T12 - Transformation of the Housing Sector
Transformation of the Non-Profit Housing Sector

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Context

- Canada’s social housing sector is in a period of unprecedented change (EOA, aging stock, limited new programs and lack of affordable housing).

- These challenges call for nothing short of a fundamental shake-up of the sector and new ways of doing business now and into the future.

- Housing organizations need to be more innovative, commercial and/or diversify their businesses, requiring a transformation of their business models.

- HPC has a role to play in using its resources and membership to support innovation and promote new ways of thinking about the future of housing.
Housing Partnership Canada (HPC)

Who we are:

• Peer based network of the CEOs of Canada’s social/affordable housing providers.

• Dynamic and collaborative group which meets on strategies, business practices and policies to support the development, operation and sustainability of social/affordable housing in Canada.

• HPC members manage close to 200,000 housing units.
Housing Partnership Canada

• Members of the International Housing Partnership; peer based exchange amongst CEOs of housing providers from UK, USA, Australia and Canada. IHP has 175 housing providers as members who manage over 1 million homes for more than 2.5 million people.

• Drive and promote innovative and creative approaches to the future of affordable housing; including alternative financing.
## What we do - 2015 Priorities

| Canadian Housing Bank | • Secure funding for a Feasibility Study  
|                       | • Continue to promote the value of the Canadian Housing Bank. |
| Research on Business Transformation | • Release research paper documenting and outlining business transformation activities and innovations evolving in the sector. |
| Canadian Talent “Investment/Growth” Program | • Identify need and key partners for a program designed to encourage individuals to make housing a career. |
Canadian Housing Bank

Feasibility Study
The Vision

- Create a dedicated lending institution for affordable housing providers across Canada
- To be used to finance regeneration and development of assets
- Focus on pooling the financing requirements of all housing providers
- Give housing providers access to capital lending markets efficiently and cost-effectively.
Addressing a Key Need

- **Government funding commitments are ending**: Over the next 2 decades, operating funding from senior levels of government is being phased out.

- **Current funding model shortfalls**: Research indicates that the Canadian housing sector is facing a multi-billion dollar unmet capital funding need.
Addressing a Key Need

- **Providers must unlock and leverage equity in existing assets**: Many Canadian housing providers lack the knowledge and scale to carry out complex financial transactions and to bear these costs.

- **The sector needs a financing option built to meet its needs**: Lenders have been challenged by the complexity of the sector -- different jurisdictions, provider sizes and ownership structures – to offer a large-scale financial solution.
## Proven Models

It’s already being done!

<table>
<thead>
<tr>
<th>Housing Finance Corporation (THFC), UK</th>
<th>BC Housing, CAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intermediary between social housing sector ↔ capital markets</td>
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<tr>
<td>• &gt;£3 billion loans outstanding; A+ credit rating</td>
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<tr>
<td>• Staff complement of 17</td>
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<tr>
<td>• Social housing finance model</td>
<td></td>
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<tr>
<td>• $2.75 billion in loans</td>
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<tr>
<td>• NHA insured lender for construction financing and CMHC insured financing</td>
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<tr>
<td>• Competitive rates with low transaction costs.</td>
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</table>
Benefits of a Canadian Housing Bank

• A dedicated lender that “gets” the sector
• Focused on pooling capital requirements through private capital markets
• Low cost of funds at competitive lending rates
• Sustainable, predictable, long term source of funding
• Available to diverse group of providers
• In house expertise to assist providers in understanding borrowing complexities.
Feasibility Study - Two Phases

Phase 1
- Market Canvass
- Initial Product Assessment

Phase 2
- Financial Forecast
- Initial Credit Rating
- Resource Assessment
Next Steps – Where are we now?

- A consortium of funders from the federal, provincial, municipal and local levels have committed sufficient funding for the completion of the first of the two phases of the Feasibility Study.
- Financial advisors have been selected to undertake the Feasibility Study.
- All funders serve as members of the Steering Committee overseeing the Feasibility Study.
- Goal is to complete Phase 1 by February 2016.
Business Transformation

Promising Practices for Social & Affordable Housing in Canada

Research Project
Background

Housing Partnership Canada
Strategic Priority

DEMONSTRATE THOUGHT LEADERSHIP

GOAL:
To prompt new and innovative ideas that supports the sustainability of social housing across Canada.

ACTIVITY:
To generate leading edge research on the business transformation drivers for the future of non-profit housing providers.
Research Project

- Commissioned by HPC to conduct a cross-Canada study on the strategies that support **business transformation of the housing sector** to ensure long term viability.

- Research conducted by Centre for Urban Research & Education (CURE), Carleton University, Ottawa.

- **Research Objectives:**
  - Identify and document promising new practices, processes and innovations being implemented by providers and sector stakeholders
  - Examine the strategies and practices implemented by organizations in relation the business transformation agenda
Research Approach

Step 1: Literature Review
New practices emerging in the social & affordable housing (Canada and internationally) & organizational change

Step 2: Sector Survey
Document organizations undertaking business transformation activities and innovative practices

Step 3: Case Study Selection
From 33 organizations, a sample of case studies were selected for further examination based on the criterion:

Step 4: Case Study Interviews
(14 Organizations)
Attributes of the Organizations Surveyed

• Of the 33 surveyed organizations, majority were larger organizations, already at scale (18 have over 1,000 units).

• Almost all have taken on some new activity outside of the traditional social housing provider role. Over half (22) reported significantly expanding into new activities.

• Types of new activities included:
  – Property sale or acquisition
  – Redevelopment activities (implying a conscious effort to rationalize asset holdings)
  – Expanding into new business ventures (selling professional services to other organizations or other non-social housing activity)
  – Developed more mixed income type of projects to facilitate self-subsidization
  – Entrepreneurial activities both commercial and social enterprise
Types of Business Transformation Strategies

**Strategy 1: Cost Efficiency and Growth**
- Do more with less (lean)
- Enhance economies of scale (“small is unsustainable”)
- Merge/Acquire in order to grow
- Add to internal capacity
- Expanded business practices

**Strategy 2: Levering Core Competencies**
- Selling expertise to generate new revenues (property management services & head office functions)
- Drawing on accumulated asset equity
- Created subsidiary corporations to provide development consulting services
- Investing in skilled competencies as marketable service

**Strategy 3: Innovation and Enterprise**
- Cross Subsidize
- Creating new forms of housing
- New financing models
- Divest assets and optimize portfolio
- Autonomous business oriented social enterprise
- Expanding profitable business lines

**Strategy 4: Enabling and Facilitating**
- Transfer asset ownership to non-profit community sector
- Establishing a land bank
## Case Study Examples:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Type of Business Transformation Change or practice</th>
<th>Type of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>M'akola Group of Societies</td>
<td>Merged/amalgamated with other organization, Entered into new business partnership, Created a subsidy organization</td>
<td>• New business</td>
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<td></td>
<td></td>
<td>• Scaling up</td>
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<tr>
<td>Housing Alternatives Inc.</td>
<td>Selling property management services; initiating a land bank to aggregate assets.</td>
<td>• New business</td>
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<td>• Strategic assets</td>
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<tr>
<td>Capital Region Housing Corp</td>
<td>Created a business unit to sell financial management services to other providers; Building equity base by investing reserves in new development</td>
<td>• New business</td>
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<tr>
<td>(Edmonton)</td>
<td></td>
<td>• Scaling up</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strategic assets</td>
</tr>
<tr>
<td>Centretown Citizens Ottawa Corp.</td>
<td>Created a development corporation to sell development consulting services; undertaken assisted ownership since 1996</td>
<td>• New business</td>
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<tr>
<td></td>
<td></td>
<td>• Strategic assets</td>
</tr>
<tr>
<td>BC Housing</td>
<td>Revising policies to enable providers to strengthen asset base and become more self sufficient</td>
<td>• Strategic assets</td>
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<td></td>
<td></td>
<td>• Gov't culture</td>
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<tr>
<td>Namerind Housing Corporation</td>
<td>Pursued social enterprise opportunities, where profits are used to sustain and expand affordable housing- Resting Place Lodge, purchase of a retail mall, installation of solar panels. Selling of less desirable stock, purchased 19 condominiums; created a development corporation.</td>
<td>• New business</td>
</tr>
<tr>
<td></td>
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<td>• Scaling up</td>
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<td></td>
<td></td>
<td>• Strategic assets</td>
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<tr>
<td>Lynnhaven Society</td>
<td>Partnership with private developer- affordable housing model of micro-suites. Moved from RGI rent structure to charging rent to cross- subsidize some units.</td>
<td>• Scaling up</td>
</tr>
<tr>
<td></td>
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<td>• Strategic assets</td>
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Key Findings

Case studies revealed key observations about the Canadian social and affordable housing sector:

1. Need to change the system itself (operating environment)
2. Providers are becoming more entrepreneurial
3. Transformations are modest- more of an evolving change
4. Fragmentation and lack of scale are a constraint to effective leadership
5. Constraints on municipal non-profits
Concluding remarks

• Emerging culture of innovation, social entrepreneurship and a tolerance for risk taking.

• Becoming self-sustaining has been the goal for expanding business practice through social enterprise.

• Sector is responding with an entrepreneurial mindset, shifting towards social purpose, or “for purpose” business models. However there continues to be a strong drive to meet mandate and create value for communities.

• Housing organizations are seeking to become less dependent on government funding and more focused on leveraging their own resources.
Supporting the investment in and growth of housing staff

Talent Investment/Growth Program
Talent Investment/Growth program

• Goal to support a Canadian program focused on the retention and growth of existing sector staff.

• Discussions with BCHNPA, ONPHA, CHRA and CIH Canada to better understand what programming is already available in the sector.

• Goal of Housing Partnership Canada is to incorporate the existing programming, add some elements and create a broader opportunity.
HPC supported program

Key Elements of an integrated program:

- Staff-work exchanges and/or internships
- Link to formal education
- Opportunities to attend sector conferences
- Networking opportunities and ongoing peer exchange
- Formalized Mentoring

Talent Investment/Growth Program
Next Steps

• Participate in “Emerging Professionals” focus groups planned by CHRA

• Organize additional focus groups to better understand the sector need

• Consult with other sector partners on next steps.
Questions?

THANK YOU!

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