

What Value Social Enterprise?

*Understanding the success of
Atira Property Management*

By JANICE ABBOTT

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close APMI & try something else?
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In 1995 Atira Women's Resource Society gathered together its board and staff for a reality check; it was time to reflect on what had been accomplished, and to determine the future path of the organization.

Atira was formed in 1982 with the sole purpose of setting up a transition house for women and their children escaping abusive relationships. Atira members spent the next five years planning, seeking capital funding and negotiating a service contract with the provincial government. Finally, in July 1987, the Society opened a transition house to serve the South Surrey and White Rock community. Six years later, Atira experienced its first expansion: it became one of many transition houses across British Columbia that contracted with the provincial Ministry of Women's Equality to provide support services to children who had witnessed and/or experienced abuse. By 2004 Atira had grown to include five transition houses in Surrey and White Rock, an emergency shelter and permanent, supportive housing in Vancouver. It had also expanded to offer a variety of related support programs across the Lower Mainland.

During this same time however and for a variety of reasons – some political and some philosophical – government funding for such programs diminished. Years of stagnant funding resulted in grants that once covered most of the operating expenses falling short by 25-30%. The donation stream that had formerly been used to augment Atira's programs and fill gaps in services had instead to be applied to operating expenses. Accordingly, Atira's already overtaxed staff had to devote more and more time and energy to fundraising and to applying for short-term, project-based grants to cover operating and administrative costs. The gap between revenue and expenses kept growing.

Atira's board had to decide how to ensure that the organization could continue offering services crucial to women and children's safety and well-being. Reducing services was not an option. Surrey/White Rock had become a more densely populated area. There was more, not less, demand for services. Our current resources were clearly under strain. To continue would require finding a new path.

The Social Enterprise Option

Our early discussions centred on a strategic fundraising plan in combination with the establishment of a thrift or consignment store, after the example of the Salvation Army and YWCA. We didn't talk about establishing a "social enterprise." We'd not yet heard that term.

Social enterprise appears to have been the right decision for Atira. It would be unfortunate, however, if our success to date led other nonprofits to conclude that it holds similar promise for them. It would be even more unfortunate if funding agencies used Atira's experience to pressure nonprofits to "do likewise."

As the society's Executive Director, I went off to explore options and began introducing ideas at board meetings. It was soon clear however that South Surrey/White Rock would not support another thrift store. What had worked for other organizations was not going to address our situation. I began to think that a non-traditional for-profit business was needed to save the organization.

It isn't really surprising that some people in the organization were opposed to this idea from the beginning. Some board members saw themselves as unlikely entrepreneurs. Others found repugnant the very idea of mixing "business" with Atira's services and community work. Still others were firm in their conviction that it is the legal responsibility of government (and the moral responsibility of taxpayers) to redistribute community wealth for purposes of providing what the people need. Why give government a way to shirk that responsibility?

As time went on however, it became painfully clear that funding from the provincial government would continue to diminish. At the same time, the profile of social enterprise increased and the idea was on the agenda of close to half the meetings of the board. Staff members were asked to contribute business ideas. We looked at a concierge service for elder women and a fee-for-service counselling program. But a number of organizations already seemed to be providing these services well. Moreover, we were already competing with many of these organizations for government funding. We didn't want to set ourselves up to compete with them in the marketplace too.

Over the next five years – a time frame longer than I'd ever imagined – a combination of increased comfort, familiarity, and emerging information helped us find our way through that initial opposition to possibility. Eventually, all levels of the organization became more relaxed about the notion of going into business. That's not to say people forgot their philosophical differences or felt good about the risks. But what had started out as the subject of fierce debate became easier to talk about.

When the "big idea" finally presented itself in 2001, it came as a surprise, although when we thought about it afterwards, it had been sitting right there under our noses. Atira had bid on a contract to provide services in a brand new residential program for women in Vancouver's Downtown Eastside. We won the contract and when I found myself arguing with the chair of the board of directors that it made sense for Atira to do property

management as well, a light bulb went on. Hadn't we been managing properties since 1987? What other opportunities might this kind of business present?

Property management companies provide a wide variety of services to their clients. Managing residential rental properties for landlords entails maintaining relations with prospective and current tenants, rent collection, building repairs and renovations, advertising, insurance, and supervision of staff. Strata buildings have similar requirements, as do co-operative housing and social housing projects. In exchange for its services, a property management company typically charges the landlord, property owners, or co-operative a fee based on the gross revenue (8-10%), or a per-door fee, depending on the type of building. In addition, property managers can charge a fee for engaging trades and other professionals for the maintenance, repair, and renovation of the property.

Property management is complex work with a host of clients, negotiation of many contracts, and plenty of legal and regulatory matters to attend to. Parts of the sector were under-regulated in 2001, and there was a considerable demand for responsible managers. The introduction of new and more effective regulation was expected and an exodus of competitors from the sector was likely to follow. The situation looked promising.

Getting Started

Taking our time (11 months!) to develop a comprehensive business and marketing plan helped us to understand the breadth of the property management sector. With experienced staff, and a high level of customer tailored service (including real estate sales), we could tailor our company for the "boutique" segment of the market. A substantial investment in systems and technology would be necessary to make ourselves better able to manage a number of diverse property portfolios. Alliances with other businesses or organizations would also be essential to provide related property management and trade services.

We decided that we could accomplish all this while, as a socially responsible business, giving clients a measurable social return on their spending. We felt that a property management company with a social mandate would be attractive to strata councils, housing co-operatives, and nonprofits also based on an explicit set of values. Atira's property management business could

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support the provision of secure, safe housing for women and their children while at the same time providing employment opportunities to folks who are marginalized. Our social enterprise was born.

With assistance from Vancity Credit Union, Vancity Capital Corporation, and the Enterprising Nonprofits Program in the form of some grants and a substantial start-up loan, we launched Atira Property Management Inc. (APMI) in October 2002. It is a wholly-owned subsidiary of Atira Women's Resource Society. Annually, the Society's directors appoint 5-7 directors to APMI's board, at least two of whom are also on the board of the Society. APMI returns 75% of its net profits to the Society. (In our original financial plans we projected net profits of \$100,000 in 2005, \$225,000 in 2006, and \$300,000 in 2007.) Half of our employees were to be people living on low incomes. I became the property management company's CEO.

Getting Bigger

Initially, APMI focused on servicing strata corporations in White Rock, Surrey, and Delta. Then, in April 2004 we heard that a competitor's business was for sale. Our acquisition of Integra Properties Inc. brought with it 17 long-term clients (primarily housing co-operatives and not-for-profit housing) – a solid portfolio. Hiring a general manager and an accountant to handle the larger workload allowed me to withdraw from day-to-day operations and to focus my energies on the macro level: marketing, sales, and promotion. The company raced to establish procedures, policies, and systems to manage this first level of growth.

By September 2004 APMI was profitable and had broadened both in its clientele and its geographic base. In addition to nonprofit and co-operative housing, we were handling residential and commercial rentals all over the Lower Mainland. The company's net revenue rose to \$537,000 in 2004, an increase of more than 300%. Late that year, we formed an alliance of sorts with Gateway Property Management, a large company that began referring business to APMI. In July 2005 Gateway sold us a small portfolio of co-op housing, non-profit housing and smaller stratas. (It took a whirlwind of meetings to reassure the portfolio's clients that this transfer would work to their advantage, too.)

More opportunities continued to flow in. Last April I approached a well-established but smaller company and asked its owner to sell APMI her portfolio. With higher than average per-door pricing, solid real estate commissions and rental revenues from a portfolio of stratas and investment units, the company had demonstrated stability. The owner at first refused, but I persisted and in time we came to an agreement. The acquisition will add more than \$350,000 to APMI's annual gross revenue and will bring over to APMI several of the portfolio's current staff, including the owner. As the new General Manager for APMI, she brings more than 25 years of experience in the industry.

At present APMI has 28 strata contracts, 15 nonprofit housing contracts, seven co-operative housing contracts, five commercial contracts and a portfolio of 93 investment units for a total of 148 clients. We currently employ four people in administration, four as on-site co-ordinators, three property managers, and nine on-site support staff. Later this year we will add another property manager.

In conventional business terms, APMI is blossoming. We're looking forward to an almost 100% increase in revenues for the current business year, and continuing profitability. But we are not a conventional business. What is this growth doing for Atira Women's Resource Society?

A Reckoning

The answer to that question might seem pretty straightforward. The transfer of 75% of APMI's net profit supports Atira's bottom line. That money helps to pay for essential services to women and children, and the wages and benefits of more than 90 staff, most of whom share similar life experiences to those of the women Atira serves. That's a lot of jobs.

APMI's future prospects also look good. It has the potential to serve as a customer for social enterprises in adjacent sectors, like landscaping, home renovation and construction, and catering. This kind of networking is part of the transition from "social enterprise" to "social economy."

Social enterprise appears to have been the right decision for Atira. It would be unfortunate, however, if our success to date led other nonprofits to conclude that it holds similar promise for them. It would be even more unfortunate if funding agencies,

private and public, used Atira's (and others') experience to pressure nonprofits to "do likewise."

The circumstances under which APMI got its start in this sector (especially our timing) were unusually fortuitous and they are unlikely to recur here or any place else. Also, operating a business is hard work even when your company does not have a social mandate to meet. To get to first base required that APMI secure a \$100,000 start-up loan from the Vancity Capital Corporation plus borrow another \$80,000 from the Society's operating reserve. That is a lot of risk for a medium-sized organization to stomach. And the debt load caused a cash flow crisis at Atira during APMI's second year of operation.

Finally, and like any other business, running APMI is a 24-hour a day job. Seeking out and exploring business opportunities, managing staff and negotiating and closing agreements are just as time-consuming as they are for other businesses. Promising deals (like the portfolio acquisition mentioned earlier) can start to go sideways despite the hours devoted to make them happen. But while conventional businesses might be able to devote staff time to unraveling such a problem, APMI sometimes has to let business take a back seat to crises in the lives of women who are staying in one of Atira's houses.

The strain that a social as well as business mandate imposes on the executive director/CEO can be overwhelming.

Is the experience of APMI replicable? No, probably not. Would we sooner close APMI and try something else? No, absolutely not. It has been immensely valuable to the people and culture of Atira in terms of the skills and systems that this work has obliged us to acquire. As never before, we can connect the lives of some of the Lower Mainland's most isolated women to the resources of the mainstream economy, and vice versa. Speaking for myself (the many sleepless nights notwithstanding), I don't just love the organization and its mission; I've grown to *like* the work itself. I wouldn't trade it for any other job – and certainly not that of a private entrepreneur. I can't imagine doing so much work for my own benefit.

So while Atira and APMI offer no template, we feel confident our experience can serve as a valuable model to others. Not so much to people who are wondering about how to start a social enterprise, but to nonprofits eager to explore their potential to reshape the community around them.



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