Approaches to Financially Sustainable Provision of Affordable Housing by Not-for-Profit Organizations and Co-operatives: Perspectives from Canada, the USA, and Europe

Prepared by Centre for Sustainability and Social Innovation for BALTA

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August 28, 2009
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1.0 Introduction

In British Columbia and Alberta, not-for-profit providers of affordable housing are facing similar challenges to their counterparts in other regions of Canada, the USA and Europe. Socio-economic factors leading to continuously increasing demand for their services combined with decreasing government financial support for their initiatives has resulted in many not-for-profit organizations seeking to become more self sustaining and less reliant on government sources of funding. In this effort, innovative business models and methods of sustainable management have been developed worldwide, with responses to the financial challenge ranging from means of minimizing the costs of affordable housing development to means of generating an income stream for the not-for-profit organization aside from government funding or private donations. Organizations are employing countless variations of approaches, using different combinations of cost minimizing or revenue generating activities based on their particular circumstances and the policy context within which they operate. These efforts are in some cases independent initiatives that apply to a particular aspect of the continuum of housing development and management such as financing or property development, and in other cases comprehensive business models, the most common of which are social enterprise ventures and non-traditional partnerships with the for-profit sector. Although there are very few examples of not-for-profit affordable housing organizations that have become completely or even significantly independent of government funding, many approaches have been pioneered have decreased operational costs or provided additional sources of income for not-for-profit and co-operative affordable housing organizations, thus decreasing their dependence on government funds.

This paper will provide an overview of the trends toward financial sustainability in not-for-profit affordable housing provision and the various methods of sustainable management that have emerged in Canada, the USA and Europe. As many of the approaches are relatively new and many have not been evaluated in terms of their effectiveness or critical factors for successful implementation, this paper aims to gather general information on trends and emerging approaches without drawing conclusions about their effectiveness. It provides an overview of the approaches and some discussion of their development and regional prevalence rather than a detailed discussion in terms of the benefits, challenges, and means of application. Furthermore, as the approaches and methods to achieving financial sustainability are numerous, the purpose is not to categorize them into complete business models, but to
summarize the approaches regardless of whether they make up a full business model or are independent approaches to one particular aspect of the continuum of affordable housing provision, which could be applied to various business models.

2.0 The Trend toward Financial Sustainability

Although not for profit providers of affordable housing in Canada, the USA and Europe operate within very different policy environments, several common trends are evident. Not for profit organizations are playing an increasingly important role in the provision of affordable housing, and this role is expanding to community development on a larger scale. As a result, the scope of the activities the organizations are involved in is increasing. In response to the challenge of availability of government funding, the organizations are further expanding their activities into those that can generate revenue to help meet the financial needs of the organizations. A focus on increasing financial efficiency and an interest in accessing non-traditional financial sources by not-for-profit organizations is evident across the regions examined, and innovative approaches are emerging simultaneously in Canada, the US, and Europe.

National differences in approaches to financial sustainability by not-for-profit providers of affordable housing are a result of the different socioeconomic and policy contexts which they grew out of and the legal contexts within which they developed. Organizations within each region appear to have developed methods of providing affordable housing in response to the level of government assistance that was available, and innovative approaches to financial sustainability have emerged reactively as the need for new sources of funding has arisen. Individual governments’ policies and the means by which these policies encouraged the private not-for-profits sector’s involvement in the provision of affordable housing have been a driving force behind the activities of the sector, resulting in national differences. Furthermore, not-for-profit organizations operate within and are constrained by a particular legal context, which has had impact on shaping business models for financially sustainable operation, further resulting in regional differences. Generally, countries that have historically had less government support for affordable housing have, out of necessity, developed a wider range of methods for attracting financing from sources other than government. However these approaches often develop closely in relation to the policy context, and the predominant approaches in countries tend to be those that have been encouraged by regional government policy, for example, incentives that
have encouraged for-profit developers to invest in affordable housing development and the development of legal structures that support private sector investment in earned income activities by not-for-profit organizations.

Many of the various approaches to financial self-sufficiency that have developed do not make up distinct business models that can easily be categorized, but make up countless variations and hybrid models, with organizations using various combinations of approaches based on their particular circumstances and the policy context within which they operate. Often organizations that are replicating a particular approach will examine similar approaches internationally and nationally pulling the best practices from the various experiences and adapting them to the local policy and legal frameworks, thus creating new variations of models. The approaches include both methods of cost minimization and methods of revenue generation, and can roughly be divided into activities which can be applied independently, and more comprehensive approaches that make up distinct business models. Independent approaches to cost effectiveness include: focused use of volunteers and tenants, green building initiatives, maximization of density in development, partnerships between organizations to achieve economies of scale, below market price property or land acquisition, and approaches related to the use of the housing assets. Although they have many variations and opportunities for application, the business models that are emerging as the most common are: not for profit organizations operating Social Enterprises as a means of generating income to fund their core mission of affordable housing provision, and partnerships with the for-profit sector which provide access to private sector funds.

3.0 Approaches to Cost Effectiveness

An examination of various approaches organizations are taking to become more financially sustainable shows numerous methods independent of complete business models that not-for-profits are implementing in order to achieve cost effectiveness and maximize the use of their limited funds. These are approaches which are applicable to particular points on the housing continuum, and are used by organizations in various combinations. Examples of application can be seen throughout Canada, the US and Europe, as not-for-profits in all of these regions are feeling the pressure to stretch their budgets to the furthest extent possible. It does;
however, appear that approaches to cost effectiveness that are supported by either government or non government organizations in the form of potential funding for not-for-profits that use these approaches are the most commonly applied; thus, regions where support for certain approaches is available will see their prevalence. Regional differences in how widespread the application of an approach is often stem from how much potential funding to support the approach is available. Furthermore, regions with legal contexts more conducive to the development of particular models will have a higher prevalence of organizations employing them. The various independent approaches that can be seen in practice relate to the use of volunteers and tenants, co-operation between organizations to achieve economies of scale, and approaches to land acquisition and development.

3.1 Contribution of Resident Volunteers

The contribution of volunteers can translate to significant cost savings for not for profit organizations in any sector when they can effectively carry out tasks that the organization would otherwise have to hire staff for. Finding, recruiting and maintaining volunteers, however, are ongoing challenges for any organization. Not-for-profit organizations focused on affordable housing are in a unique position to draw on their tenants as a source of volunteers and some organizations involve tenants in performing certain activities and thereby reduce the cost of housing provision. The Canada Mortgage and Housing Corporation (CMHC) uses the term “self-help” housing to refer to activities that are performed by the occupants, intended occupants or community groups in the provision of affordable housing, including development and maintenance activities\(^1\). However, even organizations that do not operate under a stated “self-help housing” mandate and complete model, have the opportunity to involve tenants in activities that they would otherwise hire an external company to perform and thereby decrease their operating costs. Such activities can range from participation on the board of directors to maintenance or property management activities. This is a model that has long been employed by co-operative housing organizations which have traditionally involved their residents in

management, and is credited for a consistent record of cost effective management of co-operatives.

Although there is often a significant difference in the level to which co-operative housing residents and residents of social or affordable (in some cases supportive) housing are able to participate in volunteer activities, various examples of not for profit organizations other than co-operatives that involve occupants in provision of affordable housing currently exist worldwide. A notable example of the contribution of volunteers is the model used by Habitat for Humanity International, an organization that builds homes through a method of volunteers and residents-to-be working jointly and contributing their sweat equity. In another example, the US Department of Housing and Development operates the Self-Help Homeownership Opportunity Program (SHOP), which provides grant of up to $15,000 per home to nonprofit organizations who assist low income families in building their own homes by contributing their sweat equity. Although this model involves a government grant, the amount of the grant is much smaller than the cost of building a home, and demonstrates the use of future occupant’s sweat equity in housing development to alleviate the costs. Another model of resident involvement is demonstrated by the nonprofit organization CRC Self Help based in Toronto, which involves its tenants in a program of self management whereby they progressively become involved in the management of their housing units. Not only do tenants benefit by learning new skills through the volunteer tasks they perform and gaining a sense of ownership for their housing, they also benefit from additional social or recreational services and programs which the not for profit organization would not have the budget to provide without tenant volunteers. Despite the benefits of being involved in the management of their housing, many affordable or social housing residents are not in a position to contribute to any aspect of their housing management, and this approach is not applicable to all organizations. Furthermore, as a CMHC report states, although the model of self-help housing has the potential to reduce the cost of providing

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affordable housing, it is not without its challenges\(^6\). A study by the Joint Center for Housing Studies of Harvard University examined the role of resident participation in community development, which is closely related to affordable housing provision. The findings of the study show that although effective in community development and generally beneficial to the housing communities, developing a process of resident participation is actually more costly in the short run, although it does have the potential to result in savings of time and money in the long run\(^7\). The important implication of this study is that cost savings from tenant involvement will likely not be immediate, although due to its other benefits it is a potential component of a long term cost minimizing strategy. We found no extensive studies that have examined the resident involvement model or that have monetized the contribution of occupants, but it is nevertheless worth noting as a potential approach to decreasing costs to not for profit providers of affordable housing.

**3.2 Cooperation, Collaboration, and Achieving Economies of Scale**

The majority of not-for-profit and co-op providers of affordable housing are relatively small in scale, often managing only a single building. Despite the fragmentation, organizations have developed means of achieving economies of scale by sharing of resources, pooling investment funds to achieve a higher rate of return, and establishing bulk purchasing networks through establishing larger associations. Collaboration in terms of research and education is also common, again due to the fact that most small affordable housing providers do not have the capacity to carry out their own research efforts.

In Canada, several provinces have provincial umbrella organizations for not-for-profit housing providers, and offer their members opportunities to join together to achieve economies of scale through initiatives such as pooling investment funds to achieve higher returns or to participate in bulk purchasing networks. Research and education are also important services provide by such organizations, examples of which are the BC and Ontario Non Profit Housing Associations. A

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study done by Maranson Management Ltd. for the BC Non Profit Housing Association found that the majority of not-for-profit housing providers in British Columbia are small and manage only one building, and recommends further collaboration and resource sharing. Membership in umbrella organizations and resource sharing initiatives allows small organizations to remain independent in terms of their mission, yet benefit from economies of scale that would otherwise only be available to large organizations. Co-operative housing associations at the provincial level offer similar programs for their members and also provide industry research, resources, education and support to their members.

Similar umbrella organizations can be found in Europe and the USA. The size of the co-operative housing sector in Europe varies from country to country, but even in countries where the sector is relatively small, such as the UK with only about 0.1% of the nation’s housing stock managed by co-operatives in comparison with 14% in Norway, there are organizations that provide members benefits such as small business services, professional advice and access to research publications. The large social and not-for-profit housing sector in Europe is fragmented between countries, and the level of support available for organizations differs widely with no official EU body dedicate to the sector. There is a European wide organization dedicated to social housing, the European Liaison Committee for Social Housing (CECODHAS). The members of this CECODHAS are 45 regional and national federations representing over 39,000 social housing organizations in 19 countries, and although the organization’s mandate is largely concerned with social housing policies in Europe, several recent publications and conferences have focused on innovative approaches to sustainability in the sector, and research is continuing in this area. In the US umbrella organizations for not-for-profit providers of affordable housing are more fragmented. Examples are found in few states, such as the Non Profit Housing Associations of Northern and Southern California which are more focused on advocacy and do provide certain membership benefits such as

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publications and access to information but no opportunities for bulk purchasing networks or savings programs\textsuperscript{12}.

### 3.3 Land Acquisition, Building, and Development Approaches

Because one of the most significant costs to organizations providing affordable housing is land acquisition and development, many successful housing developments by not-for-profit organizations have incorporated a means of reducing the cost of land into their development model. Although donations of land and real estate play a significant role in not-for-profit development projects including those that are considered independent, such as the Canadian cases that are highlighted by the CMHC as exemplary models of self sufficiency\textsuperscript{13}, there are several means by which organizations have acquired land below market value. Surplus government owned land, properties in foreclosure, former industrial sites and brownfields are examples of property types that can be acquired at a lower costs and provide an opportunity for redevelopment. In addition to property acquisition, the development or redevelopment stage is also one at which organizations have taken approaches to ensure financial effectiveness through careful planning with regard to density, and employing green building initiatives. Examples of these approaches can be found in Canada, the US, and Europe; and discussion of the potential of these methods to contribute to the effort to build affordable housing more cost effectively is increasing in all of these regions. The discussion is related to both the potential of such properties to both reduce the cost of affordable housing development, as well as to provide a solution to the problem of space to build much needed housing in larger urban areas.

#### 3.3.1 Green Building Approaches

Sustainable building and design, or Green Building, is being discussed for its potential to decrease the cost of affordable housing through decreasing the cost of energy consumption. It is evident that affordable housing organizations are being encouraged to apply these approaches as several funds and grants, often from non-governmental sources, are currently

\textsuperscript{12} Non-Profit Housing Association of Northern California website. \url{http://www.nonprofithousing.org/pages-membership/benefits.html}. Accessed August 5\textsuperscript{th}, 2009.

available to support their effort in this specific area. The Green Communities Initiative is an organization in the US that operates one of several programs in the country that provide financial support to affordable housing organizations using green building approaches. Although employing green building standards in new development or in renovations may have a slightly higher cost initially several sources, including publications by the Green Communities Initiative, claim that the costs to operate, maintain and occupy the structures are lower in the medium to long term through lower utility bills and fewer repairs and replacements. The US Green Building Council also supports green building initiatives in affordable housing by providing grants to support organizations that build affordable housing to LEED standards, stressing the link between energy efficiency and affordability. In Canada, the international not-for-profit housing organization Habitat for Humanity is an example of a strong promoter of sustainable and green practices in affordable housing. The organization’s Canadian branch recently created an award to recognize volunteers who raise awareness of the need for affordable housing and environmentally responsible design and construction, and provide funds to support the winning initiatives. Habitat for Humanity Canada stated that the green homes built by volunteers save partner families approximately $500 per year in utility costs, in addition to reducing greenhouse gas emissions by up to three tonnes per year. Within the European context, there is a lot of discussion around the impact of rising fuel costs on social housing tenants. The European Liaison Committee on Social Housing (CECODHAS) documents many cases of best practices from member countries related to energy efficiency in social housing. Recognizing the action needed by the EU member countries to meet their target under the Kyoto protocol, as well as the impact of rising oil prices on the vulnerable groups that CECODHAS members serve, the organization’s Energy Efficiency Campaign provides a

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network of resources and support for social housing providers to encourage them to use green building methods in new construction or redevelopment\textsuperscript{18}.

\textbf{3.3.2 Approaches to Land Acquisition and Development}

The cost of land and development are a significant investment for a not-for-profit housing organization, and cost effectiveness has been achieved not only by acquiring land at below the market cost, but also by using that land to its maximum potential once acquired. Increasing density in development reduces the land cost per unit, and many best practices guides related to affordable housing development urge careful planning to ensure that the most is made of the land that is available for a project. In addition to increased density, some organizations that own their housing asset are using the strategy of a mixed commercial and residential property in order to subsidize the affordable residential units with market priced commercial space.

There are various means by which not for profit organizations have achieved cost effectiveness in property purchasing, including redevelopment of brownfields and acquisition of surplus government land or properties in bank foreclosures. Municipal governments often support the purchase of such lands by providers of affordable housing, for example in Canada several provinces have an “Affordable Housing first surplus lands policy” to encourage the development of affordable housing on these sites\textsuperscript{19}. Redevelopment of brownfields is a method that is currently receiving attention both in Europe and North America for its potential to reduce some of the costs that are a barrier to affordable housing development as well as to help solve the problem of inadequate space to build much needed housing in dense urban areas. In many cases, governments are supporting the redevelopment of brownfields for affordable housing by providing support to organizations willing to redevelop these properties. CMHC lists examples of successful projects developing both affordable and market housing on former brownfield sites and many examples from the US are also available. Within Europe, brownfield redevelopment is also being discussed, primarily for its potential to provide a solution to the lack of space for housing. CMHC has done a study which has identified several benefits of brownfield redevelopment for housing use, which include: neighborhood revitalization and economic


development and curbing of urban sprawl\textsuperscript{20}. However, the report also highlights the many issues and challenges with brownfield redevelopment for housing, including liability, regulations, financing, technology, and stigma\textsuperscript{21}.

4.0 Business Models

4.1 Social Enterprise in Affordable Housing

An increasingly discussed means for not-for-profit organizations in taking steps toward financial sustainability has become engaging in earned income market activities which provide a source of funding to support the organization’s principal mandate, known as social enterprises. A long term source of funding independent of grants and donations is sought by most not-for-profit organizations, and stories of successful social enterprise ventures that allowed an organization to gain financial independence and focus on its core activities have inspired many others to attempt to replicate this model. The term social enterprise is used to define several variations of the model, and it is important to more closely specify the specific one this discussion focuses on. Although by definition a social enterprise operates to fulfill a certain social objective, this can be done directly or indirectly. Social enterprises that have as their primary mission fulfilling a social objective, such as providing employment opportunities for a marginalized group, will be in business primarily to provide these opportunities, and will be satisfied with breaking even or accept a small financial loss if the social objectives are being achieved. Alternatively, a social enterprise will have primarily financial objectives, and then use this earned income to fund the mission related activities of the parent not-for-profit organization. The latter is the focus of this discussion, and there are several examples of successful social enterprises operated by not-for-profit organizations in the affordable housing or other sectors. This model holds potential for not-for-profit providers of affordable housing to contribute to their financial sustainability, however, as is the case with traditional businesses, social enterprises also have a high rate of failure, and the number of organizations that have become self sustaining from the results of entrepreneurial ventures appears to be very small.

\textsuperscript{20} CMHC Research Highlights. Brownfield Redevelopment for Housing: Literature Review and Analysis. April, 2005.
\textsuperscript{21} Ibid.
Examples of social enterprises in the affordable housing sector can be found in Canada, the US and Europe, with organizations ranging from large international institutions to small local groups engaging in entrepreneurial ventures. Habitat for Humanity Canada operates Restore, a chain of stores which sell donated used building materials which includes locations in BC and Alberta\(^22\). Although the income from operations is not a significant component of the organization’s funding, it does generate some income and contributes to the re-use of construction related materials\(^23\). An example of a much smaller local organization operating a social enterprise is The Fernwood Neighborhood Resource Group in Victoria, BC, operates a coffee shop in one of its buildings, reinvesting all of the proceeds into the organization’s programs and services\(^24\). US based Housing Works, a not-for-profit affordable housing organization, operates several enterprises, including a coffee shop, thrifts stores, an online auction website, and a catering business. This is a rare example of a large scale source of funds generated by a social enterprise venture. Together, these businesses contribute more than $13 million annually to Housing Works’ budget\(^25\). Common Ground, a not-for-profit housing development and management organization in the US operates a social venture, running a Ben and Jerry’s “Partnershop”, or franchise intended for not-for-profit organizations\(^26\). Social Franchising is a relatively new variation of social enterprise, whereby established businesses offer opportunities to not-for-profit organizations to operate a franchise, and provide additional support to the owners such as waived franchise fees and business operations support\(^27\). Experiences of not-for-profit organizations starting business ventures show that lack of business skills and time to develop a business idea and plan are often a significant barrier\(^28\). Operating a franchise of an established business provides an opportunity for not-for-profits to overcome these barriers.


\(^{28}\) Ibid.
The concept of social enterprise has developed simultaneously in North America and in Europe, resulting in differences which have implications for the role social enterprises currently play in contributing to the financial sustainability of not-for-profit affordable housing organizations on the two continents. In the European context, social enterprise has focused on finding innovative approaches to solving social problems rather than engaging in activities that generate a profit for the purpose of funding a not-for-profit organization’s missions. Thus, fewer examples are available of not-for-profit providers of affordable housing in Europe that are financially sustained through business operations. However, social enterprise in this context does play an important role in the European affordable housing sector. A Social Enterprise Guide published by Social Enterprise London highlights case studies of successful social enterprises in the social housing sector in the UK. The enterprises profiled focus on solving social issues in the neighborhoods where the organizations operate, rather than on generating a source of funding for the organization.

Despite the excitement around the potential of social enterprise to provide an organization with an independent and ongoing source of funds for operations, not all ventures are successful. A business venture is a risk for any individual or organization, and not-for-profits face the same challenges as traditional entrepreneurs, and more. Social enterprise management and not-for-profit management often require two distinct skill sets which are a challenge for organizations with limited funds to acquire needed skills. Not all not-for-profit organizations have people with the entrepreneurial spirit and willingness to take risks necessary for a business venture. Another challenge faced by entrepreneurs, social or traditional, is financing their venture. Start-up capital is not easy to secure for any business, but not-for-profit organizations face a particular challenge in this regard as the social finance market is still developing and the structure of not-for-profits and social enterprises makes it difficult for them to secure start-up capital from lenders of investors. Furthermore, a clear legal context for social enterprises is still emerging, and often its lack limits the earned income activities of not-for-profit organizations and their ability to generate investment capital for their ventures. The US and UK have taken initial steps to create a context for social enterprise development by creating a legal structure for social enterprises, Community Interest Companies (CICs) in the UK and Low-Profit Limited Liability Companies in some US states, which has helped social enterprises to overcome some

challenges with regard to securing capital and legally earning revenue while maintaining not-for-profit status. Canada does not currently have a legal form or structure for social enterprise, which limits the activities of Canadian organizations and their access to capital, making it more difficult for Canadian not-for-profits to replicate some of the successes from the US and the UK. The success rate of social enterprises in the affordable housing sector is not well documented, but it appears that success in these ventures is the exception and only a small number of not-for-profit organizations are financially sustaining themselves by operating a social enterprise.

4.2 Partnerships

Faced with decreasing sources of funding from all levels of government, many not-for-profit organizations are looking to other sectors for financial opportunities. The private for profit sector has played a role in financing affordable housing in the past, both in partnerships with the public sector and with the private not-for-profit sector. As the purpose of this paper is to examine approaches to financial sustainability for the not-for-profit organizations, this discussion is focused on the latter. Public-Private-Partnerships have played a significant role in affordable housing provision, but whether they involve the for-profit or not-for-profit sector they do also rely on the public sector and involve government funds. Thus, these partnerships are outside the scope of the topic of affordable housing provision independent of government. Interest among not for profit organizations in partnering with the for-profit sector is growing and successful examples of such partnerships are emerging. Partnerships between not for profit organizations in the housing or other sectors and for profit organizations are not new, but as not-for-profit organizations are becoming more concerned about diversifying their sources of funding, more attention is being put on their potential. Such partnerships can take the form of several types of business models, including joint ventures, outsourcing, or alliances, and they are now increasingly frequently developing into long term, strategic, and mutually beneficial partnerships between organizations.

32 Ibid.
4.2.1 Strategic Corporate Alliances

The traditional form of private for-profit and not-for-profit partnerships is a sponsorship model where a for-profit company donates funds or in-kind goods to a not-for-profit organization in exchange for the goodwill the company will gain. Examples of such partnerships can be found in the affordable housing sector, such as the Habitat for Humanity and Whirlpool Corporation partnership. Whirlpool has been supporting Habitat for Humanity since 1999 when it began donating a refrigerator and a range to every Habitat home in North America. The partnership has continued with Whirlpool extending its support and pledging to aim at providing support for every Habitat home worldwide, and the organization has involved its employees in working with Habitat to support the home building efforts. This case also demonstrates how a traditional philanthropic relationship has evolved into long term strategic alliance that benefits both parties. Habitat for Humanity has a long term partnership that benefits the organization’s financial bottom line on an ongoing basis, while Whirlpool Corporation is able to benefit from not only positive customer response to its corporate social responsibility, but also from increased employee morale and engagement through the opportunity the employees have to work together on some of Habitat’s Projects. Such integrative partnerships are more beneficial to both parties, but require careful planning and a process to find a strategic fit that will translate into such a relationship. James E. Austin from the Harvard Business School concluded after a study into not-for-profit and for-profit partnerships that what underlies their sustainability and power, is the amount of value that is being created through the collaborative process. The implication of this is that in order to gain the most benefit from a partnership the not-for-profit organization must see itself as not just a recipient of a donation, but an equal partner that brings value to the table. In Canada, umbrella organizations that provide support to not-for-profit providers of affordable housing such as the BCNPHA and CMHC, have published basic information and guidelines to help organizations understand the process of developing such partnerships.

4.2.2 Partnerships with Private For-Profit Developers

A type of partnership that is becoming prevalent in the affordable housing sector is between not-for-profit affordable housing organizations and for-profit private developers. Such a partnership allows not-for-profit organizations to access financial resources that they often struggle to attain. Both parties stand to mutually benefit from the partnership, and research shows that much of the impetus for the partnerships is coming from socially motivated private developers\textsuperscript{35}. Similar to the strategic alliances with corporations previously discussed, successful partnerships between private developers and not-for-profit providers of affordable housing require the not-for-profit to see themselves as an equal partner in the partnership, and bring tangible value to the table. A study into the US experience of partnerships with for profit developers concludes that financial factors are a key motivation for private developers and not-for-profits must know how to translate their partnership value into financial terms, and seek outside helps if they do not already have a strong understanding of the drivers of the partnership negotiations\textsuperscript{36}.

Partnerships involving the for-profit private sector are driven by various factors. For-profit developers are in many cases interested in making a positive contribution to their communities and seek out partnerships with not-for-profit organizations of their own initiative, however government incentives or even legislation are also a factor. This likely explains why partnerships are more prevalent in some countries than others. In the United States, the Low Income Housing Tax Credit (LIHTC) is an indirect Federal government subsidy used to finance the development of affordable rental housing\textsuperscript{37}. Due to the qualification criteria for this tax credit, partnerships between for-profit developers and not-for-profit organizations are a potential strategy for increasing an organization’s capacity to compete for the funds\textsuperscript{38}, and this has likely been a driver of such partnerships in the US. In the city of London in the UK, the government has mandated a percentage of housing units in each new development that must be allocated to affordable housing, thus for-profit developers must often partner with not-for-profit social housing organizations\textsuperscript{39}. Also affecting the prevalence and success of partnerships between for-profit-developers and not-for-profit providers of affordable housing are the legal contexts of

\textsuperscript{36} ibid.
individual countries. States and regions that have legal structures that support such partnerships allowing the not-for-profit organization to enter into a joint venture with a for-profit developer will have a higher prevalence of partnerships.

As is the case with not-for-profit organizations’ relationships with corporate sponsors which have evolved into mutually beneficial strategic alliances in the most successful cases, partnerships with for-profit-developers also require the not-for-profit organization to position itself as an equal partner bringing tangible value to the partnership. Financial objectives remain the primary motivation for partnerships between the two types of organizations, as a partnership with a not-for-profit organization often gives the developer to decrease their costs through gaining access to certain grants or benefits they would not be eligible for otherwise, and not-for-profit organizations benefit from much needed financial support. Many publications on the topic of this type of partnership aim to provide information and guides for developing a successful partnership for both not-for-profit organizations and for for-profit developers. They help organizations understand the differences between their respective sectors and to engage in successful partnership negotiations.

5.0 Conclusion

An examination into the trends in approaches to financial sustainability by not-for-profit and co-operative housing organizations in Canada, the US and Europe shows that organizations in all regions are facing the dual pressure of increased demand for their services and a decrease in financial resources available from all levels of government. Although government funding for affordable housing initiatives has historically been stronger in most European countries and Canada, as opposed to the US, examples of not-for-profit and co-operative groups that are strengthening their efforts to become financially sustainable and less reliant on diminishing government funding can be found in all of the regions examined. A trend that can be observed is that regions that have historically had less government funding available for affordable

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housing provision, appear to have had more innovation by not-for-profit organizations that have had to develop alternate means of funding independent of the government. The driving forces behind these initiatives appear to be internal as well as external. Although not-for-profit providers of affordable housing in many cases develop approaches to financial sustainability of their own initiative in response to decreased funding, the government and non-government funds that are currently available to these organizations are often to support initiatives that reduce costs or increase an organization’s financial sustainability, and thus many not-for-profits undertake the approaches in order to access the funding.

Approaches that are being applied by social and affordable housing providers to decrease their reliance on government funding include measures by which organizations are minimizing costs and maximizing the efficiency of their use of financial resources, and innovative business models that provide alternate financial streams. These approaches have had a wide range of impact, from small reductions in an organization’s operating costs to complete financial sustainability. Cost minimizing efforts include green building approaches to minimize long term energy costs, careful planning with regard to density in development, means of attaining property at below market value, managing mixed-use buildings, use of tenants in self-help housing models, and taking advantage of opportunities to participate in bulk purchasing and investment programs through membership in umbrella organizations. Emerging business models that are receiving attention for their potential to contribute to financial sustainability are social enterprise ventures by not-for-profit organizations and partnerships with the for-profit sector, most commonly in the form of strategic alliances with corporations and partnerships with for-profit developers.

Examples of these models and approaches can be found throughout the regions examined, but approaches that are supported by a country’s government policy and legal framework tend to become more prevalent in a region and have higher degrees of success. The business models and approaches develop largely reactively to the availability of government support, and are shaped by the legal context in which they are developed. In some cases, development of models within a country is constrained by the legal and policy framework and organizations face systemic barriers to proceeding with their innovative approaches or replicating approaches from other regions. More recently, governments are recognizing certain approaches that have had success in helping not-for-profit organizations take steps toward financial sustainability, and are
working to eliminate some systemic barriers and create a legal context in which the approaches can develop. In addition to external circumstance, the internal nature of the not-for-profit organization also has impact on the approaches it is able to undertake. Several different types of organizations have affordable housing as their mandate, ranging from co-operatives focused solely on affordable housing to not-for-profit organizations that provide supportive housing and related social services. Often, the specific mandate of an organization, and the social services it provides, has an effect on the extent to which it will be able to undertake approaches innovative approaches to financial sustainability in addition to its core activities. The drive for financial sustainability by not-for-profit organizations in affordable housing and many of the approaches to achieving it are not new. These approaches are, however, receiving increasing attention as developing an independent funding stream is becoming more and more crucial to an organizations long-term viability.
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