

# Transformation of the Non-Profit Housing Sector

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ONPHA Conference  
October 16, 2015



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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 larger 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!

### Housing Finance Corporation (THFC), UK

- Intermediary between social housing sector ↔ capital markets
- >£3 billion loans outstanding; A+ credit rating
- Staff complement of 17

### BC Housing, CAN

- Social housing finance model
- \$2.75 billion in loans
- NHA insured lender for construction financing and CMHC insured financing
- Competitive rates with low transaction costs.

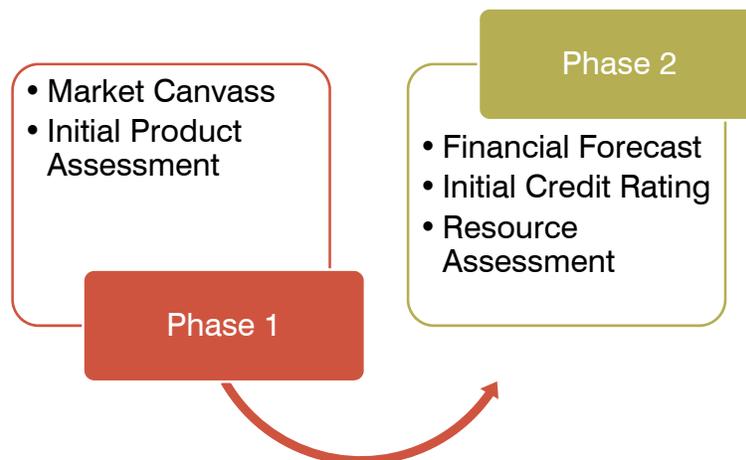


## Benefits of a Canadian Housing Bank

- 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



## 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

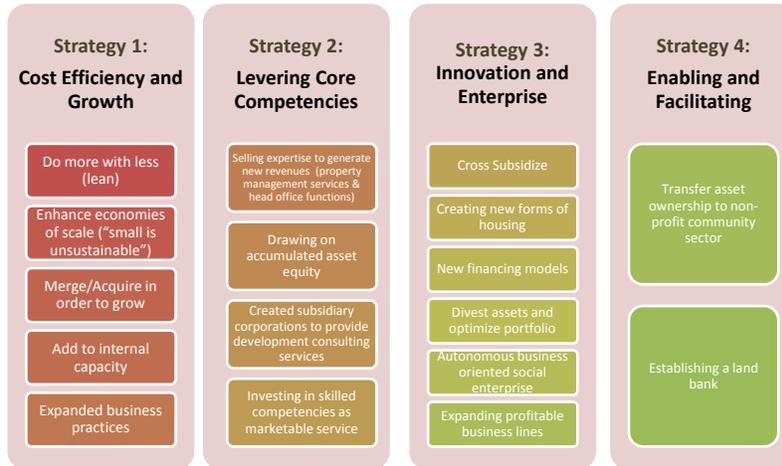


## Attributes of the Organizations Surveyed

- 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



## Case Study Examples:

Organization	Type of Business Transformation Change or practice	Type of activities
<b>M'akola Group of Societies</b>	Merged/amalgamated with other organization, Entered into new business partnership, Created a subsidy organization	<ul style="list-style-type: none"> <li>New business</li> <li>Scaling up</li> </ul>
<b>Housing Alternatives Inc.</b>	Selling property management services; initiating a land bank to aggregate assets.	<ul style="list-style-type: none"> <li>New business</li> <li>Strategic assets</li> </ul>
<b>Capital Region Housing Corp (Edmonton)</b>	Created a business unit to sell financial management services to other providers; Building equity base by investing reserves in new development	<ul style="list-style-type: none"> <li>New business</li> <li>Scaling up</li> <li>Strategic assets</li> </ul>
<b>Centretown Citizens Ottawa Corporation</b>	Created a development corporation to sell development consulting services; undertaken assisted ownership since 1996	<ul style="list-style-type: none"> <li>New business</li> <li>Strategic assets</li> </ul>
<b>BC Housing</b>	Revising policies to enable providers to strengthen asset base and become more self sufficient	<ul style="list-style-type: none"> <li>Strategic assets</li> <li>Gov't culture</li> </ul>
<b>Namerind Housing Corporation</b>	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.	<ul style="list-style-type: none"> <li>New business</li> <li>Scaling up</li> <li>Strategic assets</li> </ul>
<b>Lynnhaven Society</b>	Partnership with private developer- affordable housing model of micro-suites. Moved from RGI rent structure to charging rent to cross- subsidize some units.	<ul style="list-style-type: none"> <li>Scaling up</li> <li>Strategic assets</li> </ul>



## 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

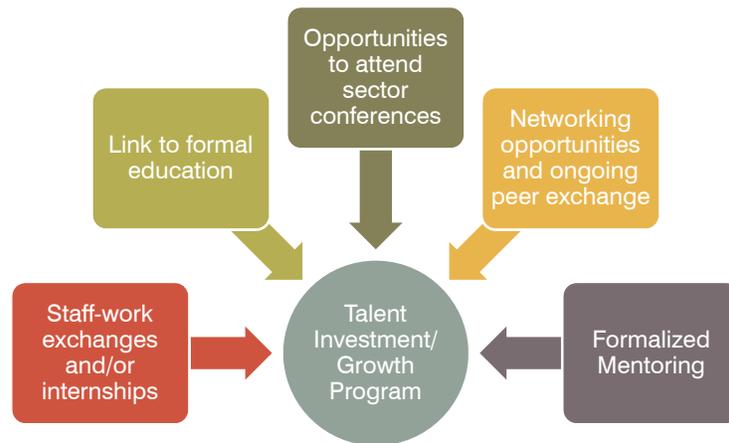


### Talent Investment/Growth program

- 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:



## 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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