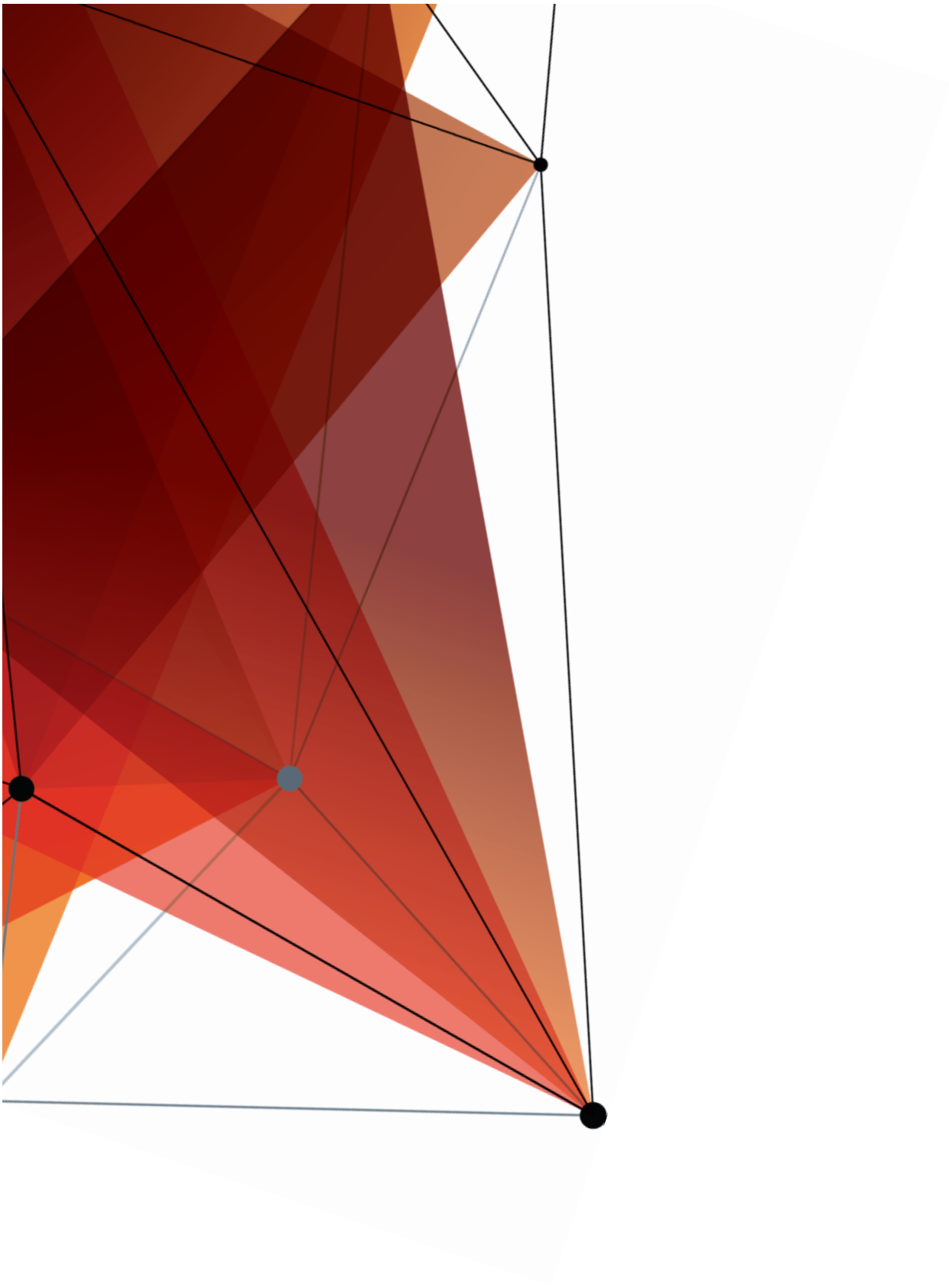
With thousands of non-profit housing organizations in Canada, the study did not cover a statistically representative sample (n=213 survey responses). Nevertheless, the number of responses exceeded HPC expectations and was the largest number of responses to a survey ever done by HPC.

Key informant interviews (n=21) were conducted to gain a deeper understanding about business transformation. As with all qualitative research, the interview findings may not reflect the views and opinions of other organizations that did not participate in this study.

Most key informants were from B.C. and Ontario, with limited representation from the other provinces and territories, and it was not possible to determine the regional location of the survey respondents. For these reasons, the ability to generalize is limited. However, the trends and themes presented in this report are illustrative of the types of changes underway in the sector.

Non-profit housing providers made up 69% of survey respondents and 67% of key informants. For the survey, researchers grouped respondents from provincial or territorial government housing agencies and municipal governments (“government organizations”), and housing development groups, agencies that support housing, contractors, and faith-based/charitable organizations (“other housing organizations”). While these groups were not necessarily similar in their organizational type or the types of changes they reported, these groupings allowed comparison against non-profit housing organizations to better understand the business transformation experiences of this group. Finally, analyses by other variables were not always possible due to the small number of responses. Therefore, the study focused on analysis by organization type.







# 3 KEY FINDINGS

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This section provides an overview of the literature review, and draws on the empirical information from the key informant interviews and the survey conducted for the study. This section includes selected text boxes to illustrate changes in some organizations covered in this study. The study examined changes and did not investigate the purposes of change or the impacts. Lessons learned because of the changes made are discussed in Section 5 of the report.

## 3.1 Literature Review

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A review of literature showed that limited information is available on the changing skills and competencies of non-profit housing providers, and drawing comparisons of the available literature is problematic due to institutional diversity. Yet, non-profit providers are faced with challenges and changing operating environments (e.g. increasing demands for service, reduced access to government funds) and are updating the skills and competencies of staff and leaders as they look for innovative approaches and seek out alternative financial solutions. While literature on the forces and mechanism used by or applied to non-profit housing providers is scarce, there were some general themes and trends found in the review of previous studies. The review (Appendix A) found that non-profits need to increase their financial literacy, select new leadership with the

appropriate skills during periods of turn-over, and explore partnerships while remaining true to their vision and goals.

The need to access financing through mechanisms such as partnerships with for-profit entities, while engaging in social entrepreneurship and possibly providing services in addition to housing support, means that non-profit housing providers must update their business models to become more business savvy while staying true to their core mission and goals (Spann 2015). Non-profit housing providers, unlike for-profits, focus on *both* a social mission and profit maximization (Bratt 2007; Bratt 2012; Leviten-Reid 2016; Mayer & Temkin 2007).

The knowledge and capacity of staff, board members and leaders of non-profits are

important for organizational success and while non-profit staff may have intimate knowledge of local needs, they may lack the skills required to successfully implement organizational change (Brophy 2009). Long-standing staff may resist change, and resources for re-engineering activities may be limited due to staff who are often already stretched thinly in the delivery of current services (Brophy 2009; Stowe & Barr 2005). To overcome some of these obstacles, non-profit housing providers have been entering into partnerships with for-profit companies, allowing access to skills and financial resources non-profits do not have internally (Bratt 2007; Bratt 2009; Gilmour & Milligan 2012).

Internally, non-profit housing organizations benefit from staff with capabilities in both asset management and resident service provision (Stowe & Barr 2005). Furthermore, the stability of leadership and the level of training that managers and CEOs have play important roles in the performance of housing developments (Rohe et al. 2001). Important current competencies comprise a diverse skill set, including building maintenance, tenant-related focuses, and business (Wiebe 2016). Anticipated future competencies focus on adaptability, innovation, and strategizing because these are necessary to meet ongoing changes to the operating environment of the non-profit housing sector (Wiebe 2016).

The background of those in leadership positions (executives or board members) also plays a role in the direction and success of a non-profit housing provider (Meyer & Temkin 2007). While leadership may come from private, community or public-sector

backgrounds, they all need to be knowledgeable in three key areas: the state (public policy, grants), markets (commercial risk, private finance), and civil society (tenant needs, community integration) (Gilmour & Milligan 2012). Furthermore, succession planning is important to ensure new leaders are on-boarded effectively (Wiebe 2016). Limited literature is available on the skill sets of operational staff within non-profit housing organizations.

Successful non-profit housing providers operate with characteristics that can be recognized in other lines of work: innovative leadership through high visibility directors, entrepreneurship through aggressive pursuits of opportunities and earnings, and flexibility in response to changing conditions (Mayer & Temkin, 2007). In this changing environment, non-profits need to increase their financial literacy if their own innovation as well as collaboration and partnership opportunities with other agencies are to remain successful. They must strive to carefully select new leadership when long-term leaders exit and remain true to mission and goals. Knowledge gaps in the areas of complex financing and business place numerous limitations on non-profits to remain current and viable. Intermediaries and partnerships can offer solutions, but success rests on non-profits clearly addressing requirements that meet both financial and social goals of social housing. A need was identified for more consistent information and reporting to promote innovation within the sector, and for national level knowledge-oriented strategies, including training modules and toolkits (Brophy 2009).

### 3.2 Extent of Changes in the Non-Profit Housing Sector

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More than one-third (38%) of survey respondents reported that their organization has significantly changed the way they operate. Of those respondents who reported a significant change, almost two-thirds (61%) reported making a large change in the past five to seven years, such as restructuring or reorganizing. Less than one-half (43%) reported making a change “to some extent” (e.g. new and different staff or board skills), while fewer than one-fifth (17%) reported making a small change, such as streamlining some key activities.

In key informant interviews, participants offered information on general background and the broad, structural challenges faced in the non-profit housing sector. Some key informants commented on their own provinces or local communities while others offered a more general perspective. The following represent some of the viewpoints expressed:

- Issues related to the large number of municipal non-profits in Ontario were seen as distinct and stemming from the provincial realignment of responsibilities for housing. Other provinces had not used that approach. Even among the Ontario municipal housing organizations, different groups carried out different functions. Therefore, it would be difficult to generalize even among this one type of non-profit in one province.
- Some key informants felt that the social housing structure itself was broken and could not be fixed. The sector needed a new vision based on an affordable

housing model. Some raised more basic questions about the “investability” of social housing; in other words, if it can be viable with only private capital. Some key informants felt this varied by location in Canada and there were many different lenses on social housing as well as the roles it plays. Therefore, it may be difficult to find something that will work everywhere.

- Several key informants felt that both the sector and government had to be open to a paradigm shift for major change to occur. While many creative ideas were being tried in local groups, the overall framework for where the sector fits will be driven by the implementation activities associated with the National Housing Strategy.
- A few informants saw the vacuum in leadership for the sector as an opportunity to develop new ways of doing things, particularly around questions of financing. However, some believed that the sector needed to build its own financial stability using its asset base and capacity.
- Some key informants said there were too many small groups that were not viable and that amalgamations would improve the sector. Others questioned the mantra that non-profits needed to merge and scale up, feeling that small organizations can be good and can continue to do what they do well.

### 3.3 Types of Changes in Organizations

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This study identified three types of processes driving change among organizations pursuing business transformation:

- **Renewing:** Improving boards and

staffing, planning for succession, revising job descriptions, and internal reorganization were elements of renewing the organization and its business practices. These processes consider ways to use existing capital assets for improved operations.

- **Diversifying:** Broader changes involved introducing new management structures, new skills, partnerships or joint ventures, and adding new sources of funds or financing for housing development. These processes built on and maintained strong boards and governance with support from the community.
- **Refocusing:** Becoming more business-oriented, developing more corporate structures and senior management, expanding staff with specialized skills aligned with the private sector, and increased private sector membership in boards to build linkages were often associated with a shift in financing models. Creation of development entities or capacity was tied to goals for business growth.

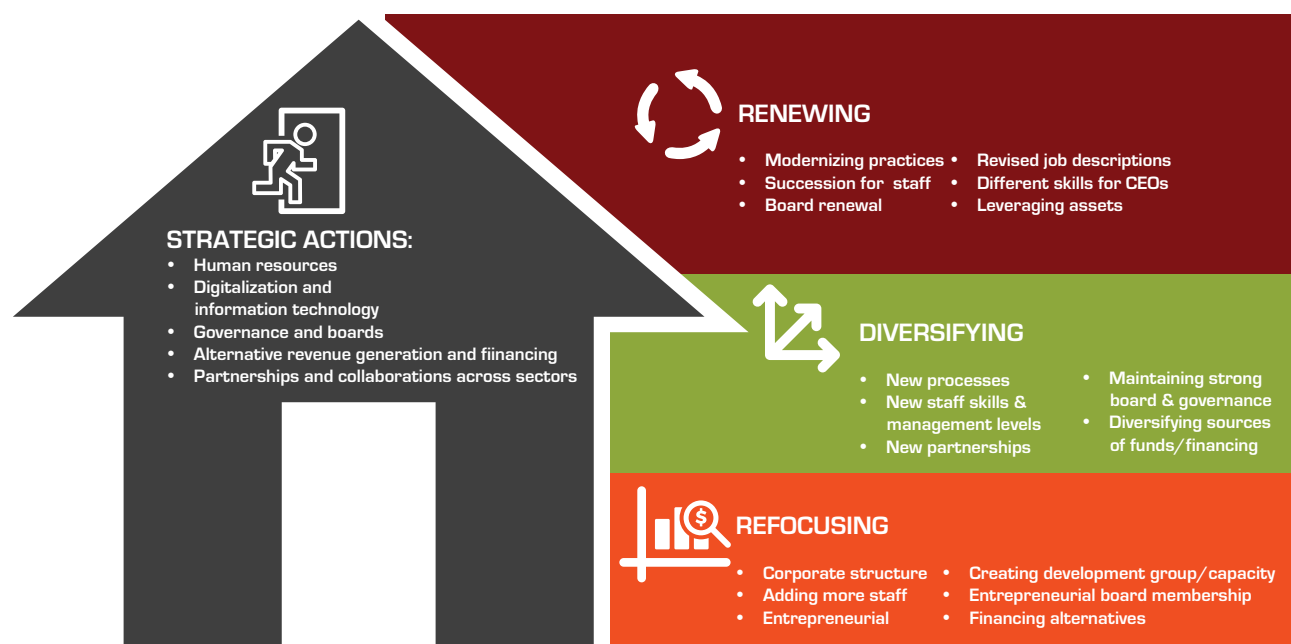
These change processes generally occurred over time and often took several years to implement. As a result, the effects of these changes may take time to fully emerge. Organizations had different priorities, but nevertheless were consistent in striving to deliver housing and fulfill their mandates. It should be noted that key informants made changes for a variety of reasons, and did not always attribute them to business transformation.

Within and across the three categories of change processes, a variety of activities were identified, shown in Figure 3. This table also identifies five main strategic actions key informants have used to facilitate business transformation through renewal, diversification and refocusing. These actions relate to:

1. Human resources
2. Digitalization and information technology (IT)
3. Governance and boards
4. Alternative revenue generation and financing
5. Partnerships and collaborations across sectors

These five strategic actions are discussed below. Selected examples are used for illustration to show how some organizations have implemented them.

**Figure 3 Summary of Types of Changes Related to Organizations' Skill Sets and Core Competencies to Facilitate Business Transformation**



Examples of the differing types of changes are provided in the following sections of Section 3. Terminology is general and can encompass a range of activities. For example:

- Modernizing practices refers to systems for operations, systems or management and can include how relations with the Board are managed including reporting and accountability)
- New processes refers to any type of administrative processes in carrying out the work of the organizations (may range from hiring processes to property repair to tenant relations)
- Succession for staff refers to both succession planning to address turnovers in staff and career planning that considers career paths within organizations

### 3.4 Strategic Actions

#### 3.4.1 Human Resources

Taking steps to address human resources (HR) was the most common business transformation change reported by key informants and survey respondents.

Almost one-half (48%) of survey respondents reported making changes in the areas of staffing, skill sets, and competencies. The most common changes included revising job descriptions and

qualifications (52%), creating new positions (43%), and providing training opportunities or incentives (41%). Of respondents who made HR changes and reported the extent to which their changes were effective to support business transformation (n=50), all but one respondent reported some level of effectiveness. The majority (68%) reported that their HR changes were effective to some extent and one-quarter (26%) reported these changes were effective to a large extent. Table 3.1 below shows the types of HR changes reported, by organization type.

**Table 3.1 Changes in Human Resources Reported by Survey Respondents, by Organization Type**

Type of HR Change	Non-Profit Housing Provider (n=147)		Government Organization (n=38)		Other Housing Groups (n=28)	
	n	%	n	%	n	%
Change in vision/mandate	28	19%	17	45%	-	-
Creating new positions	56	38%	18	47%	9	32%
Changes in executive leadership	43	29%	15	39%	7	25%
Revising job descriptions and qualifications	74	50%	23	61%	7	25%
Revising pay scales/compensation packages	47	32%	10	26%	7	25%
Providing training opportunities or incentives	59	40%	19	50%	6	21%
Changing mix of permanent/contract positions	22	15%	-	-	-	-
Changes in recruitment policies	19	12%	8	21%	-	-
Changes in employee performance review, salary increases and bonuses	27	18%	6	16%	-	-

*Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey*  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table.  
Percentages do not add up to 100% due to multiple responses.

Approximately one-third of all survey respondents reported making changes at the CEO/director (32%) or senior management level (40%). When assessing changes at the senior management level by organization type, proportionally more government organizations reported change at the senior management level (71% of all government organization respondents) than non-profit housing providers (31% of all non-profit

housing providers). The proportion of survey respondents who reported changes at the CEO/director level was similar across both groups (31% of all non-profit housing providers and 34% of all government organizations). Very few survey respondents from other housing groups reported making changes at the senior level.

Approximately one-quarter (27%) of survey respondents reported that their organization conducted a workforce survey in the past five years, with the most common being an employee satisfaction survey (18%) or an employee engagement survey (15%). Few survey respondents reported conducting a cultural assessment survey (5%).

Key informants had extensive comments on HR planning and approaches. Key HR areas discussed by key informants included the following:

- **Re-writing or creating new job descriptions and hiring new staff were labour-intensive activities.** Most organizations interviewed did not have HR specialists or HR managers in-house. Therefore, the work for these HR renewal strategies tended to fall on the CEOs. Most organizations said they did not hire outside HR services or contract out these activities. Larger organizations interviewed said they had to add staff positions for HR management, generally people with HR training and from outside (private- or public-sector) organizations. Having knowledgeable HR specialists not only relieved pressure on the CEO, but also helped to ensure that the organization complies with all legislation and standards governing employee working conditions and employment. One key informant estimated that organizations with 100 or more employees require full-time in-house HR professionals to carry out this function.
- **All the organizations represented in interviews were dealing with succession planning.** Some had already gone through retirements of long-serving senior managers (CEOs), while others

had plans in place for upcoming changes. Several organizations were also carrying out career planning (showing how employees could progress through the organization). A few mentioned conducting formal performance management measured against specific expected benchmarks.

- **All key informants reported having no difficulties in recruiting new staff and most had low staff turnover.** Some had recruited senior executives from the private sector. Several noted that they recruited new staff with some (four to five years) experience and looked for people who shared the values of the organization. New staff were seen as an opportunity to add new energy, provided that they selected the “right” people who are a good fit with the organization. Some key informants reported recruiting people with private-sector financial skills (such as those with audit, accounting or real estate skills and experience) with no prior experience with the non-profit sector; this reflects efforts to restructure business operations in these organizations. Organizations with larger, aging portfolios have been recruiting for expertise in asset management and technical engineering (or inspection) skills. One key informant noted that having these skills in-house was more efficient than contracting out engineering assessments.

The following sections under Section 3.4.1 further describe HR changes reported by survey respondents and key informants.

## **New Plans or Strategies**

Based on key informant interviews, housing organizations generally had various types of plans to drive their human resource strategies, staffing and hiring policies, including:

- Strategic plans (usually three, five, or 10 years) developed with boards
- Business plans (annual) developed by the CEO and staff
- Capital and asset management plans (usually multi-year) developed by the manager responsible
- Specific plans for key business areas

The key informant interviews did not cover detailed questions about the plans. However, most noted that they involved their Board in strategic planning activities on the specific cycles they use and many brought in outside facilitators to assist the Boards with this process. Having more varied expertise on the Boards was seen as helpful in developing these plans, especially when Board members had experience with this type of planning in their positions or work experience. Most of the other plans reported by key informants were developed internally by the CEO, managers and staff. Some organizations adopted a more consultative approach by involving staff, although this varied. Plans prepared by the management were provided to Boards for information. These planning activities were distinct from financial reports, which were referred to Boards for review and approval. Additionally, many Boards have Audit Committees that are responsible for financial oversight.

Most survey respondents reported that their organization developed an organizational plan (59%) or a human resources strategy (34%) to help deliver or maintain skills and competencies to remain successful in the changing operating environment. Based on all the organizations interviewed, the timetables for plans varied considerably. Some organizations had phased plans over five to seven years and others had goals for the next two years. Key informants noted that staffing up for new functions, such as project development, can take several years to implement.

The pace of change was generally based on an organization's capacity. A few key informants reported that their organizations had carried out assessments of readiness for change to identify potential gaps or obstacles that needed to be addressed. In one example, this led to prioritizing the renewal of the Board as a precursor for other changes. Another organization with ambitious plans for growth noted that they had a plan to increase staff resources to manage more housing. Organizations specializing in housing development typically had business plans defining staffing levels related to business volumes and anticipated revenues.

## **Missions and Visions**

Approximately one-quarter (24%) of survey respondents reported making a change in their organization's vision or mandate. Proportionally more government organizations reported making changes to their vision or mandate (45%) than non-profit housing providers (19%). Few survey respondents from other housing groups reported making this change.



Key informants from non-profit housing organizations reported their mandates and missions were stable and not undergoing change. However, organizations were articulating new visions for the future that generally dealt with three main drivers of change:

- Dealing with aging housing portfolios and rising costs of repairs which drove decisions about redevelopment
- Financial impacts when operating agreements ended
- Decisions about the size of their portfolios and volumes for new development (if any) as well as the types of units needed in their area to meet the demand from their target groups, such as sizes of units related to applicant and tenant household sizes

Some organizations had explicit and clear visions that drove change. Others built their vision into new business plans with objectives and targets; in other words, their vision for themselves was more implicit than expressly stated as a vision statement. For example, groups such as Indwell in Hamilton had a clearly stated vision to guide the future of their organization related to meeting the needs of homeless people by expansion of their portfolio. Other groups had detailed objectives in their business plans or capital plans related to improving their housing, such as reducing the backlog of repairs or systems replacement in older housing. In these examples, the steps taken often related to more efficient practices in carrying out asset improvements.

### **Senior management leadership and succession planning**

Most (82%) of survey respondents reported hiring senior staff in the past five years as a method of change. Non-profit housing providers were less likely to report hiring new senior staff (77%) compared with government organizations (95%) or other housing organizations (97%). Senior staff were most commonly hired from the private sector (30%), social services sector (24%), or other housing organizations (23%). Table 3.2 shows the proportion of senior staff hired in the past five years and where they were hired from, by organization type. Other housing groups were not included due to the small numbers in each cell (less than 5).

**Table 3.2 Hiring of Senior Staff in the Past Five Years, by Organization Type**

Sector/Area	Non-Profit Housing Provider (n=113)		Government Organization (n=36)	
	n	%	n	%
Private Sector	38	26%	17	47%
Social Services	26	18%	19	53%
Housing	34	23%	7	19%
Health	23	16%	9	25%
Public Service	5	3%	3	8%
Education	3	2%	1	3%
Other	8	5%	1	3%

*Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey*  
Valid n=117

Cells with n values less than or equal to 5 are not included in this table.

% do not add up to 100% due to multiple responses.

Few key informants from non-profit housing organizations discussed changes to senior management. Key informants from non-profit housing organizations who did report changes to senior management also reported that most senior staff positions were filled from the private sector or internally. Chartered Professional Accountants (CPAs) and management from audit firms were recruited for some positions in the finance area.

Approximately one-third (32%) of survey respondents reported changes in executive leadership. Many of the 14 non-profit housing provider key informants reported that they had begun succession planning for senior staff to address the retirement of long-serving

### Nanaimo Affordable Housing Society, Nanaimo, B.C.

This is a community non-profit that partners with other organizations. The organization has expanded staff and created three new manager positions (for property management, food services, and to oversee a seniors' complex). The major change was in the role of the CEO, moving to focus more on administrative functions. Succession planning for the three management positions involved revising the job descriptions, such as adding capital planning skills for the CEO. With upcoming new developments, added property management skills may be needed, particularly with the shift to mixed market models. As well, in-house bookkeeping and accounting skills were being considered to replace the contracted-out service.

CEOs and senior staff. This was supported by 42% of survey respondents who reported that their organization developed a succession plan for leadership staff.

Some key informants reported that their boards used the opportunity to review the responsibilities of their CEOs and revised job descriptions for hiring the next CEO. Some key informants reported that their organization added a level of assistant directors for specific functional areas. This added tier of executive management shifted some of the former responsibilities of the CEO and typically reduced the position's workload. Some moved towards a management team approach (with several senior executives) to ensure a smooth transition or prepare internal staff to take on the role of the CEO. The boards of the non-profit organizations were usually responsible for making these changes because they hired the CEO who was accountable to them.

### **Staffing, job descriptions, recruitment and retention**

When looking at changes in staff recruitment to attract or retain talented staff, approximately one-half of survey respondents reported that their organization revised job descriptions or qualifications for staff (52%) or created new positions in their organization (43%). Additionally, two-fifths (41%) of respondents reported providing training opportunities or staff incentives and one third (32%) reported revising pay scales or compensation packages. Changes made to attract or retain staff as reported by survey respondents are shown in Table 3.3.

**Table 3.3 Changes in Staff Recruitment or Retention**

Type of Change	n	%
Revising job descriptions or qualifications	110	52%
Creating new positions	91	43%
Providing training opportunities or incentives for staff	88	41%
Revising pay scales	67	32%
Changing the mix of permanent/contract positions	32	15%
Changes in employee performance review, salary increases, bonuses	40	19%
Changes in recruitment policies	30	14%

While the reasons for making these changes were not explored in the survey, most key informant interviews included lengthy discussion of changes made in staff, job descriptions, levels of staff within organizations, and the kinds of competencies involved. Some key informants provided detailed information about the changes they have been making and the changes underway.

Generalizing about changes in staffing and competencies is challenging because of the variations across the organizations that participated in this study. The operating contexts, sizes, and objectives of organizations vary widely. As well, staffing-related factors were not a main focus of some of the interviews with development and financing groups. Therefore, the following highlights cover housing provider organizations and are qualified by the various contexts as needed.

- **Creating new staffing models or structures:** Creating an entirely new staffing structure with all new positions and job descriptions was rare among the organizations covered in this study. A few of the organizations had undertaken some major changes in their executive staffing structures. Others had made more modest changes such as adding new positions for specific skill areas not previously covered. These types of changes all involved rewriting or creating job descriptions and key informants noted the following:
  - **Re-writing job descriptions was a lengthy process.** In one example, this step reportedly took eight months to complete and it included discussions with the union representing staff. Implementing changes at all levels of staff took approximately 18 months to complete. Revising job descriptions can mean that some existing staff will be terminated or leave. In some examples, existing staff could be retrained for different positions, but no specific training programs were identified in interviews.
  - **Several organizations had added more layers of senior management (such as vice-presidents or directors).** The most common reason was to relieve workload

## BC Housing's *People Strategy*, B.C.

This organization includes comprehensive HR policies and programs to ensure employees are equipped to deliver on BC Housing's corporate goals while creating a positive, supportive, and enriching employee experience throughout the organization. Introduced in 2006, the People Strategy has won many awards and is continuously updated to foster a culture of leadership and making a difference. The strategy includes programming in key areas including leadership and learning, recruitment and retention, diversity and inclusion, employee engagement in sustainability, workplace health and safety, and rewards and recognition. Created with extensive employee consultation, the People Strategy ensures employees receive the services, training, and support they need to excel in their roles and deliver on the organization's mission to make a difference in lives and communities.

pressures on the CEO. In one or two examples, the added executives were promoted from within the existing organization. More commonly, new staff were hired from outside, some with finance, asset management or real estate experience. According to interviewees, the main impact of these changes was to reduce the workload for CEOs.

- **New positions had mostly been created in specific fields, especially for client relations, marketing or professional areas such as finance.** These positions were typically filled by recruiting mostly from the private sector. Larger organizations had also been adding positions for HR management from the private or public sectors.

### Peterborough Housing Corporation, Peterborough, ON

The corporation carried out a complete restructuring, focusing on what positions the organization needed rather than focusing on the staff already employed, and preparing new job descriptions for those positions. The goal was to ensure human resources matched the organization's business and strategic vision. This change took about two years to implement.

- **Housing organizations that focus on development have different staffing needs than other housing providers:** Organizations focused on development required specific skills in areas such as project management, planning, design, and, sometimes, engineering. People with these types of skills were typically recruited from the development or real-estate sectors. Decisions about staffing were driven by the potential volumes of business since the costs were spread over (paid for) completed projects. Perspectives about the benefits of in-house versus separate development groups varied. Some key informants said that these were specialized and required different skills from the portfolio management side and that separate groups were more efficient. Others preferred to add these services within one organization. Some groups retained the services of another non-profit for new projects. Some key informants reported

that the CEO and staff took on new development. Having a critical mass and flow of new projects was a key factor in staffing. Some groups had some full-time staff, but also hired contract staff as needed. This provided more flexibility to deal with uncertainties about the business volume. Development groups required multiple projects to be underway (in the pipeline) to ensure a flow of revenue and offset delays and cancellation of some projects.

#### Staff skill sets – Filling gaps

The majority (67%) of survey respondents reported that the skill set required by their organizations had changed over time. The most common skill sets that survey respondents desired when recruiting new staff were advanced business, entrepreneurial, development or finance skills (16%), or real estate development or property management skills (16%).

Key informants also reported that their organization recruited for specific skill sets to address gaps in their workforce. Although many key informants reported hiring more staff, many wanted to hire additional staff in areas such as administration, bookkeeping, client relations, and property management. While some hired people with capital asset management experience, other groups still reported a gap in this area. In small to medium-sized organizations, CEOs and management often take on a variety of functions because of the shortage of staff to carry the workloads. Even in larger organizations, some CEOs reported major workload challenges to carry out all their responsibilities. Gaps in skill sets most frequently reported by key informants were:

- **HR skills:** As organizations become larger, having access to HR skills was seen as beneficial. Large organizations were hiring their own HR staff. Some municipal non-profits may have access to assistance from the municipal HR divisions.
- **Client services:** Some organizations were shifting from traditional tenant relations to a more client-service focus in order to be more in line with a regular market approach to property management.
- **Marketing:** With new developments oriented to market and affordable housing, some organizations were adding marketing skills to rebrand themselves to a broader target market. These skills were brought in from the private sector.
- **IT:** All organizations wanted to develop more IT skills, but few have designated IT staff positions. In hiring new staff, they were seeking people with some skills in this area.

- **Financial skills:** Strengthening financial expertise was a priority for all organizations interviewed. Some were recruiting people with a CPA or audit background, as well as those with experience in capital and asset management.
- **Real estate development and project management skills for new developments:** Development groups and non-profits building their own in-house capacity were recruiting people from a real-estate background and those with prior project development experience. These people were usually drawn from the private sector.

### Peel Living, Region of Peel, ON

This organization is transitioning from a large municipal non-profit with a combined regulatory (service manager) role under the Ontario Housing Services Act and a non-profit development role. The Region of Peel has hired a new Director of Housing to assume the Service Manager role, which is separate from the head of Peel Living. As a separate non-profit, Peel Living is ramping up its development capacity to deliver mixed market housing. Realigning all roles and processes of Peel Living and the Region of Peel is underway.

Key informants reported that many of the new staff hired were from the millennial age group, although senior managers came from a different demographic. Some key informants valued the hard-working, task-driven younger work force while others noted the importance of providing them with mentoring and

oversight. Some groups aimed to recruit millennials with four or five years of work experience and looked for a strong commitment to the mission and values of the organization before hiring.

### **External Expertise or Outsourcing**

Two-fifths (40%) of survey respondents reported using outside advice or professional services to help plan changes to their organization. Survey respondents from non-profit housing providers and government organizations both reported seeking outside advice or services (37% and 42%, respectively). Less than one-quarter (22%) of survey respondents from other housing organizations reported using outside services. Those who used outside support reported working with HR companies (21%) or business services to support strategic development (22%). Most key informants also reported that they made use of external expertise for advice from time to time and for particular purposes. The most common examples included:

- Facilitation with the boards in strategic planning
- Legal advice or services
- Financial or technical services
- Project development/project management

Some non-profit housing provider key informants had their own in-house project development staff for new projects or these roles were assumed by the CEOs or other staff. Where organizations had plans to expand new development, they also had plans to increase their in-house capacity and staff for new project development. Other organizations retained the services of outside

development consultants or obtained these services from another non-profit group or partner in some form of joint venture.

Only 6% of survey respondents reported that their organization had outsourced project development or management areas. Similarly, some key informants reported that their organizations outsourced specific functions, but this was not common among the organizations interviewed. Exceptions were those organizations where added services were provided to tenants or residents. These services were contracted to specific service agencies. However, this was not always the case and some organizations had their own staff with expertise in these services.

### **3.4.2 Digitalization and Information Technology (IT)**

Investments in IT were the second most common type of key organizational change after HR strategies that were reported by survey respondents. Approximately one-third (31%) of survey respondents reported investments in IT, such as digital or IT strategies. An additional 16% reported that their organization developed or acquired expertise in development, technical services, or engineering. More non-profit housing providers (39%) and government organizations (34%) reported investing in IT than respondents from other housing groups (11%).



Some non-profit housing key informants reported that their organizations have been making substantial investments in IT in recent years and others had strategies or plans for updates and improvements. Examples of impacts included the following:

- Increased electronic information sharing with boards was improving the efficiency of board operations, particularly for those with renewed board memberships.
- Use of tablets and remote data entry in the field had improved efficiency and sped up property management and repairs,

Some challenges with new technologies were also noted by key informants, who identified a need for:

- **Dedicated IT staff or specialists to facilitate IT changes.** Employees were completing on-line and on-the-job learning as new technology was adopted since the costs of formal IT training could be prohibitive.
- **Integrated information systems.** Many of the housing providers reported having multiple or separate information systems for different operational areas (such as for property management, financial records, and reporting). Groups that were part of larger organizations, such as municipalities, needed systems to relate to other systems.
- **Dedicated resources to keep up with rapid changes in IT.** Although new hiring can give preference to people with stronger IT backgrounds, constant updates in IT are required and staff need to be continuously learning. Devoting staff time to these processes reduced capacity for business operations.

especially for organizations with portfolios scattered over many communities and rural areas (assuming cell coverage), representing a major change compared with paper-based systems.

- More streamlined information systems were helping to meet funder reporting requirements.
- Performance tools were incorporated for technical and project development or redevelopment proposals.

### Ontario Aboriginal Housing & Social Services (OAHSS), Sault Ste. Marie, ON

This corporation implemented a new IT system that simplified and sped up repair work for a dispersed portfolio of homes. An old paper-based (in-office) system was replaced and tablets were used in the field to input information and purchase orders. OAHSS had 16 certified building inspectors on staff and others with backgrounds in building engineering to ensure effective property management to maintain the portfolio through a system of regional offices. Greater use of online applications processes helped address the challenges associated with a scattered portfolio.

Key informants described IT as both an opportunity and a challenge. As some pointed out, using more IT is not a one-time event, it is an on-going process with continual changes over time (constantly upgrading technology and software). As a result, there



are ongoing costs or investments required as well as skills development for staff. Further, all key informants reported that their organizations wanted to develop more IT skills but few had designated IT staff positions. In hiring new staff, they were seeking people with some skills in this area. A few key informants noted that newer, millennial staff were typically more familiar with IT and could help facilitate the use of new technology. No key informants and few survey respondents (3%) reported seeking external support for IT services.

Even with these reported challenges, the sector outside of government departments reported tackling IT changes and updates without specialized support staff or training programs for their in-house staff. With new technologies, organizations reported the ability to use online systems for renting their properties, provide more information through social media channels, and keep up-to-date with other organizations. Achieving all these changes while also operating their portfolios and managing their finances is a significant indicator of resilience in the sector and its ability to adapt to change.

### 3.4.3 Governance and Boards

Almost one-half (45%) of survey respondents reported their governance structure was composed of a board of directors that included all community members. Approximately one-sixth (17%) of respondents reported a board of directors that included all government members (17%) or a mix of community and government members (13%). As expected, more respondents from government organizations reported a board of directors with all government members (63%). The distribution of governance structure by organization type is shown in Table 3.4

**Table 3.4 Governance Structure by Organization Type**

Governance Structure	Non-Profit Housing Provider (n=147)		Government Organization (n=38)		Other Housing Groups (n=28)	
	n	%	n	%	n	%
Board of Directors includes all community members	82	56%	5	13%	10	36%
Board of Directors include all government members	12	8%	24	63%	0	0%
Board of Directs includes mix of community and government members	20	14%	-	-	-	-
Member based co-operative	20	14%	0	0%		
Private firm/business owners/partners	-	-	0	0%	-	-
Other	-	-	-	-	-	-

Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table.

Approximately one-third of survey respondents reported that their organization had made changes in their board memberships (31%) or their board priorities (39%) as a method of business transformation. While examples of these changes were not captured in the survey, changes to board membership were most commonly reported by non-profit housing groups (35%). Fewer than six government organizations or other housing groups reported making changes to their board membership. All three organization types reported that they made changes to their board priorities. The proportion of survey respondents who reported changes in board memberships or priorities by organization type is shown in Table 3.5 below.

**Table 3.5 Changes in Board Priorities or Memberships by Organization type**

Type of Change	Non-Profit Housing Provider (n=147)		Government Organization (n=38)		Other Housing Groups (n=28)	
	n	%	n	%	n	%
Board Membership	51	35%	-	-	6	21%
Board Priorities	56	38%	15	40%	6	21%

Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table  
Percentages do not add up to 100% due to multiple responses.

Approximately one-third (32%) of survey respondents reported that their organization had developed a succession plan for board members to help the organization maintain skills and competencies to remain successful in the changing operating environment. This was more commonly reported by non-profit housing providers (37%) than other groups. Few government organizations or other housing groups reported having a succession plan in place for board members. In contrast, all key informants reported that their organizations were dealing with succession planning to address recent or upcoming retirement of long-serving senior managers.

Many of the non-profit housing key informants also reported that they had strong boards with policies to ensure succession and sustain board membership. A few groups faced challenges in the past with the aging of board members and, subsequently, difficulties recruiting new board members from the community and board renewal.

Many boards had gone through a transition in the past — some in more recent years — resulting in changes in the structure or processes of boards including:

- Some organizations had introduced fixed or limited terms for people to serve on the board. This was a change from earlier

years when board members could serve indefinitely.

- Boards developed their own policies for board operations, committees, and for carrying out their governance responsibilities. Most key informants reported that their organizations had designated standing committees of the board for key functions (such as audit, strategic planning, and policy).
- In the past, specific skills or backgrounds were not necessarily required for board membership. Organizations reported that they had made changes to ensure a diverse mix of backgrounds from all sectors and a range of expertise in relevant fields are present on their boards.
- Boards were typically responsible for recruiting and approving their slate of board members at their annual meeting (and for filling vacancies on an interim basis). Most key informants reported that their organizations had board recruitment committees and processes to ensure continuity.

Key informants from some organizations had specific board training, retreats, planning sessions or other activities that involved external facilitators or consultants to work on board skills. This was also reported by more than one-quarter (29%) of survey respondents.

One-quarter (26%) of survey respondents reported that their organization had made changes in the specific expertise and skill sets required of their board members. This was reported by most government organizations (82%) and just under one-half (45%) of non-profit housing providers. The most commonly reported expertise desired by organizations represented in the survey was experience in business, development, or finance (16%). The types of expertise and skill sets desired by survey respondents when recruiting board members is shown in Table 3.6. Due to the small number of responses, analysis by organization type was not possible.

**Table 3.6 Desired Expertise and Skills Sets of Board Members**

Expertise/Skill Set	n	%
Business/Development/Finance	35	16%
Legal/Housing Legalization	23	11%
Construction/Facility Maintenance/Property Management	21	10%
Dynamic Skills/Experiences	22	10%
Commitment to Organization Vision/Values/Mission	13	6%
Human Services/Community Experience	11	5%
Previous Board Experience/Knowledge of Board Governance	9	4%
Leadership/Strategic Planning	7	3%

Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table.

Percentages do not add up to 100% due to multiple responses.

Many key informants reported that their organizations recruited board members with a range of skills and expertise from a variety of sectors. The study found:

- An increased focus on recruitment from the business community, financial and real estate companies, key professions and the housing industry, along with community organizations and the education sector. Having a broad cross-section of senior and experienced people was desirable.
- Building ties with the business community and other groups was a basis for collaborations and partnerships that could benefit the organization.
- Some organizations gave a strong emphasis to management and business experience in recruitment, but also included representation from tenants and social agencies to provide balanced perspectives.

### **Norfolk Housing, Calgary, AB**

This association has been going through an organizational transformation. Following a review of organizational readiness for change, it transformed to a governance board by recruiting for specific competencies in real estate, legal, accounting, and communications. The board prepared a five-year strategic plan with annual reviews, established board policies and three committees (strategy, finance/audit, and human resources). Changes are being implemented gradually. Plans for growth focus on acquisition potential.

Key informants from some Ontario municipalities reported there was functional separation between the non-profit and municipal housing administration, whereas other municipalities had combined the two functions to carry out provincially-mandated responsibilities since devolution. In London, Ontario, the municipality recently created a separate arm's length business corporation (Housing Development Corporation) to undertake new development.

Of survey respondents who reported making changes to governance and its level of effectiveness (n=64), all but one respondent reported some level of effectiveness. The majority (66%) of respondents reported that changes to governance and boards resulted in some level of effectiveness in supporting business transformation. One-quarter (25%) of respondents reported that their changes were extremely effective in supporting business transformation.

#### **3.4.4 Alternative Revenue Generation and Housing**

Nearly one-quarter (23%) of survey respondents reported making changes to explore alternative revenue generation options for their organization. Within this type of change, survey respondents most commonly reported joint ventures or pooling of resources with partners (22%), followed by diversification into new housing products and services (21%). Non-profit housing organizations were more likely to report diversification into new housing products and services (22%), while government organizations were more likely to report joint ventures or pooling of resources (32%). Of survey respondents who reported the impact of their revenue generation changes on business transformations (n=46), the majority (67%) reported some level of effectiveness. One-quarter (26%) of respondents reported that their changes had a large effect on their organization's business transformation. The types of changes reported by survey respondents is shown in Table 3.7. Few survey respondents from other housing groups reported changes to explore alternative revenue generation and as such they are not included in the table.

**Table 3.7 Activities for Alternative Revenue Generation, by Organization Type**

Types of Changes	Non-Profit Housing Provider (n=147)		Government Organization (n=38)	
	n	%	n	%
Diversification into new housing products and services	33	22%	7	18%
Joint ventures/Pooling resources	31	21%	12	32%
Mergers/Acquisitions	19	13%	8	21%
Diversification into new non-housing products and services	15	10%	-	-

Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Cells with n values less than or equal to 5 are not included in this table.  
Percentages do not add up to 100% due to multiple responses.

Some key informants reported that their organizations had a range of revenue sources from other activities, such as providing services to other groups. A number had also been involved in the disposition (sale) of assets as a source of funds for new builds or renewal. Some groups actively sought out other funding opportunities (such as from provincial programs or local initiatives). Examples related to areas such as Indigenous housing programs, seniors housing and support services, initiatives related to homelessness, training programs, literacy and self-sufficiency, and more. Some of these projects were financed through health portfolios or social services, but they covered a broad range of branches in provincial governments. While some new social financing approaches had emerged, the opportunities for housing organizations to access these sources have been quite localized thus far, and depended on the amounts of financing available in each area.

Most of the alternative financing approaches had specific targeting criteria for applications or qualification and not all groups have been able to participate.

Most non-profit housing provider organizations have not been actively developing new products or enterprises or business activities to generate revenues. Some had undertaken joint ventures or collaborations for project development, mainly as a means of expanding portfolios to meet housing needs. This was also reported by almost one-quarter (21%) of survey respondents (see Table 3.8).

### **Transfers of Assets and Acquisitions**

Several key informants had been involved in the transfer of assets from other organizations. These were typically described as “friendly transfers”, where another

organization approached the interviewed organization to assume responsibility for managing their housing. Generally, this involved small groups with a limited number of housing units. However, one organization was involved in discussions with a municipality to take on the transfer of a large property. These transfers were not seen as “amalgamations”, in that they involved the changing ownership and management of real estate. The organizations did not merge or form a new organization. There were no examples identified in the interviews that

resulted in forming a new organization. This type of initiative was not reported by survey respondents.

### **Specialized Housing Development Groups**

Another key trend identified in this study was the emergence of separate development and financing entities. These groups had a wide range of business models.

### **Community Land Trust (CLT) in Vancouver, B.C.**

The CLT has a unique and innovative platform for developing and financing non-profit and co-operative housing. The CLT was initially created through collaboration and contributions from CHF BC, CHF Canada, Vancity, the City of Vancouver and BC Housing — bringing together all sectors and bridging the co-operative and non-profit housing sectors.

### **Housing Development Corporation, London, (HDC) in London, ON**

This municipal company incorporated in 2015 as an independent, municipally-owned business to foster housing development. London City Council and the community saw the value of a purpose-driven entity focused on developing and supporting the development of affordable rental housing. As a registered Ontario Business Corporations Act company, created under the Municipal Act, the City of London has been able to better engage sectors and businesses in affordable housing development, including through the delegation of its related responsibilities as Service Manager for housing in Ontario. HDC has a small staff group able to support project development, community engagement, and explore new tools to advance financial sustainability of affordable development. The City of London supports HDC through core funding of its administration and through a contribution to its capital funds.

### **Centretown Affordable Housing Development Corporation, Ottawa, ON**

A community-based non-profit real estate development corporation, Cahdco is the sister-corporation of CCOC, but has its own board. The benefits of a free-standing corporation enabled it to focus on its business. Cahdco provides development project management services to CCOC as well as other non-profits and private market developers on a fee-for-service basis, as well as creating its own affordable housing and social-purpose real estate corporations. Cahdco has hired staff with backgrounds in architecture, construction management, engineering, land-use planning with private-sector real estate experience.

## Catalyst Development Company, Vancouver, B.C.

This independent non-profit developer works with non-profits with the potential for redevelopment. Catalyst adopted a hybrid model with a form of joint-venturing to provide development services as a financial partner with the non-profits. Catalyst works with many of the service clubs and voluntary sector non-profits with real estate to contribute to the development.

Some key informants described this trend as creating intermediaries so that each housing provider does not have to do everything for themselves. It should be noted that there are other non-profit organizations, such as M'akola in B.C., which provide development services to other non-profits. Therefore, there are a variety of mechanisms to foster growth and development in the sector.

### 3.5 Partnerships and Collaborations Across Sectors

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Key informants identified a variety of partnership initiatives to achieve business transformation in the non-profit housing sector. The main goals were to:

- **Promote engagement:** In some areas, partnerships were fostered with a wide range of sectors and organizations, including Indigenous Peoples, municipalities, service organizations, institutions, and private businesses. These partnerships were meant to actively work to bring people together in one forum to help identify shared goals and opportunities for working together on a shared agenda. For example, the Yukon Housing Corporation adopted a partnership model to develop its strategies across communities that included on- and off-reserve Indigenous communities and a range of non-profit sector organizations and public-sector agencies. The skills and expertise for these types of activities were different from basic housing development and property management skills. Leadership from government housing agencies helped enhance broader partnerships.

## Yukon Housing Corporation, YT

The corporation adopted a new role as champion for a partnership strategy to work with First Nations and non-profits. This was a major change from traditional roles as a direct mortgage lender and asset manager for social housing and staff housing. Transforming from the direct role to an enabling, collaborative role focused on engaging partners and all sectors.

- **Access land (sites) for development:** Having the internal expertise for housing development was not enough to support the expansion of housing portfolios. Many centres had limited supplies of suitable land while municipally owned or acquired sites have been offered through competitive tendering. Developing tenders or proposals is both expensive and time-consuming. Non-profits were increasingly looking for partners with available sites, such as faith groups or service organizations. The lack of a pipeline of potential development sites put constraints on the production capacity. Some municipalities were providing



development incentives but these were not beneficial without more ready access to sites for development.

- **Expand services through collaboration with other sectors (such as health and social programs):** Some non-profits have been historically involved in more than housing, providing a wide range of services and supports to meet their mandate. Operationally, service funding was a separate revenue stream from non-housing programs. Non-profits required skills to work with all levels of government and departments to package resources from a variety of areas to deliver multi-sector services for housing with support for seniors, homelessness initiatives, people with disabilities, and services for women, children and youth. Multi-service agencies such as Indwell in Hamilton, Atira Womens' Resource Society in Vancouver and the Vancouver YWCA are large and complex organizations with multiple lines of funding. Broader community development skills are central to this model and it is not clear what types of business models are best suited to play these roles.

### Drivers of Change

The survey and key informant interviews for this study did not ask directly about the drivers of change within the non-profit housing sector. However, responses and comments provided illustrate the wide range of factors and challenges that affect the changes underway.

Many factors were reported to be driving the changes underway in the non-profit housing sector today, including:

### Indwell, Hamilton, ON

This agency has ambitious plans for growth to become a leader in ending homelessness. Its range of housing supports and affordability model minimized financing cost through social impact lending. Having doubled in the past two years and with nearly 200 units under construction, its goal is to grow to ensure all have hope and homes in southern Ontario. Based on a community development model, with its in-house development and support staff and by building relations with faith and community groups, Indwell will soon be in five municipalities.

- The expiry of operating agreements, which will end ongoing government subsidies for non-profit housing units as their mortgages mature<sup>2</sup>
- Changes in tenant demographics, including a growing seniors' population and increasing demand for services
- An aging housing stock with buildings that require major repairs or are becoming obsolete as they no longer meet current building standards
- A changing workforce with staff who are retiring and a need to recruit and train a younger generation of millennials who are new to the non-profit housing sector
- Increasing demands for IT to meet operational and reporting requirements
- Changes to the regulatory landscape at the local, provincial and national level
- Demand for greater public transparency,

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<sup>2</sup> Across Canada, a significant number of social housing projects will face expiry of their operating agreements as their mortgages mature.

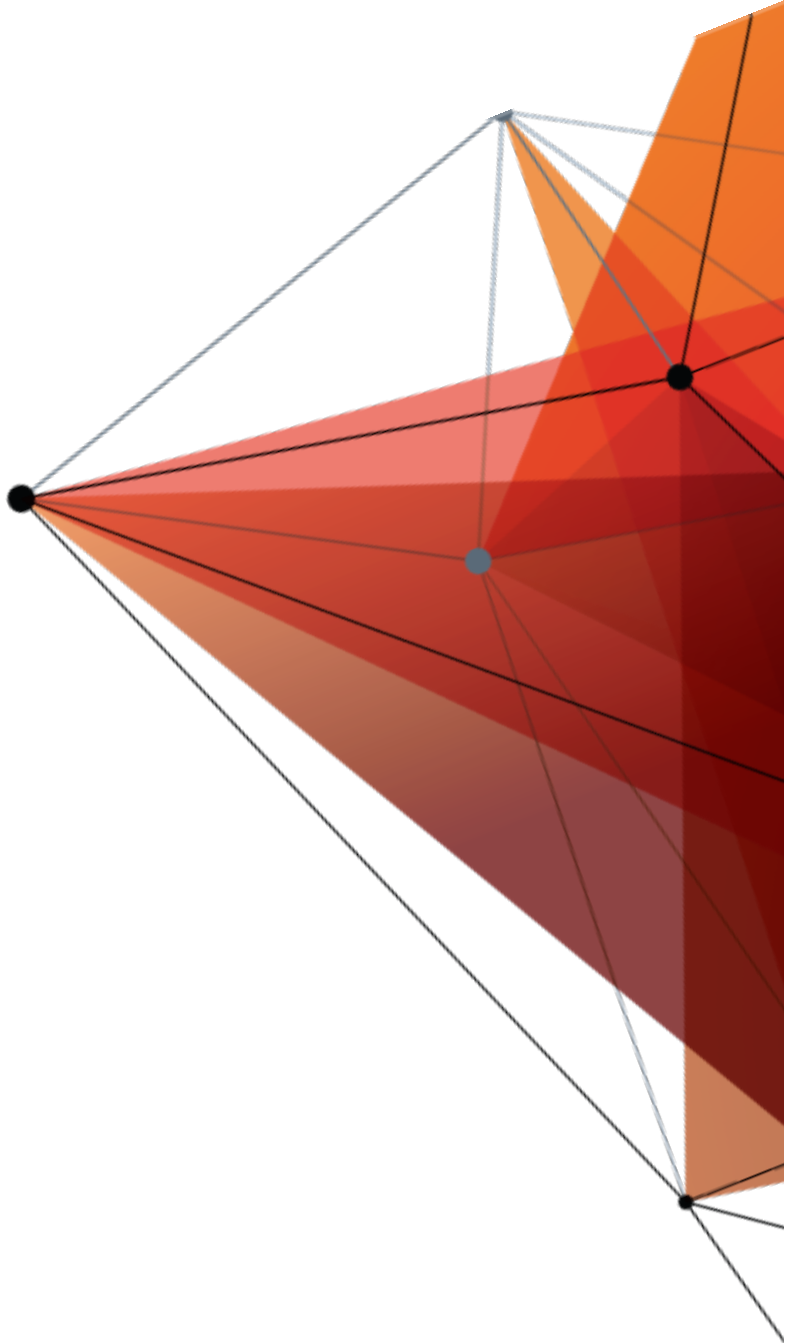
accountability and scrutiny about how housing is delivered, what outcomes are achieved and how the current structure of non-profits can support the provision of housing

that approaches to change vary widely in this sector. In our assessment, the diversity and creativity within the sector is an important strength that could be built upon for the future.

Key informants illustrated many different approaches to addressing these factors. There is no one single driver of change in most instances. Non-profit housing organizations were all affected to a greater or lesser extent by the external changes in their operating environment. Non-profit organizations, as much as housing providers and developers, must address the local housing market, economic conditions, and changing demographics. Housing development is increasingly costly, complex, and often a lengthy process as non-profits must compete for available land and sites for new development. Therefore, expanding, replacing, or changing existing portfolios is extremely challenging. Given these realities, preserving and improving existing assets can be of paramount importance for non-profits to meet their missions and mandates.

These factors all feed into decisions about changes within the sector. Each individual non-profit reportedly faced many decisions in considering its strategic goals, objectives, and targets. These formed the foundation for the many types of organizational changes discussed in this report. Overall, in our assessment, the over-riding driver of change in the sector is the commitment to meeting mandates and missions as social housing providers and meeting housing needs in their communities.

Given the extremely diverse non-profit housing sector in Canada, it is not surprising



# 4 CHALLENGES AND RISKS FOR BUSINESS TRANSFORMATION

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This section summarizes the perspectives on challenges and approaches to deal with risk based on the survey and key informant interviews.

## **4.1 Challenges to Business Transformation**

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Survey respondents identified several challenges to business transformation. Dealing with the requirements of funders, sponsors or partners was the most commonly reported challenge (42%), followed by organizational culture change and staff buy-in (41%). Expertise of board members was a

challenge for one-third (33%) of survey respondents, but more so for non-profit housing providers (38%) than government organizations (18%). Culture change and staff buy-in was more of a challenge for government organizations (55%) than non-profit housing providers (39%). Millennial expectations of pay and/or career goals were a challenge for approximately one-quarter (22%) of non-profit housing providers, but this was not reported as a significant challenge for government organizations or other housing groups. The perceived challenges and obstacles for business transformation, by organization type, are shown in Table 4.1.

**Table 4.1 Perceived Challenges and Obstacles for Business Transformation, by Organization Type**

Challenge/Obstacle	Non-Profit Housing Provider (n=147)		Government Organization (n=38)		Other Housing Groups (n=28)	
	n	%	n	%	n	%
Culture change and staff buy-in	58	39%	21	55%	-	-
Expertise of Board members	56	38%	7	18%	-	-
Dealing with requirements of funders, sponsors, partners	56	38%	13	34%	8	29%
Risk appetites (of boards, staff, funders, lenders, partners, municipalities)	52	35%	18	47%	7	25%
Creating opportunities for expanding portfolios & housing development	48	33%	10	26%	6	21%
Adjusting types and mixes of skills for business, financial, property and asset management	38	26%	11	29%	-	-
Expertise for project development or redevelopment	36	24%	11	29%	-	-
Expectations of millennials (pay, career goals)	32	22%	-	-	-	-
Developing relationships with other sectors in the market (public, private, co-ops)	31	21%	11	29%	6	21%

Source: Skill Sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table.

Percentages do not add up to 100% due to multiple responses.

These challenges were also discussed by key informants in interviews. These were typically framed as obstacles to sustaining their housing (rather than challenges to organizational change).

Key informants also discussed issues with new housing development. They identified

the most important challenges as finding or acquiring sites and obtaining financing for the development phase. Competition with other developers for available, buildable land could be partly offset where municipalities had programs and financial incentives for new affordable housing. Nevertheless, the lag times for new development were reportedly long and costly. Some non-profits had in-

house development groups whereas others relied on outside development specialists. Uncertainties about the pace of new development projects impeded the organization of development teams.

## 4.2 Perspectives on Dealing with Risks

Survey respondents were asked to identify whether organizational risk hindered organizational changes for business

transformation. When asked whether changes to organizations for business transformation would create new risks, just under two-thirds (62%) of survey respondents reported that there would be some risk. Few survey respondents (3%) reported large risks associated with changes, and 12% reported that there was no risk to their organization as a result of the changes made related to business transformation. The extent of risk due to organizational change, as perceived by survey respondents, is shown in Table 4.2.

**Table 4.2 Perception of Risk as a Result of Organizational Change**

Perception of Risk	Non-Profit Housing Provider (n=147)		Government Organization (n=38)		Other Housing Groups (n=28)		Total	
	n	%	n	%	n	%	n	%
No Risk	17	12%	4	11%	-	-	23	11%
Little Risk	42	29%	14	37%	-	-	59	28%
Some Risk	45	31%	12	32%	-	-	62	29%
High Risk	-	-	-	-	-	-	6	3%

Source: Skill sets & Core Competencies to Facilitate Business Transformation in the Non-Profit Housing Sector Survey  
Valid n=213

Cells with n values less than or equal to 5 are not included in this table.

Over one-third (37%) of survey respondents identified risk appetites of boards, staff, funders, lenders, partners, or municipalities as a challenge for business transformation within their organization or in the non-profit housing sector as a whole. This was reported by almost one-half (47%) of government organizations, over one-third (35%) of non-profit housing organizations, and one-quarter of other housing groups.

Non-profits as business entities have

responsibilities for managing financial and organizational risks to their operations. The key informant interviews asked about the extent to which organizations considered or addressed risk, and the approaches for risk management. Key findings from these interviews are as follows:

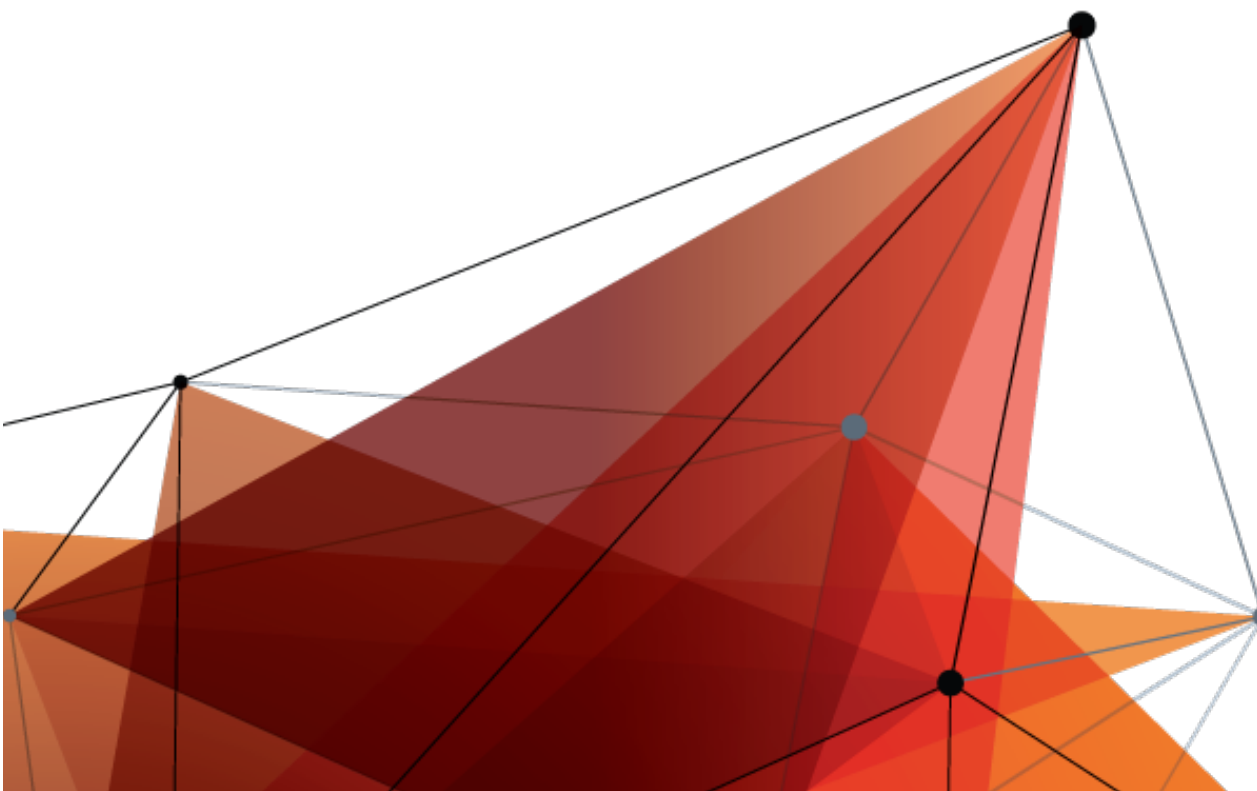
- About one-third of key informants had no comments about risk or said they did not consider risk when making organizational changes. A few key informants said they were starting to think more about risk.

- Only two key informants reported that their boards were risk averse. These organizations saw the need for a change in mindsets from the past, when government funders had extremely low risk tolerance toward non-profits. They felt this change was needed in government to enable non-profits to manage risks that may arise.
- Some non-profit housing providers said that they deal directly with **financial risk** for all new developments as well as for the overall financial health of the corporation (typically at the board level). Some boards have audit committees that review the official audits of annual financial statements. A few organizations reported having CPAs or experienced staff from audit firms on staff or boards to support audits and help mitigate financial risk.
- A few key informants said they were not concerned about risk because they have to take some risk. They think about taking **smart risks**.

- There may be new risks with new approaches, but this has to be weighed against the risk of doing nothing (or continuing to use old models). One key informant felt it was important to assess **comparative risk**.

Based on the organizations covered in key informant interviews, these results showed varied views on the importance of risk assessment or management in organizational change. Overall, there may be less concern about risk than previously thought. To that extent, the interviews were consistent with the survey data that organizational change is not perceived as high risk. Certainly, risk aversion of boards was not a widespread concern noted by key informants.

A second interesting finding from the interviews was that governments also need to develop different approaches to risk in the non-profit housing sector, especially given the long-term experience and professional expertise of many non-profit organizations.



# 5 LESSONS LEARNED

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## 5.1 Views from the Sector

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The study identified many lessons learned based on key informants' and survey respondents' perceptions on their own perspectives and experience. They identified the following factors for success in business transformation:

- Get ready for change
- Have the necessary skill sets and competencies
- Invest in technology
- Develop strategies to meet business goals
- Be open to partnerships

The survey also asked respondents to identify the two most effective strategies or approaches to business transformation, in their experiences. The approaches to business transformation most commonly identified as highly successful included funding and development strategies (20% of all responses); organizational and HR strategies (17% of all responses); and greater emphasis on communication and engagement with staff, board, and clients (14% of all responses).

## 5.2 Get Ready for Change

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The scale and pace of change taking place among study participants varied widely. Study participants reported that some types of changes, such as adding one or two new positions with specialized skills, were put in place over two to three years. Other changes, such as major reorganizations or creating new organizations, could take five to seven years. Some organizations suggested that the pace of change must match with an organization's needs and capacities.

Strategies for success included:

- **Determine priorities:** some organizations stressed that establishing a clear vision first was essential. Others felt that restructuring or renewing boards was a critical first step so that governance and strategic plans could be developed. Putting in place new leadership (CEOs and managers) was also identified as a key priority to implement reorganizations.
- **Change the “mindset and ways of thinking” about the non-profit sector was highlighted in some interviews.** As one key informant noted, there is a need for a fundamental shift to move away from over 30 years of a “shoestring culture”.



- **Assess readiness.** Some organizations conducted readiness assessments to identify their own gaps and develop their strategic directions. Assessing readiness first helped match the pace of change and growth in the organization to its capacities. Organizations need a synergy of both vision and capacity for effective change. Some key informants identified a need for time to change the organization's culture and for staff buy-in.

### 5.3 Have the Necessary Skill Sets and Competencies

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Key informants reported that having the right people, skill sets, and competencies are important for the future of the non-profit housing sector in Canada. This applies at all levels within non-profit housing organizations and government agencies, including CEOs, managers, other staff, and boards. Skills and competencies identified for success included:

- **HR expertise.** Key informants noted that adding HR staff helped ensure that organizations met all standards and requirements, managed hiring and firing processes, and assisted with job descriptions. Some noted that staffing had to be based on the people needed and not necessarily the people there. New job descriptions and lay-offs were often more challenging in unionized environments.
- **New positions in client services and marketing.** This strategy is relevant to the rebranding of non-profits with shifts to market housing. Adding staff with private property management backgrounds was one way of changing thinking from a social housing (tenant relations) approach by key informants.

- **The “right” CEO and senior management.** Boards were increasingly defining the skills required as they hired to replace retiring, long-term CEOs, and other managers. Succession planning was a recurring theme in interviews and survey responses due to retirements. Key informants also noted the importance of higher pay scales matching the value of the skills for CEOs. At the same time, other organizations stressed the value of having a senior management team to provide leadership rather than relying on one key person.
- **Capital and asset management skills.** Some key informants noted that their organizations were bringing in more managers with CPA and financial backgrounds. Boards have also expanded their competencies by recruiting from the private, business, and financial sectors to oversee organizational plans.

### 5.4 Invest in Technology

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Key informants reported that major investments were being made in IT systems and software to update systems in offices and in the field (to support property management). Changes were being made without specialized IT support as designated IT positions are very rare.

- **Phased IT upgrades can ease implementation.** Some groups planned for changes in different parts of their organizations and completed these over several years. Reportedly, this helped for a smoother transition.
- **Plan for continuous renewal of IT.** Software requires ongoing upgrades and improvement. Recognizing and managing this process across the organizations



helped to maintain up-to-date capabilities in a fast changing industry.

- **Hiring new staff with some IT skills is helpful.** Typically, younger staff hired had more abilities using IT than other employees. Hiring people with some work experience, such as from the private sector, could reduce the need for training programs.

### 5.5 Develop Strategies to Meet New Business Goals

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Several key informants and survey respondents are changing their business models to provide more market-based housing (including mixed income) or increase their scale of development. These goals require fresh approaches.

- **Increase marketing skills.** Providing market-rent units requires different client service and marketing skills. Some organizations created new staff positions and hired staff from the private sector who had experience with market housing. Providing more choice to clients and showing typical units to groups of clients were examples of different approaches.
- **Get comfortable with calculated risks.** Different or innovative ways of developing and financing non-profit housing may create added risks. Concepts such as community benefit and “long-term stewardship” are not as prevalent in Canada as elsewhere. On the other hand, organizations said that the risk of not changing must also be considered and they believe that taking smart or

- calculated risks is a good business model and consistent with a more business-oriented approach.
- **Acquire expertise to develop new housing.** Some key informants reported that they did not have in-house development staff and responsibility for new development tended to fall on the CEOs. Some organizations wanted to develop their own internal expertise and capacity because experience using outside consultants had been mixed. Establishing partnerships with other organizations with expertise was identified as a potential alternative to meet development goals. Accessing land (buildable sites) and financing were identified as continuing challenges.

### 5.6 Be Open to Partnerships

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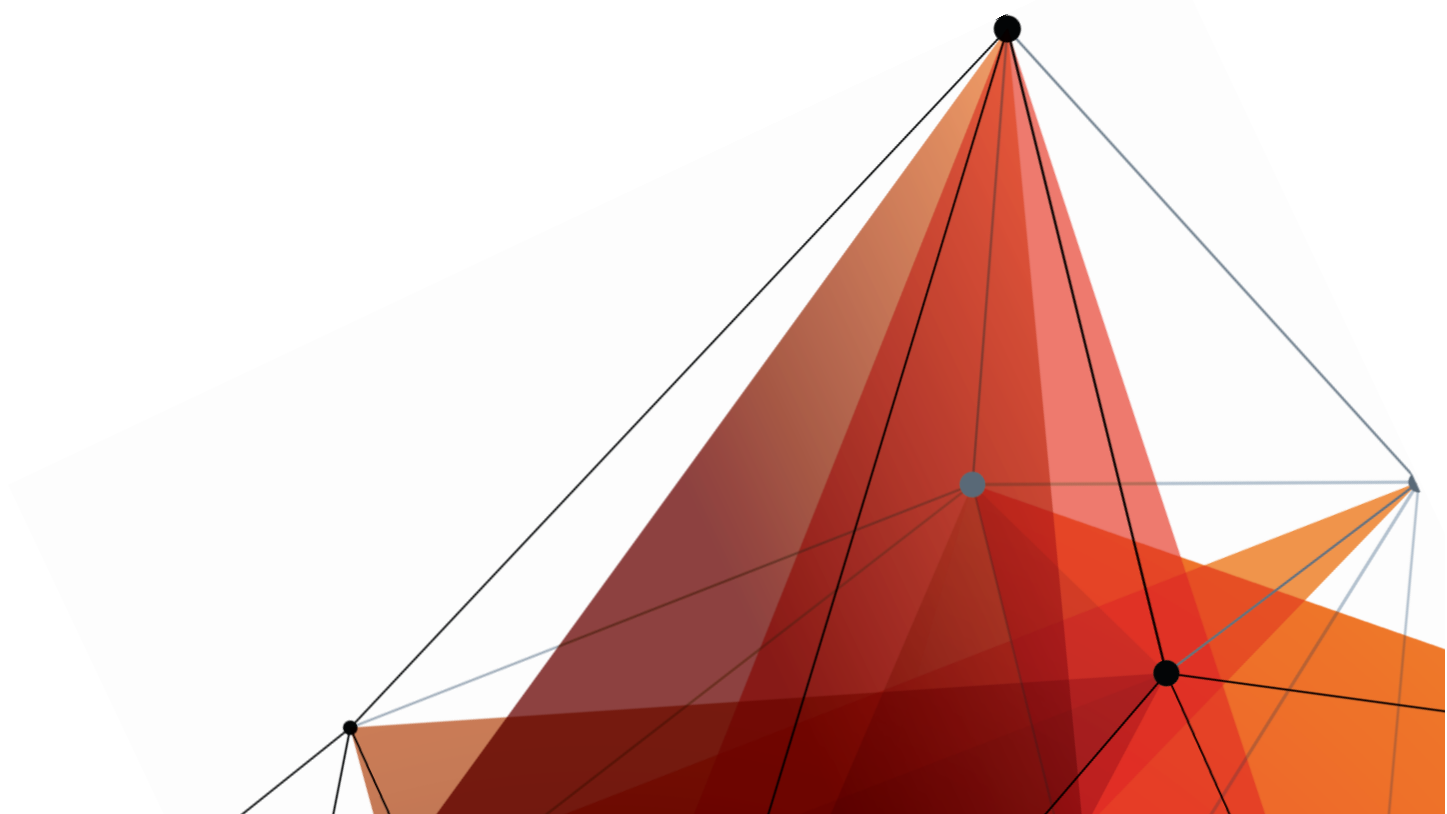
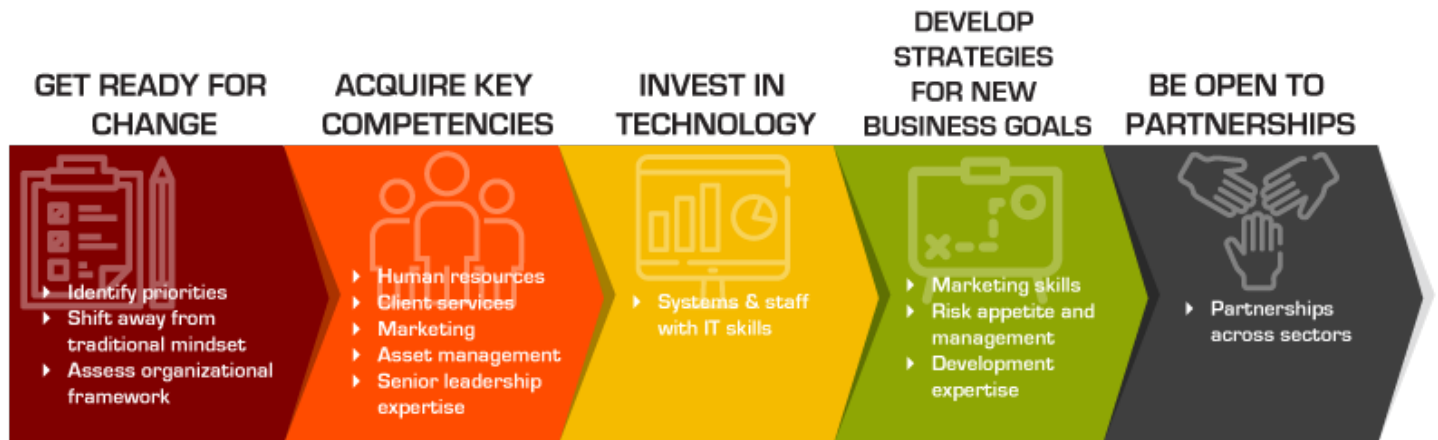
Some key informants focused on strategic partnerships as part of “being open to a paradigm shift”. For example:

- **Partnerships across sectors:** Key informants considered partnerships with different types of public and private organizations.
- **Find the right partner:** This includes focusing on partners with some shared values or purpose.
- **Partnering outside the housing sector:** Building links with the health sector or supports from charitable and services organizations were also discussed.

- **Champion collaborations:** In northern areas, where housing includes on- and off-reserve populations, key informants reported that governments can transform its approach and bring groups together.

Key informants from this study shared a wealth of ideas from their own experience. Providing more opportunities to share ideas could be beneficial to the sector.

### Lessons Learned



# 6 CONCLUSIONS

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The non-profit community housing sector is transforming business practices in response to a changing housing landscape fuelled by the ending of operating agreements; aging housing stock; changes in both tenant and workforce demographics; changes in information technology; and increased demand for transparency and accountability.

This study arose out of a need to better understand how non-profit housing providers are responding to a wide array of external policy and market factors that are contributing to considerable operating changes within the non-profit housing sector. While the study did not explicitly focus on the individual impacts of all these factors, it did seek to understand the collective effect of changes and how these changes are being addressed by the non-profit housing sector. Some people have referred to this issue as a “paradigm shift”, whereas others frame it as moving towards more self-sufficiency.

Findings from the survey and interview data show considerable activities underway across the country as non-profit housing providers try to navigate the changing context. While organizations in the study did not typically frame these initiatives as intentional means to “future-proof” their organizations, they did explicitly connect these activities as necessary to respond to organizational gaps and the need for operational improvements for increased efficiency.

For many organizations, preparing for the

future was a part of their planning processes. Organizational approaches to anticipating and responding to challenges and changes within the housing sector was most often achieved through strategic plans.

The main strategic actions areas driving the types of organizational changes that we would consider transformational changes were: human resources; digitalization and information technology; governance and boards; alternative revenue generation and financing; and partnerships and

collaborations across sectors. The degree to which strategic actions were being effected varied across organizations and are broadly categorized in the study as: renewing, diversifying, and refocusing. However, all organizations shared in common the acknowledgement of the changing operating environment and the need for new skills and competencies to respond and continue to fulfill the mission of their organization.

The study identified the following factors for success in business transformation:

- **Get ready for change**, including identifying priorities, shifting away from the traditional mindset, and assessing organizational readiness
- **Have the necessary skill sets and competencies** that match organizational needs, including HR, client services and marketing, asset management, and senior leadership expertise
- **Invest in technology** and staff with IT skills
- **Develop strategies** to meet new business goals, including increased marketing skills, appetites for calculated risks, and expertise or partnerships to develop new housing
- **Be open to partnerships**, including partnerships across sectors

Recruiting for the new skills and competencies required to sustain operations in this new context is the most substantial effort at business transformation.

Organizations are looking at skills and competencies for staff, management or leadership and board members in new ways with concerted efforts to develop human resources strategies, succession planning, and board recruitment practices.

Organizations identified desired skills in project management, real estate, planning, engineering, client relations, marketing, and finance. New skills are needed to position organizations to respond to new areas such as capital investments and regeneration of portfolios, partnerships and collaborations with the private sector as well as other public sectors such as health; and decisions about financial sustainability, including alternative sources of revenue.

The findings clearly show that extensive work is underway to improve boards, governance policies and practices, and senior management. Strengthening board governance and internal management of organizations is widely seen as improving organizations' operations. Ensuring the appropriate mix of board skills and making effective use of those skills are keys to well-functioning boards. In turn, this can strengthen operations and help ensure on-going sustainability.

Having the right mix of internal management skills was also identified as key for sustaining and enhancing operations. Turnover and attrition are an opportunity to bring in more senior managers with complementary skill-sets and experience. Where financially feasible, some organizations have been able to expand their staff and build more internal capacity. These types of change contribute to more sustainable operations.

The dynamic of boards and senior management was also seen to influence resilience and appetite for risk. Many promising indicators of resilience can be inferred from how organizations consider opportunities, such as through linkages with

other types of organizations in their communities and across sectors, and the willingness to build and work in partnership with others. Resilience is linked with internal capacity and what was described by some as readiness for change. Putting in place the necessary conditions and supports can be a process much like the processes of changing the staffing models or introducing major IT changes.

The study found many changes underway across participating organizations and provides some insights into how non-profit housing providers are transforming their businesses in response to the changing operating environment. To achieve long-term viability and sustainability, non-market housing providers are recognizing they must examine their organizational structures and internal operating environments including leadership, strategic direction, scale of operations, human resources, and governance. These areas are all dependent on the successful recruitment and retention of new skills and competencies. Having the right people is the key to the future of non-profit housing sector in Canada.

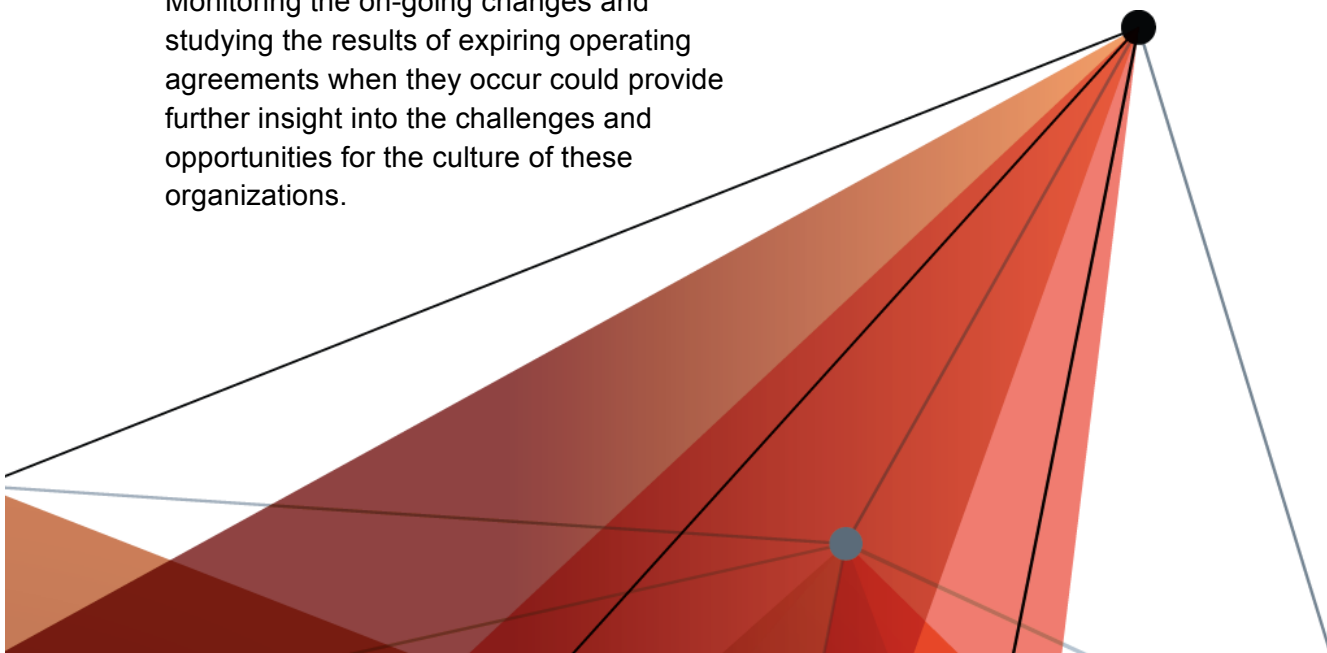
Monitoring the on-going changes and studying the results of expiring operating agreements when they occur could provide further insight into the challenges and opportunities for the culture of these organizations.

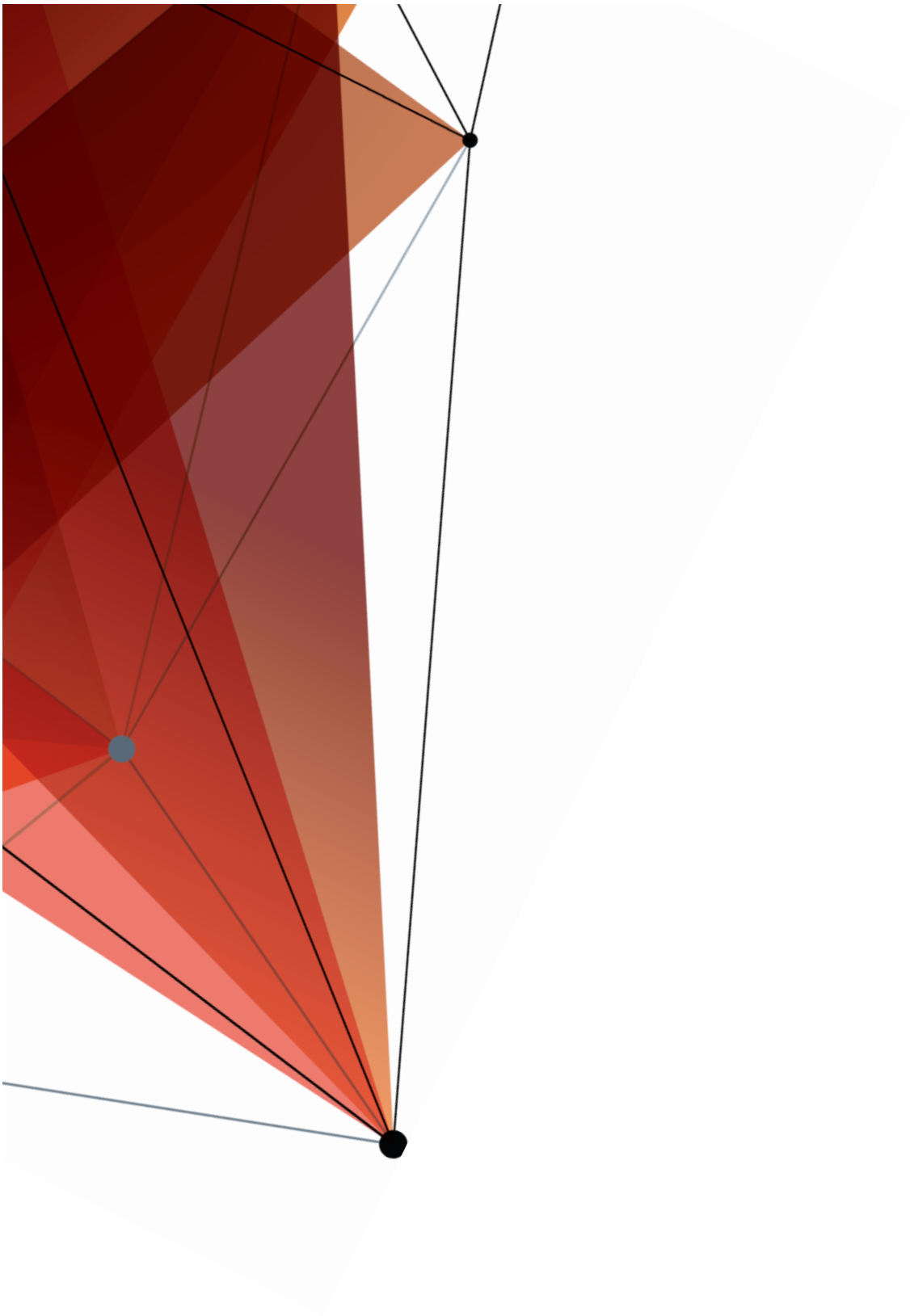
## Implications of Business Transformation II Study

In addition to this report, Housing Partnership Canada has prepared a companion document outlining implications for practice and HPCs role and activities in prompting business transformation, based on the findings of this study. The research has demonstrated that are tangible areas of activity that can be undertaken by government, sector-based organizations and the non-profit community housing sector to facilitate business transformation. The areas of practice addressed in the companion document are:

- Continuous Improvement in Regulation
- Capacity- Resourcing Framework for the Community Housing Sector
- Capacity-Building for Indigenous Housing Organizations
- Establish Sector Profile- Core Data Set
- Professional Skills Need Continuous Improvement
- Sector- Led Improvement

This document can be accessed on the Housing Partnership Canada website at [www.housingpartnership.ca/resources-1/](http://www.housingpartnership.ca/resources-1/)





# APPENDIX A: LITERATURE REVIEW

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## Summary

This review provides a high-level overview of trends in the community housing sector to facilitate business transformation. HPC's interest was to better understand the skills and core competencies in the non-profit housing sector nationally and internationally. A range of documents and publications were reviewed including academic literature, information from national and provincial housing organizations and associations, reports from non-profit organizations, and open source information on social housing issues.

A scan and review of the literature identified a number of articles relating to the non-profit housing sector and types of organizational changes but very little published information available about the skills and competency of non-profit housing providers. As a result of the scant base of literature, especially empirical work; drawing comparisons from this research findings' to the broader literature had to be limited in nature. In fact, through the analysis, indicative is the diversity and differences which necessitated addressing key themes and areas of commonalities. It speaks to the caution stated by Morris (2000), drawing comparisons from the available non-profit housing sector literature is problematic due to institutional diversity, as well as temporal and spatial differences that in turn limit the development of definitions and the scope of conclusions that can be drawn.

In assessing the literature for non-profit housing, where available, focus tends to be on the welfare of individual users, rather than innovation in terms of practices. There is however; a rich body of information on housing, neighborhood development, but it is predominantly based on whether individuals own or rent their own homes (Leviten-Reid et al. 2016). Although literature on the forces and mechanisms used by or applied to providers of non-profit housing is scarce, there are some general themes, trends, and issues that emerged from the available literature.

This review will briefly comment on the overall context in which the non-profit housing sector operates. The remainder of the review will focus on staff capacity, scale and knowledge and partnership of non-profit housing providers as these are essential for non-profits to adapt and respond to current circumstances on development and provision of housing and services.

## Neoliberalism and Size of the Non-profit Housing Sector

Whether the focus is on Europe, North America or Australia when looking at trends in the non-profit housing sector, academic literature pays significant attention to policy changes that have occurred in the context of neoliberal transformations of government institutions. The contemporary environment is one where the provision of social housing falls increasingly to private and non-profit entities, while at the same time there is an erosion of government funding available for non-profits to provide the same (Turk 2017; Mullins & Walker; Gurstein 2009, Patten & Roa 2015, K. Gibb & C. Nygaard 2006). Therefore, it is not surprising that responsibility for social housing is almost solely that of non-profits and that the non-profit sector is sizable and growing. A report on various countries, including Australia, Belgium, Brazil, Canada, the Czech Republic, France, Israel, Japan, Kyrgyzstan, Mexico, New Zealand, Norway, Portugal, Thailand, and the United States, found that the non-profit sector's contribution to GDP grew at an average rate of 5.8% per year over the period from the late 1990s to the mid-2000s compared with 5.2% for economies as a whole in these countries (Salamon et al. 2012). Furthermore, in the eight countries where longitudinal data was available for the report, the GDP contribution of non-profit institutions outpaced the growth of the economy overall. In Canada, for example, non-profits had an average growth of 6.4% compared with an average annual GDP growth of 5.6% for the country.

The growth of non-profits is not meeting demand (Casey 2015) as shown in the increased need for public housing. Summarizing their analysis of public housing in North America, the EU, Eastern Europe, and East and Southeast Asia, Gurstein et al., (2015) conclude that there is a lessening of involvement in public housing in most countries. There are a few countries that have been increasing the number of units of public housing. However, the percentage of the same is decreasing due to increasing population growth in these countries (Gurstein et al. 2015). Thus, while the expansion of the non-profit sector has developed concurrently with pressures to reduce the size of the state and to pluralize service delivery, a gap remains in both the availability of social housing and the ability of non-profit organizations to provide the same.

This gap is further exacerbated by recent economic pressures. The most recent recession has accelerated concerns about the effectiveness and sustainability of the non-profit housing sector that existed before the financial crisis (Brophy 2009). This has pushed non-profits to look at different business models to ensure not only their well-being but, in some cases their very existence. Nevertheless, many housing providers have adapted successfully in providing affordable housing both in tangible properties, and as change-makers in policy and economic realms (Christman et al. 2009).

The scope of activities that non-profit housing providers are involved in is increasing at the same time as organizations expand their activities to areas that can generate revenue to meet their needs. While the policy environment is very different in Canada, the USA, and Europe, several common trends are evident (Svedova 2009). All approaches utilize different combinations of cost minimization and revenue generation. Furthermore, the complexity of approaches can be placed



broadly into a continuum that ranges from independent initiatives applied to a particular aspect of housing development and management to comprehensive business models. Independent approaches to cost effectiveness include focused use of volunteers and tenants, green building initiatives, maximization of density in development, partnerships between organizations to achieve economies of scale, below-market-price property or land acquisition, and approaches related to the use of housing assets. The most common business models emerging in non-profit housing are social enterprises to fund central missions and partnerships with for-profit sectors to access funds.

## The Canadian Context

In Canada, “the term ‘social housing’ is often used to refer to assisted housing owned and operated by the non-profit and cooperative housing organizations” (Van Dyk, 1995:817). While some have tried to distinguish the provision of government-supplied housing or housing provided in various forms of public private partnerships, using terms such as affordable or public housing, social housing refers to housing where non-profits play a role in the provision or operation. In recent years, the provision of social housing has often occurred through subsidies by government and development by private and/or non-profit organizations. Canadian housing challenges include a persistently low vacancy rate inflating housing prices and an endemic homelessness problem (Moskalyk 2008). Social housing, which is said to be an effective function for industrial development by producing a more productive and competitive workforce, has been the mechanism used to meet these challenges in Canada and elsewhere. However, there are fewer than 600,000 Canadian households, or 4.5% of all households, living in government-supported social housing units (Moskalyk 2008). Although this is higher than in the USA, this is lower than the market share in other wealthy countries. Non-profit providers account for one in five rental housing units in Canada. Additionally, the government subsidies that non-profits use to provide social housing are disappearing. The federal spending for operating social housing is set to decline from its peak of about \$1.6 billion to \$81 million in 2031, and reach zero by 2040 (Zon 2015).

Just as government funding for social housing is being reduced, demographic trends point to an increased need for the construction of social housing inclusive of social welfare services designed to meet specific needs. The two prominent demographic trends that should be considered for future social housing needs in Canada are an aging population and immigration. By 2026, it is expected that one in five Canadians will be 65 years of age or older. An older, frailer baby boomer population will increase the demand for supportive housing units designed to accommodate age-related disabilities and mobility restrictions. By 2030, immigration is expected to be the primary contributor to Canada’s population growth. Immigrants suffer higher rates of housing exclusion and are more likely to have lower income status than natural-born Canadian peers. In addition to immigrants and seniors, several other groups that currently face high rates of poverty will continue to require social housing, including Indigenous peoples, visible minorities, youth and children, lone-parent families and unattached individuals. Clearly, social housing, in the future, will need to meet the specific requirements of seniors, immigrants, Indigenous peoples, and lone parents.

Responding to these needs, in the face of reduced funding, means non-profit housing providers are seeking financing in new areas of social entrepreneurship and partnerships with for-profit entities.

## Business Model Shifts: Remain Inclusive of Mission

The need to access financing through mechanisms such as partnerships with for-profit entities and engaging in social entrepreneurship, as well as a portion of client base reliant on housing-plus services, means that non-profit housing providers must update their business models to become more business savvy while staying true to core mission goals (Spann 2015). Non-profit housing providers, unlike for-profits, focus on *both* a social mission and profit maximization (Bratt 2007; Bratt 2012; Leviten-Reid 2016; Mayer & Temkin 2007). They may provide housing in more economically depressed areas, charge lower rents for longer periods of time than for-profit firms and work with the hardest-to-house residents (Brat 2007). However, they have latitude to make investments that do not require a return for private owners, are more likely to build units eligible for additional tax credits, and enjoy higher levels of community support (Bratt 2007; Bratt 2012).

## Staff Capacity, Scale, Knowledge Gaps and Partnership

The remainder of this review will focus on staff capacity, scale, knowledge, and partnerships, because many of these are essential for non-profits to adapt and respond to current circumstances on development and provision of housing and services in the housing sector.

### **Staff Capacity and Expertise: Local and ‘Grass-Roots’**

Non-profit providers are faced with increasing demands for services, reduced access to government funds, and challenges updating the skills and competencies of staff and leaders as they look for opportunities to find innovative approaches and seek out alternative financial solutions that will enable them to thrive.

Expertise within non-profits must remain true to its grass-roots knowledge to effectively continue high quality service delivery at the local level. Yet at the same time, non-profits need to increase their financial literacy if their own innovations, as well as collaborations and partnership opportunities with other agencies and for-profit entities, are to be successful. They must try to carefully select new leadership when long-term leaders exit and still stay true to their mission goals. Mayer & Temkin (2007) note that successful non-profit housing providers, while keeping service delivery central to their mission priorities, operate with characteristics that can be recognized in other lines of work: innovative leadership through high visibility directors, entrepreneurship through aggressive pursuits of opportunities and earnings, and flexibility in response to changing conditions.

The knowledge and capacity of staff, board members, and leaders of non-profits play an important role in the ongoing success of housing developments. Yet, there is little empirical literature on the strengths and challenges of non-profit housing staff and leadership. In Canada and elsewhere, there is a broad array of non-profit housing providers, but many are smaller players that have limited their housing projects to a particular neighbourhood and their skill sets are limited by this narrow focus. A study of the Canadian non-profit sector found that the availability of financial resources for professional development and training is an important issue facing all organizations in the sector (HRCNPS 2011). The study also found that small and mid-sized organizations make up a significant portion of the non-profit sector in Canada. The sector is largely unaffiliated, stand-alone, with over half providing services at a local level without connections at provincial or national levels (there are notable exceptions in B.C. and Ontario). While geographic diversity is a mechanism of success, strong non-profits are those that have good ties to their residents through their property management presence and their resident services programs (Rase & Weech 2013). In contemporary best practices, staff may be geographically dispersed from central locations and closer to clients to facilitate quicker response times and reduced delivery costs (Spann 2015). As such, staff have intimate knowledge of local needs, but may be disadvantaged in terms of the financial skills needed to bring together complex financing required for the creation of housing developments (Brophy 2009).

The motivation of staff may also distinguish them from for-profit counterparts. Non-profit organizations attract individuals who are socially motivated in contrast to for-profits who attract individuals focused on profit maximization and extrinsic factors (Leviten-Reid 2016). Gilmour (2007) points out that non-profit staff are often fewer in number and highly dedicated, but may lack the breadth of skills required to successfully implement organizational change. Non-profit housing providers also face other barriers in the ability of locally-knowledgeable staff to create and access measures to share their innovations and effectively participate in collaboration (Brophy 2009). This may be especially true for small and midsized organizations, which make up a significant portion of the non-profit sector in Canada (HRCNP 2011). Reconfigurations, intended to foster collaboration, mergers, asset transfers, and sharing services, may be met with both intentional and unintentional resistance by both staff and board members (Brophy 2009; Gilmour 2007). Longstanding non-profit boards may have significant strengths in capitalizing on grassroots or bottom-up capabilities, but can lack broad organizational thinking, thus making them resistant to changes that may disrupt their neighbourhood control. Further re-engineering activities require significant amounts of time and energy from staff that are often already stretched thinly in the delivery of current services (Brophy 2009; Stowe & Barr 2005). The size of the non-profit organization may exacerbate this, as those that are small or geographically remote may have a more difficult time with these measures (HRCNP 2011, Stowe & Barr 2005, McCauley et al, 2015). Finally, case study research has found a highly varied level of expertise among non-profit housing provider staff and board members when compared with the rosters of their for-profit housing partners (Leviten-Reid 2016; Bratt 2009; Christensen 2000).

### **Staff Capacity and Expertise: Partnerships and Shifts in Competencies**

To overcome some of these obstacles, non-profit housing providers' have been entering into partnership with for-profit companies. This can enable non-profit housing providers to access the technical and financial resources they do not have internally (Bratt 2007; Bratt 2009; Gilmour & Milligan 2012). Bratt points out that when enacting partnership arrangements, non-profits should address the following to ensure success:

1. Each partner should have development expertise and knowledge
2. Non-profits clearly articulate and quantify the contributions they bring so that their value is understood
3. Non-profits should engage third party advocacy assistance (legal expertise or more experienced non-profit) for areas they are lacking
4. Roles should be clearly defined and a project manager identified
5. For-profit partners should be willing to share expertise with their non-profit counterpart on organizational sustainability, succession, and future leadership
6. Legal details should be carefully crafted and clearly understood by all parties (Bratt 2007)

Bratt's points are part of a larger shift in the skills and competencies of non-profit housing staff. Today, housing providers are not only major developers of housing and particularly rental housing, but also substantial providers of property management and resident and community services, and significant housing lenders (Mayer & Temkin 2007). Successful non-profit housing organizations benefit from staff with capabilities in both asset management and resident service provision (Stowe & Barr 2005). Further, the stability of leadership and the level of training that building managers have play important roles in the performance of housing developments (Rohe et al. 2001). The most important current competencies identified in the Competency Project by ONHPA were building maintenance, tenant-related focuses and business (Wiebe 2016). However, the study also noted that participants anticipated a shift with future competencies focused on adaptability, innovation, and strategizing, because these would be necessary to meet ongoing challenges in the non-profit housing sector (Weibe 2016).

Often re-engineering in response to government funding reductions has meant that some non-profits enter relationships with for-profit businesses to build, manage or operate housing (Mullins & Walker 2009). If non-profits provide services through this mechanism, management structures may need to be re-evaluated because there can be conflicts between goals traditionally associated with non-profit work, such as degree of altruism expressed, and incentives typical of for-profit motivation, such as performance-based profit shares (Gibb & Nygaard 2006; Paris 2006). Paris found that property management firms have a high rate of employee turnover, sometimes due to conflict between the management company and the non-profit organization (2006). Management companies should be vetted for the skill level and turnover rate of their staff as this adversely

affects both build operations and effective interfacing with clients who have diverse and often unstable backgrounds (Paris 2006).

### **Staff Capacity and Expertise: Leadership and Turnover**

The background of those in leadership positions plays a role the direction and success of a non-profit housing provider. This is true of both the board and the executives. For example, Christensen (2000) noted that boards dominated by housing professionals, as opposed to community members, produced housing at higher rates. Meyer and Temkin (2007) have stated that an organization's reputation is often entwined with that of their longtime leaders. Thus, leadership succession is an important consideration. As such, Perry and Hall (2006) caution that boards need to tread carefully when selecting organization fundraisers to take on chief executive positions. Decision-making skill sets suitable for one niche in an organization do not always transfer well to another (Perry & Hall 2006; Hall 2006). For example, employees adept at service delivery and securing resources to enhance a non-profit's mission may lack management skill sets involving responsibility for budgets, programs and staff (Perry & Hall 2006).

To this end, evidence shows that non-profit boards are frequently dissatisfied with the leaders they hire (Cornelius et al., 2011), but are not ready to select and support new leaders (Cornelius et al., 2011). To mitigate this, Hall (2006) implored non-profit groups to undergo a candid in-depth evaluation of how their organization has changed and what characteristics the next leadership candidate should have. Gilmour and Milligan (2012) note that directors and senior managers, whether they come from private, community or public-sector backgrounds, need to be knowledgeable in three dimensions: the state (public policy, grants), markets (commercial risk, private finance), and civil society (tenant needs, community integration). This is not always easy. Transitions should include a succession plan and a transition period where incumbent and incoming leaders or staff work together (Hall 2006; Paris 2006). Furthermore, success also rests on healthy relationships between leaders, such as CEOs, and board members. To ensure that structural and organizational change is successful, leaders should facilitate healthy relationships with board members by distinguishing between governance and operational issues, introducing concepts as pilot projects, using their success as a persuader for larger scale adoption by leveraging expertise and asking high quality questions of board members, and showing their expertise through sound recommendations (Wiebe 2016).

Relationships with board members are not the only areas where non-profit housing providers must be aware of shifts in skills and competencies. Staffing is one of the main challenges faced by non-profit housing providers to sustain their organization and productivity. Although leadership succession is an important consideration, another constant challenge is retaining second-tier managers, because they often gain widely marketable skills and may earn more money elsewhere (Mayer & Temkin 2007). In a survey of California's non-profit housing providers, Christensen (2000) found that the proportion of full-time staff had increased since earlier studies and over a

third of paid staff held special degrees or program certificates or concentrations of study particular to housing development. However, younger, smaller organizations may not have staff with the required experience or educational backgrounds, and instead rely on subcontractors or consultants (Christensen 2000). In rural areas, organizations often have high turnover due to an inability to pay high enough wages to retain staff once they have expertise that enables them to seek other opportunities (Stowe & Barr 2005). Yet, at the same time, those staff may be hindered by a lack of specialized skill sets, few professional networking opportunities, and heavy workloads (Stowe & Barr 2005).

Successful non-profit housing providers share several features when it comes to leadership and staffing. First, their credibility often comes from the commitment of strong, long-term leaders and staff. This has allowed many non-profit housing providers to successfully shift functions without losing support. Second, housing providers that work on a larger scale can engage in staff specialization, which has enabled them to raise skills levels through hiring, training, and focused experience on the job (Mayer & Temkin 2007). Scaling of endeavours also aids in making property management economically efficient and lends itself to adequate generation of resources to support capable back-office functions, avoiding problems in financial tracking and other areas before they multiply (Mayer & Temkin 2007).

### **Knowledge Gaps: A Barrier to Migration Innovation**

There is a limited base of literature, especially empirical, to draw from when examining non-profit housing providers. Knowledge gaps limit staff improvement opportunities as well as internal and external assessments of success and slow the comparative collaborations that can foster the migration of innovation. Similarly, lack of size and complexity has been shown to impede the ability of non-profits to offer adequate development for staff and raise capital needed to develop and provide housing and innovative financial solutions. Intermediaries and partnerships can offer solutions, but success rests on them clearly addressing requirements that meet both financial and social goals endemic to social housing; strategies must take into account the “triple bottom line”: outcomes for individuals, buildings, and neighbourhoods.

Most of the available data focused on the number of units produced, which belies the demands, pressures, innovations, and solutions that non-profits engage in both during provision and maintenance of housing, as well as those faced in housing plus service delivery. Furthermore, as Morris (2000) cautions, drawing comparisons from the available non-profit housing sector literature is problematic due to institutional diversity, as well as temporal and spatial differences that limit the development of definitions and the scope of conclusions that can be drawn. This dearth of literature has created limitations on the ability of non-profits to anticipate, plan, and respond to changing needs (Brophy 2009; Bratt 2007). Articles on non-profit housing consistently point out the limited nature of empirical data available and some note that the ad hoc nature of information sharing and reporting curtails the migration of innovation in the sector, which limits the ability of providers, intermediaries, potential partners, and funders to assess their systems. National level knowledge-

oriented strategies have been proposed to fill these gaps in knowledge. Brophy (2009) recommends that efforts should be made by organizations to:

- Commission or publish reports that describe different re-engineering efforts underway, including the roles played by different types of organizations and the benefits and challenges of the work
- Develop and promulgate model documents, training modules, and technical assistance
- Commission or contribute to the creation of a re-engineering “tool kit” that would help providers assess their systems and identify potential partners and resources for re-engineering. This tool kit would also enable outside bodies, such as governments, intermediaries or funders that are trying to make rational decisions about the viability of housing providers, to have a coherent way of evaluating things such as work that groups do and their financial health.

### **Size and Moves Toward Collaboration**

There is a broad array of players in non-profit housing today, ranging from large national-level organizations producing substantial numbers of units per year to smaller groups who may focus on developing a neighbourhood project every few years. However, economies of scale are increasingly important in the provision of non-profit housing (Brophy 2009, Rase & Weech 2013, HRCNP 2011). Smaller neighbourhood non-profits typically have a more intimate knowledge of local needs, yet they may be disadvantaged because their costs for developing specific housing, while similar to larger developments, typically generates less income. With scale, an affordable housing enterprise has a greater ability to raise capital and greater flexibility to deploy that capital (Rase & Weech 2013). Often scale is achieved through mergers between non-profit organizations or through partnerships with for-profits. For some, adapting to a challenging environment has been done through re-configuration by way of collaboration, mergers, asset transfers, and sharing services. Brophy, (2009) notes that a broad theme running through these strategies is that smaller non-profits and allies can discover strengths within local systems and leverage those strengths. Intermediaries, such as Living Cities, which bring together public, private, and philanthropic resources through “collaborations, partnerships, coalitions and alliances, and other bodies that help engage leaders from multiple sectors as contributors to community development” (Walker 2002:48) have become a means to assist in this leveraging (Bratt 2007; Brophy 2009).

### **Changes in Business Models: Hybrid Partnerships**

When it comes to providing housing, differences in the motivations of for-profit and non-profit providers can impact the shape, size, and success. Bratt (2007) points out that non-profit housing developers are typically willing to enter into market situations and to serve populations that the unassisted private for-profit sector cannot or will not serve, which may compromise their ability to raise capital from existing assets. Yet many non-profits often lack the level of specialized skills needed to bring together complex financing that is often needed to create housing developments

(Brophy 2009). They must operate in an environment where they are expected to demonstrate commercial business acumen and capacity in addition to housing management skills, which is in direct contrast to the small-scale, low-risk traditional business model anchored in community development traditions and values that typifies most non-profits (Gilmour Milligan 2012). For-profits typically have significant financial and technical resources, which allows them to move more quickly and efficiently than non-profit organizations (Bratt 2008). Partnerships or hybrids have been cited as a solution to housing problems in a variety of countries. However, Blessing (2012) has cautioned that this magical solution may instead be a monstrous change that can be criticized for having high executive salaries, reckless risk-taking, and lacking community focus.

For partnerships to be effective in the development of social housing, both for-profit and non-profits must meet “the quadruple bottom line” of being financially and economically viable, while meeting social goals and environmental sensitivities (Bratt 2012:358). Successful development of housing, by non-profit, for-profit or a partnership between the two must address the following:

- Staff capacity
- Front-end capital
- Community support for the project
- Access to affordable land and or buildings
- External supports, financing and subsidies
- Market conditions must be assessed
- Capacity to manage the development and oversee its progress
- Capacity to manage the property
- Organizational scale
- Interest and capacity to provide service to residents
- Neighborhood revitalization
- Long-term affordability

Another approach to raising capital or expertise for housing development is to enter into partnerships with for-profit organizations. However, for-profits may be reluctant to develop projects in areas that serve low-income households, to populations that require additional services or engage in developments that require long-term commitment to below market rental rates (Bratt 2007, Bratt 2009).





# APPENDIX B: LIST OF ORGANIZATIONS - KEY INFORMANT INTERVIEWS

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The following organizations participated in interviews for the study:

- Atira Women's Resource Group, Vancouver, B.C.
  - BC Housing (British Columbia Housing Corporation), Vancouver, B.C.
  - CAHDCO (Centretown Affordable Housing Development Corporation), Ottawa, ON
  - Catalyst Development Society, Vancouver, B.C.
  - CHF Canada (Co-operative Housing Federation Canada), Ottawa, ON
  - CHFBC (Co-operative Housing Federation of British Columbia), Vancouver, B.C.
  - Housing Development Company, London, ON
  - Indwell, Hamilton, ON
  - Nanaimo Affordable Housing Society, Nanaimo, B.C.
  - New Market Funds Inc., Vancouver, B.C.
  - Norfolk Housing Society, Calgary, AB
  - Ottawa Community Housing Corporation (OCH), Ottawa, ON
  - Ontario Aboriginal Housing & Social Services, Sault Ste. Marie, ON
  - Peel Living Housing Corporation, Peel Region, ON
  - Peterborough Housing Corporation, Peterborough, ON
  - Royal Canadian Legion South Burnaby Branch 83 Housing Society, B.C.
  - SkiGin Einog, NB
  - VanCity Foundation, Vancouver, B.C.
  - Victoria Park Community Homes, Hamilton, ON
  - YWCA Metro Vancouver, B.C.
  - Yukon Housing Corporation
- Others contacted for background information:
- Community Housing Trust, Vancouver, B.C.
  - Etherstone Developments Ltd, New Westminster, B.C.

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