CHRA CONGRESS SESSIONS SERIES 2017

Positioning the Affordable Housing Sector to Deliver Long-Term Solutions

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Introduction

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Positioning the Affordable Housing Sector to Deliver Long-term Solutions featured a discussion about policies, tools and programs underway that are working to position the affordable housing sector to deliver long-term solutions. This panel explored opportunities to shore up the non-profit sector with resources, skills, finances, and partners to build more sustainable business models that secure asset and program delivery for the future of the affordable housing sector.

The discussion covered questions such as "What does 'modernization' mean, in real terms, for housing providers?", "How can we apply more business-like, entrepreneurial thinking to the work we do?" and several follow-up questions.

I. "Modernization" in Housing

For many housing providers, 'modernization' means transforming the way government, private sector and NPO's approach affordable housing to create more sustainable cross-industry partnerships. NPO housing providers, in particular, need to consider their approach to affordable housing in relation to the more-profitable private sector housing providers. Both NPO and private housing providers have the opportunity to develop, own, and manage large scale housing developments for a profit. The key distinction should not be focused on how private and NPO housing groups operate but instead on what profits are used for.

NPO's make ideal stewards or partners for government organizations addressing housing issues. Affordable Housing NPO's carry an obligation to reinvest profit in additional programs for the benefit of tenants. NPO's frequently operate similarly to small businesses, with flexibility, culture and contextual knowledge than enables them to address unique community needs, and offers a competitive advantage over private development companies. NPO's can pursue greatness instead of status quo by realizing the competitive advantages they have over private housing organizations.

For NPO's to take advantage of these opportunities, change is required: Regulatory bodies, private sectors and financiers need to recognize the competitive advantage of NPO's in the housing market; housing policy needs to be connected to the many other factors that influence it, including transit and poverty, to address ways to holistically support families instead of leaving gaps; the barriers that come with competition need to be removed so conversations about housing move from differences to solutions; and political barriers to investment and operation need to be navigated or removed.

Housing can be a tool to address a wide array of issues. Leveraging the advantage and opportunity that NPO's offer incentivizes private-public partnerships, financial investments, and mobilizes political interest in addressing housing needs.

II. Development Discussion and Example

Applying a more business-like entrepreneurial mindset to the work housing organizations do, starts with the mission. A clear focus on a motivating mission, such as addressing the needs of the most vulnerable people, enables clear goals. Operating like the private sector is key to approaching those goals. For Martina Jileckova (HomeSpace Society), that means building a portfolio of 500 units in 8 years, with a goal to reach 1000 units.

Operating like the private sector is entirely possible with non-profit housing organizations. A key element is having a board of directors that are willing to take risks, innovate, and meaningfully support the staff and organization. Government also plays a role in supporting business-like NPOs by setting the right political, economic, and legal environment for housing NPOs to succeed. Governments can enable NPOs to act as asset managers who empower communities, support NPOs with addition funding and reducing policy barriers to housing.

New financial tools are emerging as governments and NPOs enable new approaches to housing. Shared appreciation mortgages, removal or reduction in development fees, or municipal investment in housing projects can encourage affordable housing projects that raise the equity of the entire area, while distributing the wealth to multiple partners. Many of these financial tools don't require new rules or policy, only new types of agreements and partnerships.

To take advantage of new opportunities, current housing units can be leveraged. Leveraging existing housing units can enable new capital to fund business-like development activities by NPOs. This opportunity can lead to developing a branch of NPOs that is dedicated to operating as a private development company, and supports NPO housing goals. There is no reason a business-style branch of a NPO can't rapidly expand similar to a private developer, and increase the capacity of NPOs to reach their goals.

New innovation and partnerships emerge when we realize that NPOs, and municipalities, have significant existing, valuable, financial assets and the ability to generate additional value in communities through appropriate land management.

Follow-up Discussion

Opening the floor to discussion allowed new topics to emerge, showcasing the diverse concerns of participants. Questions ranged from zoning, to who should manage housing assets, to possible incentives for private/public partnerships, with a larger discussion around how to overcome unique, context specific barriers.

"Can you down-zone first and permit upzoning in specific situations to incentivize housing?" was asked first. The panel mentioned that permitting upzoning in specific situations, on a case-by-case basis is time consuming, speculative, and creates volatility in housing and neighbourhood markets. A best practice is to first upzone specific areas as desired, and to avoid permitting exceptions.

"Are we able to take on innovation when Canadian housing agencies are so risk averse?" highlighted the struggle of large housing organizations to change, and the need for those organizations to relinquish constraints to enable innovation. A positive example of this change is the transfer of housing assets from government agencies to NPOs in light of better maintenance and management local housing NPOs provide. This transfer of assets increases NPO total asset, which can bolster long term NPO opportunities when housing stock is in good condition. Enabling this transition towards more innovation and risk is difficult, yet provides opportunities for NPOs to participate with government and large housing agencies and ensure the transition happens smoothly.

"Are there positive incentives from government that can encourage NPO transition towards entrepreneurial processes, or incentivize private/NPO partnerships?" The panel mentioned that many tools are emerging to do this, such as social enterprises and CMHC's investments in rental stock that is open to private and public organizations. The panel also highlighted that these incentives are not necessary to creating entrepreneurial style thinking, accomplishing large goals, or innovating solutions. The innovation necessary to transform the housing market was created, and must emerge, before formal incentives can be created. An example of innovative private/NPO approaches already successful includes Regent Park in Toronto

While barriers do exist, it's important to look beyond to solutions. For those that want to identify barriers, there are thousands in the laws, policies and local contexts that may exist. For those that want to shift towards a new strategy in housing, it is important to realize the challenges and opportunities, "get a good CFO" and go forward with the tools that exist rather than focus on the tools that don't exist.