



## **Financial Sustainability in the Not-for-Profit Housing Sector – Literature Review**

Jana Svedova  
George Penfold  
Joanna Buczkowska

Centre for Sustainability and Social Innovation, Sauder School of Business, UBC

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For further information, contact the BC-Alberta Social Economy Research Alliance, PO Box 1161, Port Alberni, B.C. V9Y 7M1, (tel) 250-723-2296

Website: [www.socialeconomy-bcalberta.ca](http://www.socialeconomy-bcalberta.ca)

e-mail: [balta@xplornet.com](mailto:balta@xplornet.com)

**Jana Svedova** is an MBA student at UBC's Sauder School of Business working as a research intern at the Centre for Sustainability and Social Innovation. She holds an undergraduate degree from UBC in International Relations and Commerce and is currently specializing in Strategic Management. Jana's main interests are in the area of social finance, such as microfinance, private equity in emerging markets, and social venture capital. Prior to beginning the MBA program, Jana worked in the financial services industry, most recently at Vancity Credit Union in Vancouver.

**George Penfold** is Regional Innovation Chair in Rural Economic Development at Selkirk College in Castlegar B.C. and Adjunct Professor at the School of Business and Economics at Thompson Rivers University. George has worked for provincial and local governments in Ontario, and was a faculty member at the University School of Rural Planning and Development at the University of Guelph for 14 years. Prior to joining Selkirk College in 2006 he was a community planning and development consultant on Vancouver Island for 11 years. In that capacity he worked with private landowners, community organizations, local, regional and provincial governments and First Nations communities. George is also on the Board of the Canadian Rural Revitalization Foundation, and a member of the steering committee and co-chair of a research committee of the BC Alberta Alliance of the Canada wide Social Economy Project.

**Joanna Buczkowska** is the managing director at the Centre for Sustainability and Social Innovation, Sauder School of Business. She has an MBA in Marketing and Sustainability from Sauder School of Business, a multimedia degree from UBC and a BA in International Relations and Economics from the University of Arizona. Joanna is a Board Advisor for SAWA Global, an international development organization focusing on usage of online and video technologies to connect the world's Heroes. She is also VP Technology of the Professional Net Impact Chapter in Vancouver. Joanna has 8 years experience in the field of multimedia and digital media design and business implementation of those tools. Currently her research at the Centre focuses on leveraging the use of digital media and communication tools in progressing the sustainability agenda, usage of digital media tools in the third sector, and green and social communication and marketing.

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## **1.0 Introduction**

### **1.1 Background/Context**

In both urban and rural areas of British Columbia and Alberta, not-for-profit providers of social and affordable housing are facing an environment of increasing demand for affordable housing while decreasing sources of funding to support their activities are available from all levels of government. As a response to this challenge, some not-for-profit organizations and co-operatives have chosen to build business models for their organizations that will lead to increasing financial sustainability and less or no reliance on government financial support. A variety of such models are currently being employed and organizations are achieving varying degrees of success in terms of financial sustainability.

### **1.2 Purpose**

The purpose of this report is to review and consolidate existing research on the topic of management of not-for-profit organizations and co-operatives which provide social and affordable housing, with particular attention paid to the methods these organizations have been employing to become financially sustainable in light of decreased support from government sources. Literature providing recommendations and best practices for sustainable management and cost reduction are also examined.

The review will specifically focus on literature that provides an overview of the financial challenges facing not-for-profit providers of affordable housing, and general trends in business models employed in response to these challenges in Canada, the US and Europe. Further focus will be on literature discussing the response to these challenges particularly in the context of BC and Alberta, including lessons from the experiences of implementing innovative models and recommendations for best practices. Topics that are outside of the scope of this review are details of socio-economic trends affecting the demand for affordable housing, the availability of affordable housing, and implications for government policy with regard to affordable housing. Not-for-profit providers of affordable housing do have to operate within the context of government policy, but current policy will be taken as a given and the focus will be on sustainable management within its context.

### **1.3 Methodology and Sources**

This literature review draws on publications from a variety of sources in Canada and internationally, from academic, nongovernmental and governmental institutions. Key organizations that were drawn on as sources of publications include: the British Columbia and Ontario Not-for-profit Housing Associations, The European Liaison Committee for Social Housing (CECODHAS), The National Housing Federation of the UK, The Harvard University's Joint Centre for Housing Studies, The US Department of Housing and Urban Development, NeighborWorks America, Smartgrowth BC, and the Canada Mortgage and Housing Corporation.

## **2.0 Trends in Approaches to Financial Sustainability by Non-profit Providers of Affordable Housing**

This section includes literature examining the main trends in not-for-profit affordable housing management related to financial sustainability. Also relevant is literature on the topic of not-for-profit organizations and financial sustainability, even when not specific to the social and affordable housing sector. The common themes that can be drawn from various sources demonstrate that in Canada, the US, and Europe, not-for-profit organizations are becoming increasingly important players in the provision of affordable housing, as well as increasing their scope of activities to include community development. While the demand for their services is increasing, so is the trend toward the organizations becoming involved in market and revenue generating activities in an attempt to become more financially sustainable. There are many similarities in the forces driving these trends in the various geographical regions, while the differences in the specific revenue generating activities and business models being employed in response stem from the differences in the policies and specific contexts of the countries in which the organizations operate.

**Heino, Jouko, Czischke, Darinka, and Nikolova, Mariya. *Managing Social Rental Housing in the European Union: Experiences and Innovative Approaches*. CECODHAS European Social Housing Observatory. October 2007.**

This report produced by the European Liaison Committee for Social Housing aims to identify organizations in the European Union that can be considered pioneers in developing innovative approaches to affordable housing development and management within an environment of state withdrawal from service provision and increasing demand for social housing. The report states that most organizations remain firmly attached to their "traditional" core task of providing dwellings for households that have difficulty accessing a home in the market, but market mechanisms are emphasized in the organization's strategies as a means of achieving long-term sustainability of their core mission. Market or consumer orientation is reflected in the widespread performance of a variety of non-landlord activities, including commercial activities. A considerable presence of strategy formulation is evident recently, suggesting gradual adoption of market-type response to contextual developments. According to the findings, social housing providers seem to have become more explicitly responsive to contextual and market challenges and many are combining their core social housing objective with the delivery of additional, but related, social and commercial services. Evidence from study of 6 "front-runners" (companies which exhibited considerable evidence of market-orientation in the delivery of their core task) shows that having recently undergone processes of strategic planning and/or mergers and restructuring, these companies are applying a range of business concepts to identify their position vis-à-vis society, the market, and the policy environment. Also evident is a wider trend towards mergers and restructurings in the social housing sector in many EU states, driven by greater negotiation power achieved by these companies vis-à-vis other partners/stakeholders.

**Jahn, Claudia. "Non Profit Organizations as Developers of Affordable Housing". Eastern Shore Family Resource Association/ Health Promotion Research Centre / Coastal Communities Network. 2003**

The purpose of this study was to look at the experience of not-for-profit organizations in the development of affordable housing, to examine existing policies and investigate how they apply on a practical level, and to identify barriers that hinder not-for-profit organizations in their development efforts. Although the report focuses on policy and makes recommendations for policy change to provide further support for not-for-profit organizations, it does provide some implications for organizations with regard to housing development ventures. The study recommends increasing the knowledge and capacity of not-for-profit organizations by continuing to offer skill building courses and ensuring a continuum of the knowledge base, implying the importance of organizations ensuring that they have the sufficient background knowledge and expertise before embarking on a development venture. The study further recommends creating networking opportunities for not-for-profit organizations interested in developing affordable housing and providing them with a comprehensible directory of all available funding sources and possible partners. Also relevant is the recommendation that funding should be provided for professional staff for pre-development, development work and project management, implying that although the role of volunteers is essential to such a venture, certain tasks should be carried out by professional and paid staff.

**Maranson Management Ltd in partnership with BC Nonprofit Housing Association. *Sustaining the Non Profit Housing Sector in British Columbia*. December 2004.**

This study surveys not-for-profit organizations and co-operatives in British Columbia with the aim of drawing conclusions about what measures could be taken that would help to sustain the sector in light of the financial challenges it faces. It concludes that:

- the majority of not-for-profits are managing a single building
- there is little sharing of services between not-for-profits
- volunteers are modestly used with not-for-profits facing challenges in finding, training and keeping volunteers

The authors conclude that not-for-profits are looking for assistance and support in developing strategies to become less dependent on government support, and make some preliminary recommendations to expand the sharing of services/resources and extending bulk purchasing opportunities, to develop more interaction, cooperation and exchange of technical expertise, to make available more effective training and managing of volunteers, and to increase the scale of professionalism of fundraising. The authors state, however, that further investigation into these areas is necessary to make final recommendations.

**Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability. *Community Wealth Ventures Inc*. 2003**

This publication provides many insights into efforts at sustainability through business ventures, corporate partnerships, and licensing agreements by not-for-profit organizations through essays and case studies. This report is particularly relevant as several of the organizations profiled are not-for-profits that deal with affordable and social housing, and provides an overview of

employed practices with an aim to provide lessons and analysis. The principle lessons from the case studies are:

- not-for-profit business ventures often use the organization's existing assets
- earned income generation requires leaders with a good working knowledge of business concepts
- development and investment funding for these ventures is limited
- the ventures have multiple goals including mission related and financial
- risk is inevitable but no more extensive than traditional fundraising
- it is important to recognize that the process is not for everyone

The keys to success are identified as business ventures that: operate independently from the not-for-profit organizations, are supported by the entire organization and its board of directors, are adequately capitalized, have skilled staff hired for the venture, and have clear goals.

Among the essays featured is a piece by Charles King, the executive director of Housing Works, Inc a New York not-for-profit organization that has social housing as one of its mandates. King describes the organization's experience with developing a social enterprise. Another essay is by Michael Burns, president of Pioneer Services, also a provider of social housing. Pioneer Services operates Pioneer Industries, which has developed several enterprises. Rosanne Haggerty writes on her housing development and management organization Common Ground, which uses the social venture franchise model, operating Ben and Jerry's "Partnerships".

**Steifvater, Ellen. *Entrepreneurial Community Development: Exploring Earned-Income Activities and Strategic Alliances for Community-Development Nonprofits*. Joint Center for Housing Studies of Harvard University and Neighborhood Reinvestment Corporation. November, 2001.**

This paper presents key findings regarding earned-income activities and strategic alliances as options for not-for-profit organizations focused on community development. The author identifies five strategies through which a not-for profit might apply tools from the private sector: measures to increase fiscal and operational discipline, level of accountability to stakeholders, collaboration, growth, diversification, and consolidation.

The key observations made regarding earned income activities are:

- these activities have a history of mixed success in community development
- "for profit" does not always mean the activity generates income
- earned income and revenue generating activities require a constant balancing of "mission and money"
- community development not-for-profits cannot maintain values and make money in all lines of business, and that market based activities involve some degree of unavoidable risk.

The key observations regarding strategic alliances are:

- there is a spectrum of types of strategic alliances
- there is great potential for community-development organizations to build their existing relationships with the private sector into more strategic alliances
- community-development not-for-profits have assets that are valuable to a variety of for-profit companies

- marketing and personal relationships are crucial to success
- not every alliance with a for-profit is strategic.

Further findings indicate that key determinants to an organization's likelihood of success with either an earned income activity or a strategic alliance are: the maturity of the organization, policy and regulatory requirements, operating reserves and capital, human resources, objective analysis, leadership and a functioning board, project based cost accounting, understanding of market forces, sticking to core competencies, and "being ahead of the curve".

**Wake, Tim. *Review of Best Practices in Affordable Housing*. SmartGrowth BC, 2007.**

This report focuses on approaches to affordable housing used by governments, agencies and developers that do not require ongoing subsidy. Although not focused primarily on not-for-profit and co-op providers, this report is relevant to these organizations as it does highlight several approaches and case studies that are applicable to them, including municipalities from BC. The cases are primarily examples of nontraditional partnership approaches. Profiled are Victoria and the Capital Regional District in BC, which has created a partnership that includes representation from the public, private and not-for-profit sectors, leading to initiatives such as the Dockside Green development, in which 10% of the units were designated for affordable housing. Also featured is an approach in the Municipality of Whistler, BC, where the Whistler Housing Authority was formed to address the problem of ensuring affordable housing for employees of the resort municipality. Both approaches demonstrate innovative partnerships between not-for-profit organizations and partners from the public and private sectors.

### **3.0 Descriptions of Specific Approaches to Financial Sustainability**

As not-for-profit providers of affordable housing are increasingly looking for means to become self sustaining and decrease their dependence on government funding, many publications are focusing on examining the approaches that are being employed or attempting to provide guidelines for not-for-profit organizations with regard to the topic of financial sustainability. The literature reviewed in this section examines these approaches, whether they are independent measures that can be applied in various combinations or make up complete business models.

#### **3.1 Independent Measures**

This section covers literature related to independent approaches to financial sustainability, particularly means of cost minimization, which can be used individually or in various combinations, and thus do not necessarily make up complete or distinct business models.

##### **CMHC: *Affordable Housing Solutions – 15 Successful Projects*. June 2001.**

The purpose of this study was to document how affordable housing was being provided without ongoing government subsidies, and identify innovative ideas that could be accessible by those in the housing delivery process. Although many of the findings and presented solutions are not measures not-for-profits can take independently but involve dependence on donations and funding from outside sources, a few are relevant to organizations seeking independent financial sustainability. The most relevant measures that were found to have decreased costs or increased affordability in the cases studied were: land acquisition at below market prices, increased site density in development, charitable tax status, financing at low interest rates, and partnerships.

Specific examples of approaches include: use of in-kind contributions and labour to decrease costs, reducing land costs per unit through increased density, acquisition of properties at low costs due to temporarily low real estate prices or foreclosures, low cost financing through low interest mortgages provided by benevolent private investors or community minded financial institutions, and partnerships with land developers or owners.

##### **CMHC Research Highlights: *Establishing the National Council on Self-Help Housing*. CMHC, March 2007.**

This Research Highlight from the CMHC discussed the background to the establishment of the National Council on Self Help Housing and the outcomes of a national conference on self-help housing held in Ottawa. The findings and insights into Self-Help housing are relevant to this discussion as they apply to not-for-profit organizations that are considering using this as a means of cost minimization or potential self sufficiency. For the purpose of this report, self-help housing is defined as “activities that are performed by the intended occupants or a community group that reduce the cost of providing affordable housing”, and can include ownership, rental, or other forms of equity. The main benefits of self-help housing identified in this report are:

affordable housing at a lower cost than other forms of development, it does not require an ongoing government subsidy and creates self-sustaining affordability, reduces costs and enhances self-esteem in occupants by giving them the opportunity to contribute to their housing, and builds community. The main challenges to the sector were identified as: quantifying the activity of the sector, spreading awareness about the sector, securing financial partners, building fundraising expertise, recruiting volunteers and building strong self-help housing organizations, understanding the mechanisms that affect the sector, and the challenge of requiring involvement of occupants in development and construction.

**Leung, Carolyn C. *Resident Participation: A Community-Building Strategy in Low-Income Neighborhoods*. Joint Center for Housing Studies of Harvard University. October, 2005.**

This paper looks at the role of resident participation and its interaction with other factors that drive community revitalization. It outlines the challenges and benefits of this approach, and although the study is focused primarily on its role in community development, the discussion is relevant as it gives some insight into the financial implications of resident participation. The case studies show that involving residents can apply to various aspects of the housing continuum, from development to management. Resident participation, for the purpose of this study, has the primary purpose of community development rather than cost savings. A relevant finding of the study is that one of the main challenges to resident participation is time and money, and often in the short run, more money will be required when resident participation is involved, although it can help to save both time and money in the long run. The paper further identifies the major factors that create conditions for effective resident participation: resident's commitment to the process, an external policy environment that creates the context for resident participation and internal leadership that sustains the momentum, necessary financial resources, and for the process to be valued by all stakeholders involved.

### **3.2 Social Entrepreneurship in the Affordable Housing Sector**

Countless pieces have been written on the topic of social enterprise, and although few deal specifically with enterprising not-for-profits in the affordable housing sector, many organizations in the sector have undertaken enterprising ventures and are mentioned in literature aimed at the not-for-profit sector as a whole, and thus many are relevant to this topic.

**Beinhacker, Samantha L. and Massarsky, Cynthia W., *Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector*, Yale School of Management – The Goldman Sachs Foundation Partnerships on Nonprofit Ventures, 2002.**

**[http://ventures.yale.edu/docs/Enterprising\\_Nonprofits.pdf](http://ventures.yale.edu/docs/Enterprising_Nonprofits.pdf)**

This survey of not-for-profit organizations looks at general trends in the sector with respect to entrepreneurial ventures, and at factors that impede or facilitate successful development of new ventures. The findings are relevant to enterprising not-for-profits in any sector. These show that an increasing number of not-for-profits are operating or planning to operate a business venture. The main trends are that organizations operating a venture tend to be: older and more established, operating a venture in a service industry, staffed with greater numbers of employees, tie their ventures to the mission of the parent not-for-profit and have top management that is a critical force in initiating and championing the venture. From this survey some critical factors for success appear to be: sound business planning, larger organizations with budgets over \$12 million, application of standard business protocols to the venture, and sufficient financial resources and trained personnel.

**CECODHAS European Social Housing Observatory Secretariat. *Housing Organizations Creating Social Capital: Tools for Social Housing Providers*. Summer 2009.**

The European Liaison Committee for Social Housing (CECODHAS) is the European network for the promotion of the right to decent housing for all. The organization has started an internal discussion about social enterprises delivering affordable housing, and this publication provides the provisional conclusions of two recent seminars (2009) on the topic of social enterprises delivering affordable housing in the European Union. The report highlights a trend towards diversification of activities of not-for-profit/social enterprise housing providers, including social and community services, combining solidarity with business efficiency to achieve this. Co-operatives are said to represent a successful model of economic and social sustainability with good perspectives for the future. The seminars recognized the importance of social entrepreneurship in the provision of affordable housing, although from the CECODHAS perspective the social enterprise is a term that encompasses a wide variety of ventures that provide social benefits, and is not constrained to a means of financially supporting social missions or contributing to the financial sustainability of a not-for-profit organization. The case studies of various social enterprise initiatives in the area of affordable housing in the European Union do not provide striking examples of using a social enterprise as a source of revenue, but do demonstrate areas where such organizations have core competencies, such as property development and management and provision of community services such as child and elderly care or employment services. Also presented are conclusions about the changes in the activities of social housing organizations in the EU, which show that these organizations are

increasing the scope of non-landlord activities they perform, both for social and commercial objectives. Partnerships with both the third sector and the private sector are also a significant trend, with the increased co-operation leading to opportunities for further development of social entrepreneurship.

### **3.3 Guides for Not-for-Profit Organizations**

Various sources provide information and resources relevant to not-for-profit organizations that are looking to take steps toward financial sustainability. Most of these relate to establishing a Social Enterprise, and a vast amount of literature on the topic is available. A few publications are written specifically for providers of affordable housing (Social Enterprise London) but the majority for the not-for-profit sector in general (Enterprising Non-Profits and others). As social enterprise has gained wide popularity as a means of financial sustainability for not-for-profit organizations, vast literature on the topic is available. However, little is written about evaluation or methods of evaluation of the successes and failures, nor about the factors for success. A recent publication by the Toronto Enterprise Fund goes the furthest in this direction, and focuses primarily on success factors and examines case studies of both successes and failures in social enterprise ventures, highlighting some common mistakes. Following is a summary of these and other guides that are written for the affordable housing sector specifically, or are most relevant to organizations in BC or Alberta.

#### **Enterprising Non-Profits: *The Canadian Social Enterprise Guide*. October 2005**

This is a practical guide providing detailed information, including a how-to guide for not-for-profit organizations who want to establish a social enterprise. The case studies include several examples of affordable housing providers: Habitat for Humanity (Nanaimo), Inner-City Renovations (Winnipeg) and Centretown Laundry Co-op (Ottawa). This publication provides an overview of the concept of social enterprise, case studies from Canada, outlines the enterprise development process, gives some options for performance management, describes the legal context and provides a guide to choosing a legal structure.

#### **Lewis, Mike. *Building Community Wealth: A Resource for Social Enterprise Development*. Centre for Community Enterprise and Canadian Centre for Community Renewal. September 2006.**

This guide for not-for-profit organizations provides a detailed outline of the enterprise development process, including opportunity identification, enterprise selection criteria, conducting research and evaluating options. The guide includes checklists that allow an organization to assess where it stands at each stage of the development process, and helps it prepare for the next steps. Examples of the experience of social enterprises are also provided, as is a list of top 25 entrepreneurial characteristics. A useful tool, the Development Wheel, is also provided to help organizations track their progress and visualize the process.

#### **Social Enterprise London. *Social Enterprise Guide to Housing*, March 2002.**

Recognizing the important role of social enterprise in the provision of affordable housing, this guide provides case studies, outlines the process of social enterprise development for not-for-profit organizations and highlights key challenges. Although the experiences are from the UK, the themes are relevant to social enterprise development in any country. Case studies of

existing social enterprises indicate that the business activity organizations choose to undertake if often closely related to the housing industry and community development, such as gardening and maintenance services, with no examples of organizations undertaking business activities outside of the industry. The publication highlights role of the not-for-profit and social enterprise branches of the organizations in community development, this often being an opportunity for an enterprise. Most case studies show examples that involve creative partnerships, namely with financial organizations such as credit unions and building societies, indicating the need for a strong financial partner for not-for-profit organizations. A trend toward mixed commercial and residential developments is demonstrated by the case studies. The case studies further highlight the challenges faced by small organizations operating enterprises, suggesting larger organizations would have better success rates and suggests necessary partnerships with private sector. Major challenges are identified as: acquiring start-up capital, acquiring the necessary skills to operate an enterprise in a voluntary organization, and gaining the support of local stakeholders.

**Social Enterprise Support Centre. *Enterprising Associations: The Potential for Social Enterprise among Housing Associations in Yorkshire and the Humber.* September 2006.**

The guide examines what social enterprise development can achieve, assesses the current level of activity, and looks at what can be done to increase activity, specific to Housing Associations in the UK. It provides several case studies, which provide a snapshot of the model the organization is using, but no details of the experience. Practical information on starting a social enterprise is included. However, the general conclusions are relevant to social enterprises in any context. The publication states that in order to be a successful social enterprise, an organization should:

- Apply methods of business development: assessment of needs, opportunities and partners needed to take advantage of them
- Adapt the organization to be business friendly, with board and staff dedicated to developing the social enterprise
- Permeate the organization with an entrepreneurial spirit and gives staff awareness and business skills necessary to develop a social enterprise

The guidebook highlights importance of making the distinction between a social enterprise and the not-for-profit, and recognizing the different skills necessary to operate each arm of the organization. The main barriers to success are identified as:

- Lack of leadership: leadership that will view and run the operation as a business
- Unwillingness to accept risk, which is inevitable in operating a business
- No time to establish the new venture: do market research, write a business plans, find start up funds
- Lack of start-up capital
- Unworkable business models: such as business seeking to sell services to tenants only

**Toronto Enterprise Fund: *Doing Well While Doing Good: How to Launch a Successful Social Purpose Enterprise.* April 2008**

This publication is a guide for not-for-profit organizations that are considering starting a social enterprise, and focuses on lessons from the experiences of both successful and unsuccessful

social enterprises in an attempt to draw out some factors for success. This is the most comprehensive guide in terms of drawing out factors for success and common mistakes resulting in failures drawn from an examination of 15 case studies of ventures that were funded by the TEF. The key factors to success are identified as: ensuring the enterprise is a good fit with the agency, knowing the industry, treating the enterprise as a business, hiring the right people, setting realistic expectations and timelines, and ensuring financial literacy of key individuals involved.

### **3.4 Experiences and Perspectives of Not-for-Profit Organizations**

Many organizations have attempted or successfully established a social enterprise, but few have documented their experiences and the lessons learned, important information that could benefit organizations that want to embark down the same route. Summarized here are some relevant Canadian experiences that have been documented from the perspective of the not-for-profit organization and provide a review of the experience and the lessons learned.

#### **Social Capital Partners, ICR Learnings Report. *Launching a Social Enterprise: Early Learnings from Inner City Renovation. 2003.***

The report discusses the experience of five Winnipeg inner city community organizations facing difficulties with attracting private enterprise to provide renovation services for their projects that came together to start a renovations company, Inner City Renovations Inc (IRC). IRC's mandate is focused primarily on mission related and not financial objectives, therefore the experience is not what a not-for-profit provider of housing would be trying to replicate in an effort toward financial sustainability. However, the experience is an example of effective collaboration and the establishment of a successful enterprise by non-profit organizations in the affordable housing sector, and thus the learning from the experience are relevant to the topic of this study.

An important lesson that is highlighted in this report is the challenge of balancing competitive issues: the social mission of job creation, and the financial mission. ICR in this case, learned that although job creation was their primary mission, this had to be aligned with attaining a certain financial result that had been committed to partners in the venture. An important learning for the organization was that if the intention of the social enterprise is to directly compete with traditional businesses in the same sector, business (profit related) and social (mission related) objectives need as much alignment as possible. Also key to the success of the venture were: a positive relationship social investor, sufficient time for joint high level planning during the start up period and throughout the business cycle, and the establishment of formal SROI measurement systems once the operations are at a point where the financial mission is stable.

#### **Abbott, Janice. *What Value Social Enterprise: Understanding the Success of Atira Property Management. Making Waves, Volume 16, Number 3. Pg 48 – 51,***

In this article, Executive Director of Atira Women's Resource Society, Janice Abbott, discusses the organization's experience of establishing their successful social enterprise, Atira Property Management. Abbott recounts the process of developing the social enterprise, but warns that the experience is "probably not replicable" and does not offer a template for other organizations, although it can serve as a valuable model. The account describes how the organization identified a business opportunity in a service that was a close fit to their core competencies, the 11 month process of developing a comprehensive business plan, and the passion and dedication of the board to the venture, which were key factors to its success. Abbott does, however, state that the circumstances under which the enterprise got its start were particularly fortuitous. She also describes some of the challenges in the process, such as the time it took to get buy in from the board of directors for a business venture, the risks of starting a business,

and the risks of taking on significant debt as startup capital. As this experience is from a local context and involves an organization that has social housing as one of its mandates, these lessons are very relevant to other not-for-profit providers of affordable housing in BC and Alberta that are considering a social enterprise venture.

### 3.5 Partnerships

In the past, various forms of partnerships between the not-for-profit, for-profit, and public sectors have been an alternative means of addressing the financial challenge of affordable housing provision. As the financial aspect becomes increasingly challenging as a result of decreasing government subsidy available to providers of affordable housing, more organizations are looking to potential partnerships as a possible solution, as a result new forms of non-traditional partnerships are arising. This section summarizes the literature available on these types of partnerships that is relevant to the affordable housing sector in BC and Alberta, which includes background and general information from Canada and the US, and more specific information to Canada provided primarily in publications by the Canada Mortgage and Housing Corporation (CMHC).

**BC Non Profit Housing Association: Building Effective Partnerships – A Guide.**  
Accessed from BCNPHA website on July 7<sup>th</sup>, 2009.

<http://www.bcnpha.ca/pages/resources/templates-and-guides.php>

Recognizing that as government social housing programs and funding become ever more restrictive it will be imperative for organizations in the sector to pool their talents and resources, the BCNPHA sees the need to encourage partnerships between the not-for-profit housing sector and the health, social services and private sectors. The BCNPHA has published this guide to assist organizations in building the foundations of these relationships. The guide is general in scope but does highlight some of the basic issues organizations need to think about prior to forming a partnership and provides an outline of the process and some practical tools such as an agreement template. Topics covered include: the internal process, the ingredients of a partnership, the process of building the partnership, and some details on writing a partnership agreement. It is a useful guide for not-for-profit organizations to give them an overview of some things to think about when approaching a potential partnership.

**Chung, Amy. *Bridging Sectors: Partnerships between Nonprofits and Private Developers*. Joint Center for Housing Studies of Harvard University. September 2004.**

Examining the key drivers of partnerships between not-for-profit organizations and private developers in the US context, this paper concludes that under the right circumstances, these partnerships have the potential to benefit both parties and to address affordable housing. The critical conditions include: appropriate selection of partners, degree of development knowledge, and understanding of circumstances and parties. The report further highlights the following considerations for not-for-profits: socially motivated developers can offer not-for-profits beneficial partnerships; financial considerations are a key motivation for private developers and not-for-profits need to know how to translate their partnerships into tangible, financial terms; and, as negotiations are driven by both explicit and implicit factors, not-for-profits that do not understand the implicit drivers should seek the help of experienced not-for-profits or lawyers specializing in affordable housing. The authors also point out that much more research on this topic is necessary to develop a framework to aid different types of not-for-profits considering various affordable housing partnerships.

**Pomeroy, Steve, Focus Consulting Inc. *Attracting Private Sector Financing to Affordable Housing*. Tri-Country Conference 2004.**

This article focuses on the financial potential of private sector partnerships in the Canadian context, but also compares it to the US and UK approaches. Most relevant to not-for-profit providers and developers of affordable housing is the conclusion that there is an obvious opportunity to generate positive returns on capital through an investment in affordable housing, thus an opportunity for them to seek this capital. The author identifies several key ingredients for active engagement of the private finance sector: Mechanisms that enable lenders to manage risks (such as mortgage insurance), sufficient volumes of business that make it economically worthwhile for lenders to develop expertise and specialization in the affordable housing niche, a culture of creativity and innovation that enable the private sector to create and expand product lines, and sustained involvement allowing expertise to grow and mature.

**CMHC: *Ethical and Social Fund Investments in Lower to Moderate Income Affordable Rental Housing in Canada: An Assessment*. 2003. CMHC, Ottawa.**

The publication is relevant to the discussion of potential partnerships not-for-profit organizations providing affordable housing can engage in to increase financial sustainability. This external research study examines the feasibility of encouraging equity investment in lower to moderate income affordable rental housing (ARH) in Canada within the framework of a public-private partnership model, using ethical or socially responsible investment (SRI) funds and pension funds. The study first examines the US model, which is a partnership between a variety of public, quasi-public, and private sector organizations. The private sector developer is a central figure, and equity investments in the ARH PPP (Private Public Partnerships)'s are encouraged by the federal Low Income Housing Tax Credit which provides tax relief for the investors, and the Community Reinvestment Act, encouraging financial institutions to make this type of investment. Private sector coordinating syndicates have evolved to assist with the financing, project development and implementation. In Canada, PPP structures for affordable housing are also evolving, but are considerably behind the US pace. Through a survey of a limited number of SRI companies in Canada and secondary research, the study finds that in comparison to the US, Canada lacks an institutional and regulatory framework, and does not have broad-based incentives to encourage investment in ARH PPPs. The primary conclusion of the study is that these investments are conceptually feasible, however, both Canada and the US have a long way to go in developing the necessary regulatory and investment frameworks and incentive structures.

**CMHC Research Highlights: *Guide to Affordable Housing Partnerships*. CMHC, Ottawa**

This publication identifies partnerships as an increasingly common way of stretching limited resources, and provides a guide for organizations interested in providing affordable housing through various types of partnerships. Partnerships are characterized as having a joint investment or resources, shared liability or risk taking, and shared authority or responsibility. Furthermore, partnerships can be applied at various stages of the life cycle of housing creation, and can vary in their duration. The report states that partnerships among organizations are an important aspect of the new approach to delivering affordable housing in light of decreased

federal and provincial government assistance. The authors describe various types of partnerships: between two or all three sectors – public, private, and not-for-profit, formal or informal partnerships, and different legal structures, such as joint ventures, outsourcing, build-operate-transfer, devolution, or privatization.

## 4.0 Gaps in the Literature and Potential for Future Research

The majority of the literature on sustainable management of affordable housing focuses on the challenges facing not-for-profit providers in light of the current socio-economic context with some brief discussion on responses to these challenges. Most publications focus on recommendations for government response to these challenges in the form of increased support, whether by direct funding or support by policy initiatives. Studies also examine the changing role of not-for-profit organizations, the expanding range of services they provide, and their role in community development. A large amount of literature also focuses on examining the experiences of not-for-profit organizations in providing affordable housing with regard to policy and concludes discussions with implications for policy with the aim to inform or influence. What is lacking is an in depth discussion of the implications for the not-for-profit organizations and recommendations for operating within an environment of decreased government funding. Literature that discusses responses to the issue of decreased availability of government funding introduces different approaches that organizations have been employing to become more financially sustainable and less reliant on government funding, but no detailed review of the experiences, successes or failures of these approaches is available.

A review of published research and information provided by organizations through their websites or through brief case studies shows several trends and models emerging: housing associations developing social enterprises as a means of funding, a focus on leveraging the housing asset as a means of contributing to financial sustainability, and various hybrid forms of public/private/profit/not-for-profit partnerships. Beyond identifying and describing the models, what is missing is an analysis of the factors necessary for their development, and information that would assist not-for-profit organizations to determine which model is best suited to their organization and how to successfully develop it. Literature that goes deeper into discussing some of these models does so mostly from the perspective of making a case for the model or for government policy to support it, but does not provide practical information for organizations that want to apply the model to their operations independently. Although discussion of the models does mention affordable housing as a sector where they can be implemented, it does not discuss the opportunities in detail. Even the most comprehensive source of information on sustainable management models and innovative approaches such as the CMHC Affordable Housing Project or Social Enterprise London, only provide case studies that provide overviews of approaches, with no review of the experience of the organization employing the approach and any challenges they faced or lessons learned that organizations looking to imitate the approach can learn from. No conclusion of which approaches are most effective are made, and there is no discussion of factors necessary for success of the approaches which would provide guidance for organizations looking to replicate them.

The not-for-profit affordable housing sector can further benefit from an in depth review of the business models, lessons from the experiences, and recommendations for organizations looking to develop affordable housing without significant federal or provincial government support. As the business models used to attain financial sustainability by not-for-profit providers of affordable housing and the degrees of success are varied, an examination of these experiences will help to identify which models have the highest rates of success, what factors help to determine which models are suited to which type of organization or context, and what lessons the experiences provide for organization looking to employ these models in their own management.