B C N O N - P R O F I T H O U S I N G A S S O C I A T I O N

Housing Policy Trends and Implications for BC's Non-Profit Housing Sector

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EXECUTIVE SUMMARY

The non-profit housing sector offers a valuable service to communities across the province by providing secure, affordable shelter for those unable to find housing on the private market. A number of compounding problems threaten the sustainability of the sector, not least of which is an uncertain funding future. The majority of providers will face the expiration of their operating agreements with the federal and provincial governments and the subsequent withdrawal of subsidies over the next thirty years. These agreements have constituted a long-term, secure source of funding for non-profits over the past three decades; however, with the devolution of responsibility for housing from senior to lesser levels of government has come a shift towards short-term, project-based funding and an increasing emphasis on the use of multiple funding partners for the development of new housing. Meanwhile, the few new programs that do exist are highly targeted towards households requiring complex supports. Non-profit housing providers therefore need to find new and innovative ways of maintaining their viability once their agreements end and long-term funding becomes scarce. This presents an ideal opportunity for the sector to explore strategies that will help maintain the existing stock of non-profit units and ensure long-term sector sustainability.

This project begins with a brief overview of the non-profit housing sector, and its role and importance in the overall housing system. After exploring the makeup of the sector, it then discusses the evolution of housing policies and programs that have shaped the sector to become what it is today. The second section looks at recent trends in housing policy and considers the challenges and opportunities these present for providers of non-profit housing. Section Three explores different strategies non-profit housing providers can use to remain viable in light of these recent trends. The report concludes with a consideration of why continuing government funding is necessary if the sector is to be sustainable over the long term.

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1.0 INTRODUCTION

1.1 BACKGROUND

The operating agreements and associated subsidies covering the majority of non-profit housing providers in British Columbia are set to expire within the next thirty years. These ongoing subsidies have constituted a long-term, secure source of funding for many societies, yet recent housing policies and programs exhibit a marked shift away from this funding structure towards one that is increasingly short-term and project-based. Societies must therefore explore additional mechanisms for maintaining and growing the stock of affordable housing in order to reduce the volatility and uncertainty associated with dependence on a single funding body.

1.2 PURPOSE AND OBJECTIVES

The impetus for this project stems from the author's involvement in an ongoing assets analysis project being conducted by the BC Non-Profit Housing Association (BCNPHA), an organization providing education, services, and advocacy to the non-profit sector. The first phase of the BCNPHA project began in the fall of 2007 and resulted in the creation of an extensive inventory detailing the size, scope, and financial status of the sector. This inventory will enable the BCNPHA to support and advocate for societies transitioning out of operating agreements and support the sector in planning for long-term sustainability.

In support of the assets analysis project, the objectives for this project are as follows:

- To describe the size and scope of B.C.'s non-profit housing sector;
- To identify the implications of operating agreement expiry and the trend in recent provincial housing policies for non-profit housing providers; and
- To identify and explore strategies for increasing sector autonomy and ensuring future viability

This project approaches the problem of long-term sustainability by asking, "*what strategies can non-profit housing providers utilize to ensure future viability in light of an uncertain funding future?"* The intent of this project is not to suggest the sector can be self-sufficient and viable without government funding. On the contrary, long-term support from all levels of government is required if the sector is to successfully serve those households whose needs are not being met on the private market, and indeed the broader public interest. Rather, the purpose of this project is to explore this research question to support non-profit housing societies in planning for the future. Its purpose is to draw attention to the key threats presented by operating agreement expiry and the shift away from long-term government funding, and to identify and explore strategies that can be used to ensure future sustainability and viability, given these threats.

1.3 METHODS

This project used a multi-method approach to meet the above listed objectives. A review of relevant literature (including academic, policy, and independently-produced documents) was conducted, covering the history of the non-profit sector in British Columbia and the different types of housing programs and subsidies under which they have traditionally operated. Secondary data from a BC Housing database of operating agreements was used to calculate relevant statistics for the sector, including the size, scope, and location of societies and units across the province, as well as the timing of operating expiry. The literature informed the analysis of recent housing programs and the policies from which they developed.

Semi-structured interviews were conducted with the Executive Directors of eight non-profit housing societies and the B.C. Non-Profit Housing Association. These societies were selected based on their size, location, and evidence of impact from devolution or expiring operating agreements. They range from smaller societies serving households in the Kootenays, Okanagan, and Vancouver Island regions, to much larger societies operating hundreds of units in the Lower Mainland. An interview guide and a list of the nine contacts can be found in Appendices A and B, respectively. During the interviews, contacts were asked to discuss their experience developing, managing, or funding housing outside of traditional operating agreements. This approach helped identify and assess different strategies societies have taken to ensure long-term viability in the face of an uncertain funding future.

2.0 B.C.'S NON-PROFIT HOUSING SECTOR

2.1 DEFINING THE NON-PROFIT HOUSING SECTOR

The non-profit and voluntary sector can be described as a 'third sector', existing in a space between the state and the market. Non-profit organizations are private in that they are non-governmental; however, they do not exist for the purpose of profit and may rely significantly on volunteers. Furthermore, non-profit organizations are guided by values - such as philanthropy, altruism, and charity - that set them apart from both the market and the state (Scott 2003). However, the boundaries between the non-profit sector, the state, and the market can be porous. Many non-profits rely primarily on government funding for their operations, while others may rely on commercial ventures to support their organizational mission.

Non-profit organizations range from small community-based groups to large umbrella organizations, all serving the public benefit and generating social capital in their communities. The sector is a diverse one, providing a wide array of services and programs in virtually all areas of society. These organizations exist primarily to serve a group or groups in their specific field, yet their contributions – which may include service delivery, advocacy, or facilitating community and economic development - serve the broader public interest as well. The sector also makes a significant contribution to the nation's economy. In 2001, the gross domestic product of the core non-profit sector (excluding hospitals, universities, and colleges) was estimated at $25.5 billion, accounting for 2.5% of the overall economy (Statistics Canada 2005).

In the housing sector, non-profit societies offer a valuable service to communities by providing options for those unable to access or afford housing in the private market. The strength of the sector lies in its ability to organize volunteers, access private capital to support the creation and management of projects, and to link housing with other support services (Carter 1997). Providers of non-profit housing connect vulnerable persons with essential health and social services and provide them with secure, affordable shelter. Tenants may include low-income families, seniors, single persons at risk of homelessness, at-risk youth, and those with complex needs like physical and mental disabilities or addictions. The preventative approach to homelessness makes a key contribution to the supply of affordable, secure and safe housing and helps promote the growth of stable communities. However, the interconnected nature of the housing system means that it also yields savings in other sectors. A 2001 study commissioned by the provincial government found that preventing homelessness is more cost-effective than an emergency or reactive approach involving temporary accommodation in emergency shelters, emergency health care, and criminal justice and social services (Eberle 2001). In taking this preventative approach, the non-profit housing sector saves the government between $2000 and $18,000 per person over the costs associated with continued homelessness. Moreover, by contributing to a healthy housing system, the sector positively impacts the well-being of communities across the province.

Housing is a highly interconnected and interdependent system. When this system is weak or incomplete, access to safe, affordable, and suitable housing is compromised; this in turn negatively impacts other sectors in a community. A lack of affordable rental units will strain emergency shelters and other subsidized forms of housing. Similarly, a lack of supportive housing options for the elderly and disabled will lead to greater demand for more costly long-term care facilities and hospital beds (Federation of

Canadian Municipalities 2008). Conversely, places with an adequate supply of affordable housing of different types, tenures, and price points are able to attract and retain a broad labour force and ensure economic well-being. Housing is a key determinant of the health and well-being of not just individuals or households, but of communities and regions as well. An effective housing system can therefore address more than simply the need for affordable housing – it can directly address the health and well-being of individuals, their communities, and the economy (Pomeroy 2004). The non-profit sector is a key feature of an effective housing system.

2.2 SECTOR PROFILE

There are over 550 non-profit housing providers in British Columbia, operating 41,588 units of affordable housing in approximately 1,225 buildings[1]. The majority of these units are located in the Lower Mainland, reflecting the overall concentration of the province's households. Table 1 below illustrates the size of the sector and the general geographic spread of units across the province, using the seven-region classification used by the BC Non-Profit Housing Association (BCNPHA).

Table 1. Non-Profit Units by Regional Location

	# of Units	**% of Total**
Lower Mainland / Coast Region	11380	27.4%
Vancouver Region	13943	33.5%
Vancouver Island Region	7479	18.0%
Kootenay Region	1217	2.9%
Okanagan Region	4065	9.8%
Northern Region	1421	3.4%
Fraser Valley Region	2083	5.0%
Total	**41588**	**100.0%**

(Adapted from BC Housing 2007a)

Over 90% of these 41,588 units are funded through ongoing operating and subsidy agreements with set expiry dates. The remainder either have no known expiry date, or they operate under an agreement that provides a one-time grant rather than an ongoing subsidy. The timing of operating agreement expiry, and the implications of expiry for the sector as a whole, is discussed in further detail in Section 2.1.

[1] These statistics have been generated from an Excel database of BC Housing-managed operating agreements, and therefore do not include consideration of buildings or societies operating outside of government housing programs. Nor does the analysis consider temporary housing such as emergency shelters or transition houses, or rent supplements administered by non-profit societies to be used on the private market.

The non-profit housing sector is dominated by societies with small portfolios. As Table 2 below shows, just over two-thirds of all societies manage a single property.

Table 2. Non-Profit Societies by Portfolio Size

	Societies	% of Total
Single project	368	66.5%
2-5 projects	148	26.8%
6-10 project	22	4.0%
More than 10 projects	15	2.7%
Total	**553**	**100.0%**

(Adapted from BC Housing 2007a)

Close to two-thirds of these buildings are on land owned by the operating society. This is an important feature, since land is a considerable asset that grows over time. In many cases, the value of the land itself may exceed that of the building and could be used to leverage new financing.

The sector serves a diversity of household types, from homeless persons to low-income families and those with special housing needs. Yet as Table 3 below shows, by far the largest tenant group served is seniors. This reflects both the province's ageing population and the focus of many different housing programs on this type of tenant[2].

Table 3. Non-Profit Units by Tenant Type

	# of Units	% of Total
Low-Income Family	9831	23.6%
Seniors	20331	48.9%
Frail Seniors	2685	6.5%
Homeless	2679	6.4%
Shelter	38	0.1%
Special Needs	6024	14.5%
Total	**41588**	**100.0%**

(Adapted from BC Housing 2007a)

The non-profit housing sector makes a considerable contribution to communities across the province by providing affordable housing to a diversity of household types. The following section explores the history of the sector and the variety of housing policies and programs that have funded non-profit providers in the past few decades.

[2] This analysis does not include consideration of homeless shelters; however, a small number of buildings providing long-term housing options also have shelter beds. These 38 shelter units are represented in Figure 3.

2.3 HISTORY AND EVOLUTION OF PROVINCIAL HOUSING POLICY AND PROGRAMS

Two government bodies are responsible for the development, administration and management of housing in British Columbia. The federal Canada Mortgage and Housing Corporation (CMHC) was created in 1946 for the purposes of administering the National Housing Act. In 1967, the British Columbia Housing Management Commission (later named BC Housing) was established to manage the province's commitment to the development, administration, and management of subsidized housing. Today, BC Housing partners with private and non-profit housing providers, other levels of government, health authorities and community agencies to develop new subsidized housing, maintain the existing portfolio, and provide rental assistance in the private market (BC Housing 2008).

First introduced in 1938, the National Housing Act gives CMHC the authority to offer subsidies and other forms of financial assistance to the provinces and non-profit and co-operative societies through different housing programs. These housing programs have been used by both the federal and provincial governments to achieve a variety of policy objectives above and beyond the provision of affordable housing, including economic stimulation, job creation, and urban renewal (Findlay and Stobie 2007). Towards the end of the 1940s, the federal corporation introduced programs to encourage the creation of new housing to stimulate the economy, promote private homeownership, and meet the rapidly growing needs of returning war veterans and their families (CHRA 2002a). During the 1950s, CMHC provided grants to cities for the demolition of derelict buildings and the construction of municipally owned housing developments. These were primarily large, urban renewal - driven projects with few considerations of the local environment taken into account. The demolition of 'blighted' areas and the creation of large public housing projects under the guise of renewal and modernization sparked considerable controversy at both the local and national level (Findlay and Stobie 2007).

Amendments to the National Housing Act in 1973 marked the beginning of significant involvement by non-profit and co-operative societies in the creation of affordable housing. These amendments allowed CMHC to provide innovative financing to non-profits and co-operatives for the purposes of developing or rehabilitating housing. These provisions were premised on the theory that community-based societies would be more effective than public operators in integrating non-market developments into existing neighbourhoods (Findlay and Stobie 2007).

Until recently, most non-market housing built in Canada after World War II has been developed under long-term ongoing subsidies from the provincial or federal government, and operated by non-profit societies, housing co-operatives, or publicly-owned organizations. These subsidies are delivered through programs governed by an operating agreement between the government body and the housing provider. Operating agreements form legal contracts between the government and the provider and define the parameters of the housing program under which the government is offering subsidies or other forms of assistance (Findlay and Stobie 2007). Though they vary in terms of the amount and form of subsidy offered, most agreements contain certain key provisions and management requirements, including legal information, conditions for tenant selection, how rents are to be determined, project management duties, and financial controls.

The most important differences between programs relate to the tenant groups they target and the form of the subsidy they provide. Depending on the requirements of the agreement, tenants of non-profit-operated buildings can range from frail seniors to those at-risk of homelessness, and from those in core need of housing to those able to pay lower-end of market rents (LEMR). Subsidies may take the form of one-time capital grants, payments designed to bridge the gap between economic rents (the cost per unit to operate a building on a 'break-even' basis) and tenant rental income, and interest write-downs, which lower a mortgage's market interest rate to a reduced rate. In most cases, mortgage repayment has been the single largest cost and primary reason for subsidies. As a result, operating agreements are generally linked to the term of a development's mortgage. Once the mortgage has been paid off, the agreement expires and associated subsidies end. While the provider's costs are lower without the burden of mortgage payments, they are left paying for all operating expenses with the income they receive through rent. The underlying presumption behind the structuring of an operating subsidy is that once a mortgage matures, cash flow requirements will substantially decline and the project will be able to continue to operate and serve its low-income clients at an affordable rent level (Pomeroy 2006).

In terms of the targeted tenant groups, the differences between programs can be largely explained by the different policy objectives held by the government in power at the time of program creation. The federal Canada Mortgage and Housing Corporation took the lead in the development of social housing prior to 1986, and provided housing both unilaterally and through partnerships with the provinces and territories. Prior to the mid 1970s, the primary government housing policy objective at both federal and provincial levels was to facilitate home ownership for families. Non-profit housing programs were targeted to seniors and the disabled. The federal government wanted to stimulate the economy by assisting in the construction of affordable housing, but at the same time, was concerned with minimizing ongoing subsidy costs and conflicts with the provinces. The federal government supported income mixing during the late 1970s and early 1980s,. Projects developed under programs from this period therefore have a mix of tenants, some paying 30% of their income, and others paying low-end of market (LEM) rents. While the provincial government did not support income mixing during this time, it did use federal subsidies to fund the Provincial Rental Assistance Program (PRAP), a seniors- and disabled-targeted program for projects built between 1979 and 1985.

In 1986, CMHC began to cede its role in the administration of existing programs and the development of new programs to the provinces. This was a watershed year that saw an increasing emphasis on containing costs at both the provincial and federal levels. Strict budgetary controls were placed on the provinces, which were only eligible to deliver a particular housing program if they supplemented the federal contribution by at least 25% of the total. The BC provincial government embraced the shifting emphasis from income mixing to targeting the most needy by funding one-third of each program (BC Housing and Canada Mortgage and Housing Corporation 1992).

The official transfer of the administration of social housing resources from the federal to the provincial government occurred in 2006 under the BC-Canada Social Housing Agreement. Under the 30-year agreement, CMHC is to provide annual funding to the BC Housing to support existing social housing units. BC Housing manages and administers the programs, and may contribute its own funding in addition to that received from CMHC. According to the agreement, the amount of funding provided annually is fixed, and any savings resulting from more efficient management and administration of the housing portfolio will not lead to reductions in funding (Canada Mortgage and Housing

Corporation and BC Housing 2006). However, a 2007 report commissioned by the Canadian Housing and Renewal Association found that the various transfer agreements between the federal government and the provinces have concealed “a significant leakage and reduction in adequate spending” (Pomeroy 2007, 9) on housing.

At a policy level, the concern with cost containment after 1985 was translated into operating agreements that targeted and restricted access to affordable housing to those considered most in need. This effectively ended the mixed income approach that characterized earlier programs. The operating agreements developed between 1986 and 1993 under Section 95 of the National Housing Act are part of what is termed the ‘Post-1985 Section 95 program’. The emphasis in this program was on housing those in core need; i.e., those who would have to spend 30% or more of their income on housing if they were to rent on the local market. All residents of buildings operating under this program pay rent-geared-to-income (RGI), or 30% of their gross household income[3] . The Section 95 program provides an ongoing operating subsidy to cover the difference between the full operating costs of the development (the economic rent) and the actual revenue generated by RGI rents.

As the federal government started withdrawing support for the creation of new units, the province began taking on a more important role in administering existing housing programs and developing new ones. In 1994, the provincial NDP government began taking a larger step in the production of affordable housing with the unilateral creation of a suite of housing programs called Homes BC. In addition to full operating subsidies and 100% financed mortgages, Homes BC offered construction financing to encourage the production of new developments. The program also saw a return to income mixing. Sixty percent of units in buildings operating under this program must be designated low income; these are targeted towards those in core need and rents are set at 30% of a household’s income. The remaining 40% can be rented to households with moderate incomes, who pay rents at or near the market level. However, if and when market rents exceed economic rents, operating subsidies must be repaid to the province. Homes BC thus marked the start of ‘repayable assistance’, a policy based on the idea that private market rents (re-set every five years) will rise much quicker than costs. When the assistance becomes due, the outstanding amount begins to accrue interest. At this point the subsidy becomes an expense rather than a source of revenue (Findlay and Stobie 2007). Although mortgages and supply subsidies last for a 35 year period, the operating agreement does not terminate for 60 years and includes clauses which require the provider to maintain its non-profit status, limiting conversion or sale during that period (Canadian Housing and Renewal Association 2002b).

Homes BC also included 100% targeted component, the Homeless/At Risk program, which offers operating subsidies to groups working in partnership with community agencies to create self-contained housing for homeless or at-risk individuals requiring support services. The Homes BC program was one of the first programs to emphasize partnerships between non-profits and other agencies, which has emerged as a central premise of BC Housing’s operations. The partnership theme has since come to dominate the type of program assistance the provincial housing corporation has offered to non-profit societies.

[3] One exception to this is buildings operating under the Post-1985 Section 95 Urban Native and Urban and Rural Non-Profit Programs. Tenants under these agreements pay 25% of their gross household income.

The election of the Liberal government in 2001 brought a yet another shift to provincial housing policy objectives. Homes BC was renamed the Provincial Housing Program and income mixing was abandoned in favour of subsidizing the most vulnerable. The partnership trend was continued in 2002 with Independent Living BC (ILBC), a public-private partnership between BC Housing, the Regional Health Authorities, the private sector, and community-based groups offering support for low-income seniors and adults with disabilities requiring some level of assistance. The ILBC program offers support to residents who do not require around-the-clock care, yet are unable to live on their own. Local health authorities are deeply involved in both the delivery and the administration, and have their own, separate agreement with the housing provider covering the delivery of support services (Findlay and Stobie 2007). This agreement is in addition to the one held between the housing provider and the province. While the province terms the program a housing and health partnership, others have argued it is a health program and should therefore be funded from the health care budget (Irwin 2004).

The federal government had almost completely withdrawn from housing administration through the 1990s (with the exception of Native housing), but returned in 2001 with the Affordable Housing Program. This provided provinces with grants to reduce the cost of building new social housing. In BC, these funds went into ILBC and the 2004 Provincial Homelessness Initiative, both programs requiring partnerships between housing providers, health authorities, and health service providers to both deliver and develop housing. The Provincial Homelessness Initiative resurrected the Homeless / At-Risk component of Homes BC. Cost-shared between the provincial and federal governments and 100% targeted to those in core need, projects created under the PHI program are generally developed as partnerships between service agencies and housing providers. Under this agreement, BC Housing offers subsidies to cover the gap between economic and RGI rents. If a project generates an operating surplus, this is used to reduce the amount of subsidy received.

The Community Partnerships Initiative is another current program through which the provincial government has funded the development non-profit managed housing, although this support has been primarily directed towards shelters and transition houses (Findlay and Stobie 2007). Under the CPI program, providers enter into ‘contribution agreements’ rather than operating agreements, and receive a one-time grant, mortgage financing, or rent supplements to reduce the capital cost of development on stand-alone or one-of-a-kind projects. This funding is supplemented by financing from other partners, which may include the non-profit society, the private sector, the local municipality, community groups, and/or foundations.

2.4 SUMMARY

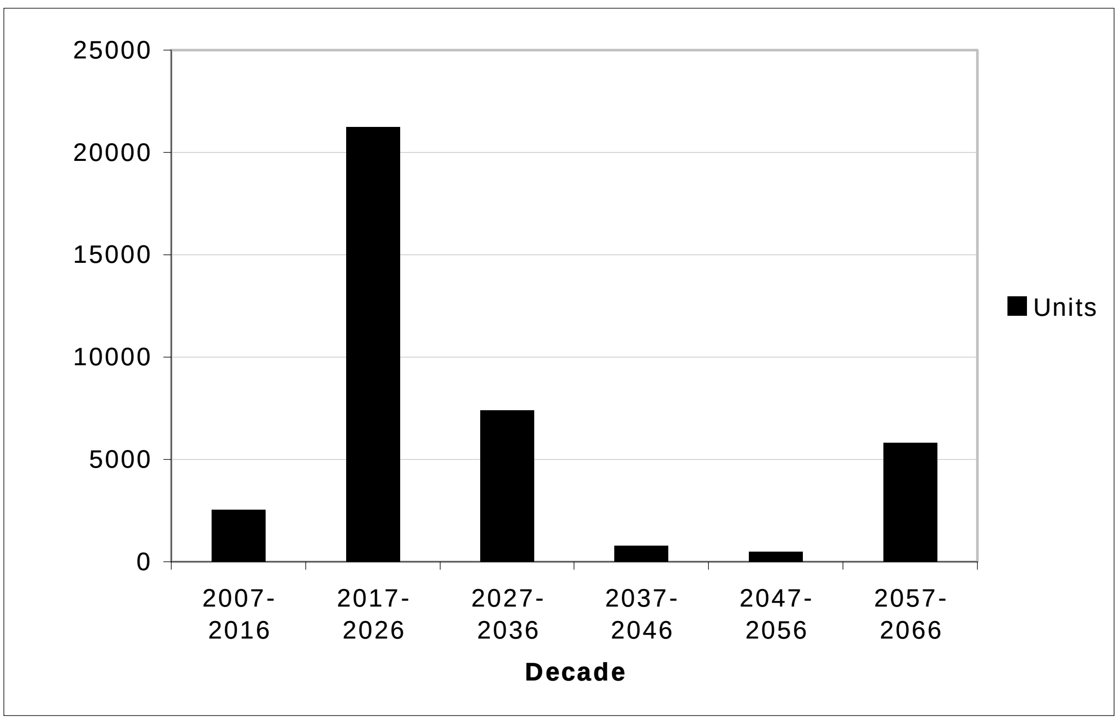
Operating programs and their associated subsidies have constituted a long-term, secure source of funding for the non-profit sector over the past four decades. However, recent years have seen new operating programs target and restrict access to subsidized housing to those households with complex health and housing needs – a marked shift away from the mixed-income approaches of the past. With this shift has come an increasing emphasis on the use of multiple funding partners. Local governments have come to play an increasingly important role in housing as well; a trend that is wholly supported by the province. These trends present considerable challenges to non-profit housing societies nearing the end of their current operating agreements as well as those attempting to find funding for new projects. The following section explores the recent housing policy trends behind these new programs further and considers the challenges – and opportunities – these present.

3.0 HOUSING POLICY TRENDS AND IMPLICATIONS FOR THE NON-PROFIT SECTOR

3.1 EXPIRING OPERATING AGREEMENTS

Over 99% of country's social housing agreements, including federally funded, cost-shared, and provincially funded agreements, are set to expire within the next thirty years (Connelly Consulting Services 2003). In British Columbia, a total of 38,262 non-profit managed units are covered under ongoing operating agreements and associated subsidies. Over 80% of these agreements will expire by 2036, with the remainder expiring by 2066 (BC Housing 2007). While the provincial situation is slightly less dire than the national situation, the shift in provincial policy away from ongoing subsidy agreements means that these expiries will have considerable impact on the continued viability of these units, and indeed the non-profit societies managing them.

Figure 1. The Timing of Operating Agreement Expiry in B.C.



(Adapted from BC Housing 2007a)

The financial impacts of subsidy withdrawal will not be distributed equally across all developments, as each operating program offers varying levels and forms of assistance. The design of non-profit housing programs assumes that rental revenues will be sufficient to cover operating expenses such as utilities, maintenance, insurance, administration and management once the mortgage is paid off. This is not the case for all projects. A number of housing programs offer subsidies that exceed the mortgage payment and help bridge the gap between economic rents (the 'break-even' cost of a building) and actual rents received from tenants. The Post-1985 Section 95 is one example of this. The subsidy offered through this program matches the building's operating deficit, which means that the size of the subsidy is dependent upon the makeup of the tenants and their incomes. The drop in subsidy income will exceed the drop in expenses related to the end of the mortgage for those projects that house a high proportion of deeply subsidized tenants. Projects in this situation are therefore likely to face financial difficulty after expiry despite having paid off the mortgage, because these buildings will not generate enough revenue to cover their operating costs. Some projects may face further problems if they do not have sufficient reserves to meet the need for capital replacement. Without additional financial assistance from the federal or provincial government, these projects will need to find new ways of generating revenue.

There is currently no plan for any future federal reinvestment in non-profit housing, and it is clear that the provincial government is moving along a similar path as it continues to target and restrict funding for non-profit societies and encourage local government and private-sector participation in the development and financing of social housing. Once existing agreements expire and subsidies are withdrawn, financial viability will be of large concern for many non-profit housing societies.

3.2 TARGETED AND RESTRICTED ACCESS TO FUNDING

Current provincial housing policies show a strong desire to support those with complex health and housing needs. This is apparent in two recent documents – the BC Housing 2006-2007 Annual Report and the Provincial Housing Strategy, *Housing Matters BC.* The Annual Report (subtitled *Housing Matters)* sets the goal of responding to gaps in the housing continuum. The province has three strategies through which to accomplish this goal:

> 1. Expand the supply of units through targeted housing programs, in partnership with other levels of government and community and private-sector partners;
> 2. Provide market rental assistance to seniors and low-income families through SAFER and the Rental Assistance Program; and
> 3. Adapt existing buildings to target resources to vulnerable citizens.
>
> (BC Housing 2007b)

Under the Provincial Housing Strategy *Housing Matters BC*, households with special needs (such as seniors requiring support services, persons with physical and mental disabilities, and persons with addictions) are given priority access to subsidized housing. Both new housing and any existing housing stock that becomes vacant is to be targeted to those with complex housing and health needs, and "where possible, non-profit societies will be encouraged to serve clients having more challenging special housing needs" (BC Housing 2006, 8).

The provincial housing policies of recent years exhibit a general shift away from the long-term subsidy programs common in past decades. The long-term programs that do exist target and restrict access to subsidized housing to those with complex health and housing needs and, by extension, non-profit societies serving this type of client. It can be argued that these sorts of programs are in fact health initiatives that would be more appropriately funded from the health care budget. From this point of view, this policy could be seen as a diversion of federal funding for the construction of new social housing (via the 2006 Social Housing Agreement) into the health care system. According to the Executive Director of Society of Hope, the largest provider of non-profit housing in the interior of British Columbia,

> They've focused these last couple of years on homelessness, but five years before that they focused on assisted living for seniors. In my opinion that's more like putting money into health care than it is into housing, because almost all the units that are built are assisted living ... It's a good initiative, but that initiative came at the expense of developing independent housing for seniors and families (Personal interview May 14 2008).

Not only is new funding directed towards these types of households, but existing provincially-owned subsidized units are also slated to be renovated and converted to better support those with special needs. While this strategy does not technically remove any units from the stock of affordable housing, it effectively eliminates these units as an option for those who do not require extra supports.

Financial assistance for the development of other types of non-market housing (i.e. for low income families, independent seniors, and others) is now largely available only in the form of one-time grants which require the non-profit provider to find supplementary sources of funding. This brings both a high level of uncertainty and an increase in administrative requirements, which can strain already struggling and resource-limited societies. The province has proposed that other households be supported not through the non-profit sector, but instead through cash rent supplements designed to reduce the cost of rent on the private market. As the *Housing Matters BC* strategy explains,

> portable housing allowances that can be used in the private rental market are the most economical way for the government to assist these low-income households that do not quality for a subsidized housing unit (BC Housing 2007, 12).

Low-income households will be assisted through the Rental Assistance Program, which offers a portable allowance to help those who do not qualify for a subsidized unit find housing on the private rental market. However, to be eligible for the program, households must have at least one dependent child, a gross annual household income of $35,000 or less, and must have been employed at some point over the previous year. The maximum subsidy available to a family of three or less is $585 (with the exception of households in Metro Vancouver, who can receive a maximum of $653), regardless of the household's monthly income or the rent they pay (BC Housing 2008). The Shelter Aid for Elderly Renters (SAFER) supplement offers similar assistance to independent seniors.

Historically, the primary supply of affordable housing has been created through private sector construction of rental units. However, the same market that created this stock of affordable housing is now eroding it as aging properties age are demolished, redeveloped, and converted to more profitable forms of housing like condominiums. Demand-side housing programs such as rent supplements fail to address the underlying causes of unaffordability - such as market pressures and low vacancy rates - and therefore offer a solely short-term solution to the problem[4]. Conversely, enabling local non-profit societies to build, own, and manage housing where it is most needed results

[4] The advantages and disadvantages of demand-side programs are too complex to fully consider here. For further discussion, see Lewis 2006.

in a permanent stock of high quality, affordable housing in the community. As one Executive Director stated, “I am hoping that [the government will] still recognize there’s a place for the non-profit sector to build and operate. I do believe in the long term our program is more effective” (Personal interview May 14 2008). Moreover, there is evidence that subsidizing households through non-profit managed units is in fact more cost-effective than subsidizing these tenants through shelter allowances on the private market, since operating costs (and by extension, rents) increase more rapidly on the market (Black et al. 1997).

3.3 THE GROWING EMPHASIS ON PARTNERSHIPS

While funding for non-market housing has become increasingly targeted towards societies serving the most vulnerable, recent housing policies also exhibit a trend away from the provision of long-term, ongoing subsidies towards one-time funding that requires the involvement of multiple funding parties. These policies have emphasized the use of partnerships not only in terms of delivery, but in the development of new affordable housing as well. Current housing programs such as Independent Living BC, the Provincial Homelessness Initiative, and the Community Partnership Initiative illustrate the increasing emphasis on partnerships, in addition to the shift towards highly targeted funding. While the NDPs Homes BC program of the mid 1990s required income mixing and prioritized the needs of families with children and homeless persons or those at risk of homelessness, the 2001 election of the Liberal government has brought a tightened focus to only the most needy. These new policy directions – a focus on the most vulnerable, and the emphasis on partnerships – are apparent in the 2003 -2004 BC Housing Annual Report (subtitled ‘Partnerships that Matter’), which proclaimed that “partnerships are the key to increasing housing options for British Columbians in need” and are the “foundation of all our housing programs” (BC Housing 2004, 2).

The non-profit and voluntary sector as a whole is experiencing a greater emphasis on partnerships by the government (Scott 2003). Funding bodies wanting to ensure projects are well connected to their communities may see partnerships between different organizations as the most effective means of developing and implementing programs. They also present a way for primary funders to spread available funds across a range of organizations. The term ‘partnership’ may describe a variety of formal and informal relationships between housing providers, social service agencies, private sector organizations, and government funders (Findlay and Stobie 2007). Partnerships between non-profit housing providers and other agencies are not new; on the contrary, informal partnerships between housing and service providers have long been used to deliver housing and services in one central location. More formalized partnerships are also common. One example of this can be found in Vancouver, where the Affordable Housing Society has partnered with the Coast Foundation to provide housing and mental health support services. Such partnerships can be mutually beneficial, both for the providers and for the tenants.

While partnerships are not a new mechanism, there is a difference between mutually beneficial partnerships that arise out of shared goals and values, and partnerships that are imposed upon organizations, regardless of their actual efficiency or effectiveness. True partnerships take considerable time and resources to establish and maintain. It remains to be seen whether the emphasis on partnerships between government, the private sector, and non-profit societies - as present in current housing policies - will be beneficial for all involved.

3.4 INCREASING MUNICIPAL INVOLVEMENT

The trend in housing expenditures over the past two decades has shifted from almost fully federal to primarily provincial responsibility. Pomeroy (2007) identifies three significant policy decisions that have shaped the trend of devolving responsibility for the administration of housing. First was the 1985 policy framework, “A National Direction for Housing Solutions”, which encouraged provincial and territorial involvement in the design, delivery and funding of social housing. The Post-1985 Section 95 program was the first federal and provincial cost-sharing program developed under this framework. Second was the 1993 federal budget, which terminated all new federal funding for social housing, but noted that any savings realized from the more efficient administration of ongoing subsidy agreements would be reinvested in affordable housing. Finally, the 1996 federal budget announced further initiatives to improve operating efficiencies. This included offering provinces and territories the management of the social housing portfolio, fixing the federal contribution to housing at the 1995/1996 level, and allowing provinces and territories to retain any savings and reinvest them in housing.

A report commissioned by the Canadian Housing and Renewal Association (CHRA) found that various transfer agreements between the federal and provincial governments have concealed a considerable leakage in the amount of spending. Savings generated through operating efficiencies, falling interest rates, and other mechanisms have not been reinvested as required by Parliament (Pomeroy 2007). The federal government has sought to narrow its focus to core federal areas and cede responsibility in other areas – such as housing - to the provinces. Recent provincial policies supporting the involvement of local governments in the provision of social housing appear to mirror this trend.

The past few years have seen increasing municipal involvement in the funding and development of affordable housing, a trend that is supported by the province. The provincial government’s 2004 Community Charter grants municipalities autonomy and provides them with more independent powers in their jurisdictions, including the power to negotiate land developments, to raise revenue outside the property tax base, and to create partnerships with private and non-profit organizations (Findlay and Stobie 2007). Municipalities have become critical players in the provision of affordable housing because of this new autonomy, particularly with the renewed emphasis on partnerships by the provincial government. Their role has often taken the form of financial assistance, whether through direct contributions or cost reductions, leasing land at a nominal price, or zoning to mandate particular forms of tenure.

One example of the growing role local governments have come to play in the provision of affordable housing can be found in Vancouver, where a partnership has emerged between the province, the City of Vancouver, and numerous non-profit housing and service providers to provide up to 1,200 units of social and supportive housing under the Provincial Homelessness Initiative (Gray 2008). The City owns twelve sites, and has committed to developing them as subsidized housing targeted towards those in core need, including low-income urban singles, homeless persons, and those at risk of homelessness. Between 30 and 50% of the units at each site are to be supportive units (Gray 2008). The City’s role in the partnership includes leasing the sites to non-profit housing providers for 60 years at nominal, pre-paid rents exempt from property taxes for the term of the lease. The province is funding all pre-development costs through to the issuance of the development and buildings permits. The province is also providing funding to build and operate the projects under the PHI program, though funding is also expected to come from the federal government, corporate and private donors, and the non-profit housing and service providers themselves. Where the housing provider does not offer mental health and addiction services themselves, a partnership with a non-profit service provider will be sought as well. Construction is slated to commence on at least six of the twelve sites by the end of 2008. Similar partnerships have evolved under the Provincial Homelessness Initiative program in Surrey, Kelowna, and Victoria (BC Housing 2008).

3.5 CHALLENGES AND OPPORTUNITIES FOR THE NON-PROFIT SECTOR

A recent study by the Canadian Council on Social Development (in collaboration with the Coalition for National Voluntary Organizations) found that new funding strategies intended to increase accountability, self-sufficiency, and competition among the non-profit sector are instead undermining and eroding the capacity of the sector to fulfil its role (Scott 2003). The study also found that funding has become increasingly targeted to select groups. In a related shift, there has been a move away from a core-funding model to one that is largely project-based. Under a core-funding model, non-profits receive financial support to cover basic organizational and administrative costs, in addition to specific project costs. This model also allows non-profits to retain a significant degree of autonomy in how they select and implement their objectives. In a project-based model, funding is less secure and is by nature a short-term source. Non-profits must devote a significant amount of administrative time to chasing and applying for funding sources. While the process for securing funding has become more onerous and complicated, so too have the requirements for reporting on progress and funds expenditure (Scott 2003).

These trends are readily apparent in recent provincial housing policy and the programs these policies have spawned. This new type of funding emphasizes accountability and efficiency, both of which require ever-more extensive reporting. The increase in administrative requirements and the push to become more efficient undermines the ability of non-profits to serve their community-based missions. This also limits the potential for comprehensive, community-wide strategies and impedes effective service delivery and quality control, as societies must split their time between administrative tasks, delivery and management. Moreover, funding scarcity limits creativity, innovation, and the creation of true partnerships that evolve out of shared values and missions. The following comment from one Executive Director points to the difficulty of developing housing under a grant-based funding framework:

> The last six months I've spent enormous amounts of time responding to grant proposals to try and get a project off the ground. It's going out to 8 different funders, so by the time you do letters of intent and fill out applications and piecing together bits and bobs from all sorts of different sources in order to get a project, it's extremely exhausting. That's where so much of my energy is being spent (Personal interview May 5 2008).

Non-profit societies looking to maintain their existing assets and develop new housing outside of long-term operating subsidies face a considerable challenge. Funding scarcity and uncertainty limits the ability to plan for the future and increases the sector's overall volatility. As one contact put it, "in a crisis management mode, which is sort of where we are, you wait until it becomes a crisis and then you deal with it. It's not an effective means." (Personal interview May 5 2008). This in turn hampers recruitment and staff retention strategies, further compounding the problem of long-term sustainability.

Yet while the shift in policy presents considerable challenges to non-profit housing providers, it also offers them a number of opportunities. The movement away from ongoing operating agreements and long-term funding will mean fewer restrictions on tenant selection, rental rates, and general management policies. However, the primary opportunity operating agreement expiry and the shift away from this form of funding presents is autonomy. One advantage of autonomy is the potential for innovation and creativity. While providers will be challenged to meet their mandates without experiencing a loss in the quality of housing, there exists an opportunity for them to explore and develop innovative approaches to providing housing that fit both their needs and the needs of the communities they serve.

Affordable Housing Societies is one such provider. A long-established society, Affordable operates 49 buildings across the Lower Mainland. Fourteen of these operate under the Pre-1986 Section 95 program, which provides an ongoing subsidy to reduce mortgage payments from the market interest rate to an effective rate of 2%. Falling interest rates have meant that the annual subsidies for these buildings have declined while mortgage payments have remained the same – while Affordable's annual mortgage payments for these buildings are $2.7 million, they receive only $1.7 million in subsidies each year.

As a large society that owns the land these buildings are situated on, Affordable is looking forward to the expiry of these operating agreements in approximately ten years. With the mortgages paid off, the buildings will be producing a $1 million annual cash flow. Says the Executive Director,

> A number of organizations are worried about [how they'll remain viable] when their operating agreements expire. We're not in that situation. We're looking forward to that situation, to being able to develop projects outside of government programs... The provincial government's priority now is not our priority. Our priority is to provide housing for low and moderate-income families and seniors who can live independently, who don't need support services. And they're not doing those sorts of projects now. Starting in about ten years we'll be able to do those kinds of projects, so we're very much looking forward to that (Personal interview, May 14 2008).

Affordable intends to use that cash flow to redevelop deteriorating buildings and build or purchase more buildings. For those providers who own their land, then, operating agreement expiry brings a considerable opportunity. Not only will the building be generating revenue, but there will also be equity in the land that can be leveraged or used to attract partners.

Recent trends in provincial housing policy are evidence of the increasing uncertainty associated with sole reliance on government funding, and they present significant challenges to societies seeking to ensure long-term viability. The 2003 Canadian Council on Social Development study found that close to 94% of non-profit and voluntary organizations had recently sought to diversify their funding sources. The reasoning behind this included reductions in funding, increased demand for services, persistent financial problems, uncertainty and vulnerability, and pressure from funders to diversify

(Scott 2003). Providers of non-profit housing are experiencing similar issues as funding becomes increasingly scarce and demand for affordable housing rises.

Resource dependency theory posits that the key to an organization's survival is the ability to acquire and maintain vital resources (Froelich 1999). This imperative is continually challenged by conditions of scarcity and uncertainty, and requires the ability to adapt to a changing environment. Organizations that rely on few sources for resources become highly dependent on those providers for survival and exceedingly vulnerable over the long-term. Continual environmental change presents both threats and opportunities for non-profit housing providers. While traditional sources of income have become associated with growing uncertainty and scarcity, the opportunity exists to find new strategies that will diversify the funding base and ensure long-term sustainability. Organizational sustainability is dependent on not only the amount of funding, but the source of that funding as well. Providers of non-profit housing must therefore look to different types and sources of support to create more sustainable financial bases and dilute the risks associated with dependence on any one funding body. The following section explores a number of strategies societies can utilize to increase their organizational stability and ensure they remain viable in the future.

4.0 STRATEGIES FOR ENSURING FUTURE VIABILITY

This section explores what non-profit providers can to do grow the sector, maintain independence, and secure a sustainable future. In the face of dwindling government funding and the desire to ensure continued viability in the future, it is necessary to reconsider whether the sector is using too few mechanisms to secure affordable housing. Seven different strategies are presented and discussed below. These strategies emerged from a review of the literature and interviews with non-profit housing societies and the BC Non-Profit Housing Association.

Table 4. Strategies for Ensuring Future Viability.

STRATEGY	DESCRIPTION	EXAMPLE
• Preventative Maintenance	• Improve rental potential and prevent future problems by undertaking continual preventative maintenance • Utilize green technology when undertaking capital replacement to improve energy efficiency	• Aqanttanam Housing Society • Society of Hope
• Strategic Partnerships	• Create strategic-level, mutually beneficial partnerships with core community groups, other non-profit societies, and local governments – from sharing services to developing new projects	• Nanaimo Affordable Housing Association • HFBC Housing Foundation
• Redevelopment and Densification	• Redevelop aging low-rise buildings at higher densities to make the best use of land and increase the stock of affordable units without purchasing additional land	• HFBC Housing Foundation • Affordable Housing Societies
• Market-based Development	• Utilize private-sector strategies to develop affordable market housing	• Parkdale Place Housing Society • Society of Hope
• Purchasing Market Rental Properties	• Acquire existing rental market properties to ensure continued affordability to market and non-market tenants	• HFBC Housing Foundation
• Adjusting Rent Mix	• Undertake market assessment to determine potential for improving rental revenue	• Aqanttanam Housing Society • Affordable Housing Societies
• Social Enterprise	• Create a for-profit business venture to generate funding for mission-related activities and provide social benefits to the broader community	• Atira Women’s Resource Society

4.1 PREVENTATIVE MAINTENANCE

Description
The oldest social housing stock is now nearing fifty years of age and is in need of major renewal and repairs. Most operating agreements require the establishment of a capital or replacement reserve fund that is grown through monthly contributions to an original subsidy amount. During the first decade of operating the need for replacement is minimal and the fund is able to grow due to compounding interest. Capital replacement reserves for projects built since the 1970s and 80s will not have had the benefit of the large initial contributions that the agreements covering older projects allowed for, and may therefore be underfunded (Pomeroy 2007).

A project may be viable post-operating agreement from a cash flow perspective; however, this does not rule out the potential for maintenance-related problems. Ongoing preventative maintenance of buildings and steady monthly contributions to a reserve fund are therefore essential if a society wishes to increase their financial autonomy and remain viable post-operating subsidy. Societies operating buildings outside of government programs will also want to consider creating a reserve fund if they have not already done so.

Example
Kelowna's Society of Hope offers a lesson to societies facing the end of their operating agreements. They operate two buildings under the Post-1986 Section 95 2% write-down program. Built in 1981, the agreements were set to expire in 2011; however, the two buildings had been in some financial stress for many years due to falling interest rates which saw subsidies declining at a faster rate than operating costs. In 2003, the society reached a crisis point as the buildings were severely under-maintained and required major roof repairs. The Board made the difficult decision of defaulting on the mortgage and putting those funds towards maintenance and improvement instead. Once the responsibility for the housing portfolio was devolved to the province, the society was able to enter into a new operating agreement and refinance over a longer period of time. Renegotiating the mortgage at that point was a simple process because the buildings had been properly maintained. The lesson to take away from this is that having one's buildings in good repair is the first step in ensuring long-term sustainability; conversely, "groups that have let their buildings deteriorate are going to have huge problems" (Personal interview May 14 2008).

Societies with upcoming operating agreement expiries would do well to follow the lead taken by Aqanttanam Housing Society as well. This society operates one apartment building and 26 scattered units in Cranbrook. The operating agreements covering three of these units have expired. Anticipating the problems expiry might bring, Aqanttanam ensured that all maintenance issues were taken care of in order to avoid a crisis once the subsidies covering ended and their cash flows decreased significantly. If the units were in poor maintenance after expiry, the society likely would have had to rent them at higher rents to cover the costs of repair.

Discussion
Capital needs are easily neglected because the negative impacts of under-investment can take decades to be realized. This is of particular concern because a building's condition will affect its marketability to tenants with higher incomes. Having sufficient capital reserves to ensure building are in good condition will enable societies to attract and retain tenants able to pay close to market rent. The ability to attract these higher-

income tenants may significantly impact a project's financial sustainability outside of ongoing government subsidies.

Non-profit societies oversee the investment of their reserves, and their investment strategies need to be in line with priorities. The appropriate investment strategy will build upon a reserve fund and maximize investment revenue. A society with no foreseeable maintenance issues may want to consider a longer-term strategy to bring greater yields over an extended period of time. In Ontario, capital reserve investment is managed by the Social Housing Services Corporation, a non-profit organization that delivers various programs, support, and advocacy to the province's non-profit housing providers. Improved investment strategies and the Social Housing Reform Act requirement that most non-profits invest their reserves through the SHSC have increased the yield from investments since devolution[5] (Social Housing Services Corporation 2007). In British Columbia, the BC Non-Profit Housing Association plays a similar role in delivering education, services, and advocacy to the sector. BCNPHA's Funds Pooling Program offers the societies the opportunity for higher returns both on their chequing accounts (through the Pooling for Increased Earnings program) and on their replacement reserve investments (through the Affordable Housing Investment Pool).

The cost of maintaining existing units in an adequate condition is far less than the cost of constructing new units. Non-profit societies undertaking building rehabilitation will also have the opportunity to improve energy efficiency and create healthier living spaces. The savings realized through these energy conservation measures – which may include upgrades to windows, lighting, appliances, and heating, ventilation, and air conditioning - can be used to support capital borrowings in the future (Social Housing Services Corporation 2007). In Ontario, the Social Housing Service Corporation's Green Light Initiative provides one-window access to a variety of grant and loan programs to improve energy conservation. In British Columbia, the joint BC Hydro and BC Housing Power Smart Partner program has funded energy audits and retrofits on numerous buildings operated by non-profits to increase energy efficiency, save energy, and improve the general quality of housing.

4.2 STRATEGIC PARTNERSHIPS WITH OTHER NON-PROFIT SOCIETIES

Description
Partnerships provide a means to leverage the core competencies and resources of multiple organizations. In a 2003 survey of 135 non-profit housing providers across the province, 60% indicated interest in sharing staff or services, including maintenance, administration, contracted services, volunteer recruitment, fundraising, bulk purchasing, and client programs (Marason Management 2004). Partnerships may take a range of forms, from sharing services to working together to develop new housing. There is considerable potential to increase the use of strategic partnerships within the sector. Non-profit providers will need to determine those areas in which partnering will bring them maximum benefit.

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[5] In Ontario, the responsibility for social housing was further devolved to municipalities and regional governments in 2001.

Example
The Nanaimo Affordable Housing Society develops and manages housing and support services for people with special needs. While they operate under a mixed disability model, their focus has always been on housing and supports for tenants with psychiatric disabilities. Recently, NAHS has found that funding for this tenant group is hard to access. As the Executive Director states, "the priority [at BC Housing] right now is on the very hard to house. So anything I'm looking at new [is for that tenant group]. We're actually contemplating a low barrier project" (Personal interview May 15 2008). This project would involve partnering with a local women's shelter that is adept at providing services but is not interested in managing housing. The project would house approximately 45 families with some single females under a second-stage transition model, funded under the Provincial Homelessness Initiative. The shelter has identified a potential piece of land, owned by the City of Nanaimo and currently occupied by the SPCA, who is moving locations in a few months. If the proposal goes through, it would prove mutually beneficial to both NAHS – who wants to develop and manage housing – and the shelter – who wants to provide services. By partnering with an organization whose priority is aligned with the province's, the society is able to advance their mission – the provision of housing – as well. This strategic alignment is one way to take advantage of increasingly targeted funding.

Coleopy Park Developments, a non-profit society set up by the B.C. Corps of Commissionaires, offers another example of how a strategic partnership can be mutually beneficial for all parties involved. The Coleopy Park project consists of 58 units for seniors and families, and was built in 1990 on land owned by the City of Vancouver and leased for 60 years to the society. In 2003, the Corps of Commissionaires found they lacked the capacity to properly manage the property (Gray Assignment of Lease 2003). They approached HFBC Housing Foundation to take over the project, and, with the permission of City Council and BC Housing, transferred the lease to the more capable society. A similar approach was taken with Victoria's Medewiwin Apartments. The project started off as a 16-unit motel, and was converted to residential units in 1994 by a small non-profit society. The society found that they could no longer maintain the building; however, they realized it was important to keep the resource so they negotiated to turn the asset over to Pacifica Housing, a more experienced and established provider. In 2002, Pacifica expanded the building by adding an additional ten units, and in 2004, the project won the CMHC Best Practices in Affordable Housing Award (CMHC 2004).

Discussion
The unfortunate truth is that come operating agreement expiry, not all societies will have the capacity to sustain their buildings or indeed, to develop new projects. Partnering with other societies – be it to share services, develop housing, or even transfer ownership of financially stressed properties – is one strategy that will prove vital in the future. In order to achieve the desired results, it will be necessary to identify what it is each society wants to accomplish, and what resources each can bring to the table.

One way for smaller societies to begin working together is to hire a strategic planner. Success in implementing and adjusting to change is contingent upon intelligent planning for that change. The above-mentioned survey found that while many societies recognize this fact, only 40% of respondents produced an annual plan (Marason Management 2004). Strategic planning is an ongoing process which requires that societies look at where they are, consider where they want to be in the future, and determine what actions are necessary to get there. It shapes the nature and direction of a society's future activities. Multiple societies located close to one another that share similar values and missions may want to consider pooling their resources to hire a consultant to help them each formulate a strategic plan. A true partnership entails an authentic sharing of risk, responsibilities, accountabilities and benefits (Social Planning and Research Council 2007). The challenges facing societies will seem less daunting if they work together; however, they must have the commitment and the skills to do so if they are to be successful.

4.3 REDEVELOPMENT AND DENSIFICATION OF OLDER PROPERTIES

Description
Redevelopment is becoming an important issue as older buildings begin to deteriorate and the land they are situated on increases in value. Many social housing projects are situated on land that has significantly increased in value since they were built, and were developed at lower densities than is the norm today. This increase in land value can be used to finance the creation of new units, either on the existing site or elsewhere. The Province has recognized this potential in its *Housing Matters* strategy, which calls for the redevelopment of older, obsolete buildings built on under-utilized land (BC Housing 2006). Little Mountain, the province's first public social housing project, is the first of these sites to be redeveloped.

Redeveloping existing sites at a higher density may be important strategy for maximizing land use and income for non-profits who own land. The densification of low-rise developments allows non-profit societies to make the best use of their land and provides a means to increase the stock of affordable units without requiring the purchase of additional land. This approach may be of particular relevance to non-profits owning extensive older, low-rise developments in urban areas.

Example
Perhaps the best example of how redevelopment can be used to both increase the number of non-market units and generate new forms of income can be found in HFBC Housing Foundation's experience with the 126-unit Lions View project. The three-acre East Vancouver site was initially purchased in 1952 and developed as 14 small buildings providing 90 units of accommodation. In the mid 1980s, the society began looking at ways of redeveloping and densifying the site to provide more units that would be more suitable for seniors. The final project is the result of a partnership between BC Housing, CMHC, Davidson Yuen Simpson Architects and Van Maren Construction. The project began in 1993 with the construction of Phase I, a 45-unit seniors' apartment building. The following year brought the construction of another 46 units under Phase II. Both these phases are subsidized and operate under the Post-1986 Section 95 Private Non-Profit program. The Board of Directors then agreed to sell a piece of the property to the developer for Phase III, a market condominium development. This profit-sharing agreement generated income to fund the development of Phase IV, a 34-unit seniors' building which provides affordable low-end-of-market rental units without government subsidy.

Redevelopment could be undertaken as part of a broader, city-wide densification strategy. This is part of the impetus for the redevelopment of the province's first public housing development. Built in 1954, the 15-acre, 224 unit Little Mountain site in Vancouver's Riley Park neighbourhood is currently undergoing a comprehensive redevelopment and intensification process in order to create a "high quality, higher density, socially inclusive and environmentally sustainable community" (BC Housing and

City of Vancouver 2007). BC Housing, the owner of the site, will be providing tenants with a moving allowance and helping them relocate to other subsidized units. Once the redevelopment of the property is complete, tenants will have the option of moving back into a unit suitable for their needs. In addition to replacing the current number of subsidized units, a number of new market units will be created. The net proceeds from this redevelopment will be invested into the development of social housing across the province, with half of these proceeds are to be invested in the City of Vancouver.

In Richmond, Affordable Housing Societies operates two projects that they intend to redevelop once the operating agreements covering them expire. When they were built 20 years ago, the lower density wood-framed townhouses fit in well with the single-family neighbourhood. However, the past two decades have seen considerable development in the neighbourhood, and the buildings are now located within a few blocks of City Hall, an attractive park, and #3 Road, a major transit corridor that will soon be home to a new rapid light-rail transit line. Once the mortgages have been paid off, it will make good financial sense to redevelop the buildings in a manner that best fits the surrounding area.

Discussion
For some societies, redevelopment poses an attractive opportunity to make the best use of their land. However, if the project is to gain community support, any redevelopment plans will need to be vetted in the community and by the tenants themselves. A phased development approach as taken by HFBC Housing Foundation allows for minimal disruption of tenants. Helping tenants relocate to other subsidized units and allowing them the opportunity to move back into the redeveloped property is another option.

Redevelopment at higher densities is a strategy that can deliver significant economic, environmental, and social benefits. It thus presents a valuable opportunity for non-profit providers seeking ways of sustaining themselves outside of an ongoing government funding structure. However, an understanding of how private sector real estate development functions is key to using market-based mechanisms to the non-profit sector’s advantage. As a strategy, redevelopment and intensification goes hand in hand with the market-based development detailed below.

4.4 MARKET-BASED DEVELOPMENT

Description
Non-profits have historically relied on a single government program to create affordable housing outside of the market. Development proposals were therefore geared to satisfy program criteria (Findlay and Stobie 2007). The guarantee of a single funding source means that while each project may have particular features, all will conform in most respects to a single program template. Guaranteed funding also means that program-based development entails a low level of risk. Market-based development, on the other hand, entails a much greater level of risk as the viability of a project will be dependent on the market and not social policy objectives or program criteria. This risk can be spread among different partners.

The development of housing by non-profit societies outside of traditional government programs can be thought of as partnership-based development (Findlay and Stobie 2007), an approach which combines element of both program- and market-based development. Senior levels of government will generally be financially involved;

however, this involvement often takes the form of one-time grants rather than ongoing subsidies. Other partners may include architects, developers, local governments, and charitable foundations, who provide a range of financial and in-kind support to the project. This strategy enables non-profit housing societies to meet the needs of households who fall outside the purview of available social housing programs, which have tended to focus on the physically or mentally disabled, seniors requiring supports, and the homeless, and whose needs are not being met by the private sector.

Example
Parkdale Place Housing Society was formed in 1976 to provide affordable housing and services to seniors living in the Okanagan. Over the years, the society has developed a market-based approach to developing new affordable housing outside of the ongoing government subsidy structure. The society's administrator views their approach as

> a transition from relying on the system to creating your own system for survival. That's a key component to being successful and having a sustainable project once your operating agreement has expired (Personal interview May 14 2008).

The society's three sites offer a range of housing options for seniors, from independent rental apartments to supportive living suites with hospitality services across 158 units. One of their projects, Angus Place, is an 83-unit supportive housing development for independent seniors in Summerland. The first phase, built in 2000, is comprised of 50 units, 15 of which are subsidized through an operating agreement with BC Housing under the Provincial Housing Program (formerly Homes BC). The remaining 33 units were completed during a second phase in 2005. The process through which this second phase was developed provides an innovative example of how affordable housing can be developed outside of on-going operating agreements.

Parkdale Place Housing Society used a combination of internal, municipal, provincial and federal resources to fund the $4.65 million capital cost of the expansion, which included 33 one- and two-bedroom units, and an expanded kitchen and dining room. The society used the equity in their existing land to purchase two small adjacent lots. They eventually tore down the buildings on those properties and began construction on the expansion. CMHC provided seed money for the initial feasibility stage, and BC Housing provided a $500,000 grant through its Community Partnership Initiative. This grant is used to ensure affordability over a 20-year period; the grant must be refunded if at any point the rents rise above this mark. The District of Summerland also played a large role by contributing over $160,000 in concessions in the form of a 5-year property tax exemption, a 50% reduction in Development Cost Charges, and a 50% reduction in the building permit fee (District of Summerland 2003).

The new units are life leases wherein tenants pay an entry fee. This fee is refunded when the tenant moves out of the development, but for the duration it is pooled into a Future Development Fund. This fund enabled the society to purchase Parkdale Lodge, their third site. The monthly rent includes a daily meal, weekly housekeeping, laundry services, recreational activities, and averages $1,215 for a one-bedroom and $1,625 for a two-bedroom apartment. These rents are 25 per cent less than what a senior might pay to rent an apartment with similar support services in the area (BC Housing 2004).

Kelowna's Society of Hope offers another example of the market-based approach to development. Ten years ago, the society received a land donation; it was eventually sold as it was not appropriate for housing. Six years ago a new five-acre site was purchased using the funds from the sale. The Apple Valley property is currently undergoing a comprehensive regulatory development process, including a rezoning, subdivision, traffic study, and release from the Agricultural Land Reserve. The process has been a very long and complicated one, and they still have yet to reach the development permit stage.

Perhaps more worrisome is that the society has not been able to secure funding for the actual development and construction of the Apple Valley project, the first phase of which is to include 48 low-end of market and 40 close to market rental units for seniors. The developer of the adjacent site has expressed interest in supporting the project financially, and the City would likely play a role by reducing fees. However, the Society of Hope has yet to come to a firm agreement with either potential partner. Says the Executive Director of the society, "we have the land, and we have the idea, but I certainly haven't got the money in the bank, and I certainly haven't gotten a commitment" (Personal interview, May 14 2008). While land is an important asset – perhaps the most important in market-based development – in some cases it may not be sufficient to attract the level of capital required.

Discussion
Recent government housing policies have emphasized and encouraged the sorts of partnerships used by Parkdale Place and others. Market- or partnership-based development may well be an important strategy in developing housing outside of the long-term financial government involvement typical of previous decades. The partnership approach to housing may be more flexible than traditional program-based development, but it requires housing providers to be creative. Non-profit societies must therefore begin financial and strategic planning discussions immediately in order to take advantage of this opportunity.

Parkdale Place has developed and evolved a market-based approach over time, and can therefore serve as a parallel to societies nearing the end of their operating agreements. However, this requires a keen understanding of the way development happens on the private market. Societies looking to draw in partners to an affordable housing project need to have a solid business plan in place that shows the project is viable and feasible, and what benefits involvement in the project will bring to potential partners. Those without the required expertise will want to consider bringing in consultants to create a business plan. Long-established non-profit societies will also want to sell themselves in terms of the value they bring to the community. Parkdale Place's administrator notes that "[being] a vibrant part of the community, that's a large part of the sell when you approach the City" (Personal interview, May 14 2008). Municipalities have become a key player in the development of affordable housing, and as the above examples show, their support (or lack of it) can make or break a project.

Societies will also need to consider what level of affordability they are capable of offering outside of ongoing government subsidies. One contact explained that it is simply not viable for unsubsidized projects to meet the needs of the very low income, who require deep subsidies. Another theorized that "it is so impossible [for mainstream developers] to do rental housing now, that even if we could do [affordable] rental housing it would be a miracle" (Personal interview, May 14 2008). The particulars of how this plays out will vary from society to society according to the size of their portfolio and their financial resources.

4.5 PURCHASING MARKET RENTAL PROPERTIES

Description
Demand for rental housing has risen in recent years, particularly in urban centres, and rental rates have increased as a consequence of this growing demand. This is a result of increased job opportunities, rising costs of homeownership, immigration and longer completion times on new multi-unit projects across the province (CMHC 2007). However, rents have not increased at the same pace as construction and land costs, which has made the financing of new rental development challenging and unattractive to mainstream private-market developers. As a result, few new rental units are being constructed and existing properties are being redeveloped and converted to more profitable forms of tenure.

One of the key ways the existing stock of rental housing in the United States has been preserved is through the acquisition and rehabilitation of properties by non-profit and co-operative housing groups (Kraus et al. 2004). In Canada, this resource has been largely overlooked (Pomeroy 2005); however, the acquisition of rental housing by the non-profit sector makes particular sense in a tight housing market – as present in many municipalities across the province - where the stock is under threat.

Example
One society that has made use of this strategy is the HFBC Housing Foundation. Established in 1952, HFBC's primary focus has been on providing housing to low-income seniors able to live independently. Their current portfolio consists of 756 units in 23 developments serving families, seniors, and persons with disabilities in the City of Vancouver. Eight of the Foundation's projects are mortgage-free and generate a positive cash flow. This revenue provides internal subsidies to households unable to afford market rents, and constitutes a source of equity for a New Sites / Redevelopment fund, which provides capital for investment in new projects.

As of May 2008, HFBC has used this equity to purchase five existing market rental buildings and convert them to non-market housing. HFBC's newest acquisition is 5550 Yew Street, a $4.4 million, 22-unit rental property in Vancouver's Kerrisdale neighbourhood. The Foundation is investing $1,000,000 of their own equity in the property, and providing $30,000 a year in ongoing subsidies. BC Housing is providing a capital grant of $250,000 and a financial guarantee for a $2,937,020 mortgage, and the City of Vancouver is slated to provide a matching capital grant, to be funded through the Development Cost Levy fund (Gray 2008). While the project will be covered under an operating agreement with BC Housing (and a housing agreement with the City), it will not receive an ongoing subsidy. Instead, it will be operated as market rental housing, with vacancies to be filled by households in core-need, subsidized from revenue generated by the Foundation's larger portfolio.

Discussion
The primary supply of affordable housing has historically been created through the private sector construction of rental units. However, the same market that created this stock of affordable housing is now eroding it as aging properties are demolished, redeveloped, and converted to more profitable ownership forms of housing. Acquiring properties that currently rent at average market levels and preserving these for lower-income households could be an effective way to expand the stock of affordable, non-profit managed housing. This would curb the erosion of affordable rental stock that happens as a result of rent inflation, sale and conversion or demolition. If rents were

maintained at or slightly below market levels, this acquisition would also provide a considerable flow of income to the non-profit society's portfolio.

This strategy therefore addresses both the ongoing erosion of affordable market housing and the desire to diversify funding bases to create more non-market units. This approach would also reduce the likelihood of NIMBYism (Not In My Back Yard), a common issue with many new construction projects and particularly those housing low-income tenants. Moreover, acquiring market properties would help to incorporate the affordable market stock into a non-profit management framework that is more capable of integrating the social service and housing needs that are a proportionally greater issue for the renter population. Another benefit of this approach is that any future redevelopment involving an increase in density will bring benefits to the public, rather than a private owner.

4.6 OPTIMIZING RENT MIX

Description
Non-profit societies have been able to offer rents set at 30% of a household's income with the assistance of ongoing government subsidies. This is known as rent geared to income, or RGI. Many operating programs mandate the proportion of RGI units a development must have. In some cases (e.g. the Post-1986 Section 95 Program) a development may be comprised entirely of RGI units. The revenue generated from such units will be highly variable, depending on each household's income; this variability is not an issue when the society receives subsidies to keep rents at these levels. Societies may be able to increase the revenue received from RGI units by identifying particular units suitable for tenants in shallower need; i.e., those who have a higher level of income. Other programs, such as *Homes BC* and the Pre-1986 Section 85 program, required income mixing. Developments operating under this program and others will have a mix of tenants, ranging from those in core need (paying 30% of their income) to those able to afford rents at or near the market level. This is known as Low End of Market Rent, or LEMR. Societies with mixed-income developments may be able to increase their market revenue by optimizing the rents set at the LEMR level. This would be done through a market assessment, which compares rents in comparable private market units to determine whether there is potential for improvement in the non-market LEMR units.

When operating agreements expire and subsidies are no longer in place, maintaining rents at such low levels may prove difficult or impossible. Post-operating agreement, societies will have the opportunity to convert rent geared to income units to units having slightly higher rents.

Example
Aqanttanam Housing Society operates one apartment block and 26 scattered apartment units under the Post-1985 Section 95 Urban Native housing program in Cranbrook. While the society does not own any land, they will own all their units when their operating agreements expire and the mortgages have been paid off. Aqanttanam has three units which have left their operating agreements and are the first Aboriginal housing provider in British Columbia to experience operating agreement expiry. The society ensured that all maintenance issues in the three units were taken care of before the agreement and subsidy expired in order to avoid issues later on.

Rents are set at 25% of a household's income under the Urban Native program. The society was not able to maintain this level of subsidy after the agreement expired. Although all three units were generating income, the low rents meant that this income was not sufficient to cover the ongoing costs of insurance, property taxes, and basic administrative duties. The society made a decision that having one unit subsidized was preferable to having no subsidization at all, and raised the rents on two units to reflect the market at the time ($750). They gave the two tenants one years notice of the rent increase, and gave them the option of staying and paying the higher rent, or moving (at the society's cost) to another subsidized unit when it became available.

Affordable Housing Societies operates 3000 rental units throughout the Lower Mainland under various housing programs. They own the land for fourteen of their developments, all of which operate under the Pre-1986 Section 95 program. Approximately 80% of the tenants in these buildings pay market rent, while the remainder pay rent geared to income (RGI). The revenue generated from these rents makes up for the shortfall between their subsidy and their mortgage payments. The Executive Director noted that the ratio of RGI to market tenants is variable according to the physical condition of the buildings:

> [I]f we have major expenditures that we need to make... then we have to back off a bit on the amount of income testing that we do. [As a subsidized suite becomes available], we'll offer it to a market person. And if we don't need to spend as much on maintenance items, then when a market suite turns over, we'll move a subsidized person in. So we go back and forth on that a bit (Personal interview, May 14 2008).

Discussion

According to one contact, the concept of adjusting the rent mix or raising rents to more closely reflect the market is

> a tough one for societies to swallow, because that's a whole different way of looking at it. It is a whole philosophical change and shift... you're going from dealing with very poorest in our society to looking at the mid income level (Personal interview, May 14 2008).

Another Executive Director described juggling the desire to meet the needs of the most needy with the attempt to remain financially viable as an impossible challenge. In some cases, it may not be possible to keep all units below market. While this strategy will generate much-needed income that can be used to subsidize other units at below-market levels, it will require societies to assess what level of need they are able to address outside of an ongoing government subsidy structure. While this approach may not meet the needs of the very low-income, it will serve many lower- and moderate-income households whose needs are not being met on the market.

4.7 STARTING A SOCIAL ENTERPRISE

Description

One means of diversifying funding is the creation of a social enterprise, a for-profit business venture operated by a non-profit society. Under Canada Revenue Agency guidelines charitable organizations may operate related businesses that promote their missions, and may operate other types of businesses if the majority of staff are volunteers (Enterprising Non-Profits 2008). Social enterprises generate income for mission-related activities and provide social benefits such as employment to the broader community. A society may look to social enterprise as a way of advancing mission-related goals or meeting needs not met in the private market in a climate of diminishing government funding. The premise behind this is to “improve the brain and muscle of the nonprofit without damaging the heart” (Draimin 2000 cited in Scott 2003, 17).

Service organizations such as the YMCA have long used fee-based recreation programs to support their charitable activities, and many social service and relief organizations operate thrift stores to both support their activities and provide low-cost goods to their clients (Enterprising Non-Profits 2008). Social enterprises can take as many forms as there are reasons for starting them and as such, they offer a remarkable diversity of product and service offerings, financial returns, and outcomes. However, developing a for-profit enterprise requires significant organizational capacity and a strong understanding of the risks and realities of the business world.

Example
Social enterprises connected to affordable housing have become increasingly common as the non-profit sector is asked to meet a growing depend with fewer resources. The Canadian Housing and Renewal Association’s 40th Congress, held in Vancouver in May 2008, reflected this trend with a strong focus on the topic of entrepreneurialism in the affordable housing sector. One example of how a social enterprise can be used to diversify a funding base and increase organizational stability can be found in one non-profit’s experience. Atira Women’s Resource Society was created in 1984 and opened its first transition house serving the South Surrey / White Rock community in 1987. Throughout the 1990s, Atira expanded its services to include three first- and one second-stage transition houses, a women’s emergency shelter, and long-term supportive housing for ‘hard to house’ women in the Downtown Eastside. In addition to providing housing, Atira also operates a number of related support and outreach programs throughout the Lower Mainland (Abbott 2005).

As government funding for such programs diminished during the 1990s, the society found themselves falling short of covering their operating expenses. Fundraising efforts and short-term, project-based grants were not sufficient to cover their operating and administrative costs and in 2001, the society entered the property management business. Atira had over fifteen years experience with managing its transition houses, so property management - which involves maintaining relations with tenants, collecting rent, undertaking repairs and renovations, and supervising staff on behalf of the landlord – was a natural choice. Atira’s Executive Director became the CEO of the enterprise and developed a comprehensive business and marketing plan. After securing funding in the form of a $100,000 start-up loan from VanCity Capital, an $80,000 loan from the non-profit’s operating reserve, and a grant from the Enterprising Non-Profits program, the society was able to launch Atira Property Management Inc. (APMI) in October of 2002.

APMI is a for-profit social enterprise providing client-focused, personalized property management services to non-profit, co-operative, and market rental housing providers. The enterprise also offers educational and employment opportunities for former residents of the Society’s programs. The goal of the enterprise is to offer service to the community while reducing reliance on government funding, and three-quarters of the profits generated by the business are used to support the non-profit activities of the Women’s Resource Society (Atira website). In 2003, Atira Women’s Resource Society was awarded the Peter F. Drucker Award for Canadian Nonprofit Innovation for its creation of APMI. In 2005, APMI had 148 clients, including 28 strata contracts, 15 non-profit housing contracts, 7 co-op contracts, 5 commercial contracts and 93 investment units (Abbott 2005).

Discussion
Starting and maintaining a business is no easy feat. It is challenging to run a business, and even more challenging to make a business profitable. This reality becomes compounded when the business is secondary to a mission-based organization like a non-profit housing provider. The Executive Director explains the difficulty of running a business, and the considerable commitment that undertaking such an enterprise requires, as such:

> The business has been successful because I work 80 or 90 hours a week, and have been for five years. And that's what it takes; it's not unique to me... Most businesses fail. And not just social enterprises – most businesses fail, statistically speaking... It's a huge risk for an organization to start up a business... [and it requires] a 5-8 year commitment to make it profitable. (Personal interview, May 15 2008)

Having both a social and business mandate can impose an overwhelming strain on an Executive Director, and indeed the entire organization. In APMI's second year, the large debt load caused a cash flow crisis at the Women's Resource Centre. The Executive Director notes that she would not recommend a for-profit venture unless the organization is able to tolerate a high level of risk and stress tolerance. While Atira's priority remains on the women tenants it serves, balancing the needs of a business with this mandate can be trying.

The Executive Director warns that while social enterprise appears to have been the right decision for Atira, the circumstances and particular timing were unusually fortuitous. She notes that it would be unfortunate if other non-profit organizations were to conclude that it was the right decision for them. While she does not believe the experience of APMI is a replicable one, it does offer a valuable model to other non-profit organizations looking for ways to positively impact their community (Abbott 2005).

4.8 SUMMARY

As government funding becomes increasingly scarce and uncertain, societies must take the opportunity to increase their autonomy by exploring other mechanisms for maintaining and growing the stock of affordable, non-profit managed housing. The strategies discussed above are presented as avenues for societies seeking to increase their autonomy to consider. This is pertinent not only to societies facing expiry now, but also to those seeking to develop new housing outside of ongoing government subsidies. Other non-profits will not face the expiry of their operating agreements and associated subsidies for another 20 years. These societies will have the benefit of learning from others, and the luxury of time to plan for the future.

There is no one solution to the problem of financial viability. Certainly, the breadth of examples provided here point to the need to find the particular strategy or approach that works best for each society's abilities and resources. As the Executive Director of one society argued, no matter the approach, "you still have to make it your own, [something] that will fit in your community and for the culture of your organization" (Personal interview May 4 2008).

5.0 CONCLUSION

Provincial housing policies of recent years exhibit a general shift away from the funding structure of past decades, which offered long-term subsidies to non-profits seeking to develop affordable housing for a wide variety of households. The province has instead focused on serving “B.C.’s most vulnerable citizens” (BC Housing 2006). This has meant that the few long-term programs that do exist target and restrict access to funding to non-profit societies serving those requiring complex health and housing supports. At the same time, there has been a shift away from long-term funding for societies who serve other types of households, and the onus has been put on other parties – the private sector, local governments, and the non-profits themselves – to find other means of developing and maintaining affordable units.

These trends are evidence of the increasing uncertainty associated with reliance on government funding alone. While some societies have embraced the freedom that these policy directions offer them, others have struggled to retain their units at an affordable rent level. One society’s Executive Director acknowledged that

> one might say that we’re a bit soft, because we’re used to depending on government money. And there might be some truth in that. But I just don’t see how you can do anything of any size or consequence without government money (Personal interview May 14 2008).

Another society suggested that it is simply not possible for unsubsidized projects to meet the needs of the very-low income (Personal interview May 14 2008).

All three levels of government must contribute to sustaining the sector they have helped develop. The absence of affordable housing creates place-specific impacts that require addressing by local governments. In this sense, the continual downloading of responsibility for social housing from senior to lesser levels of governments is not necessarily unwarranted. The provincial government has supported the growing involvement of local government in the development of affordable housing. Yet while municipalities absorb responsibilities formerly the domain of senior levels of government, they face increasing pressure from constituents to maintain their primary income base – property taxes – at existing levels. Municipal governments are currently too fiscally restrained to make any significant investment in housing types whose profit margins are too low to be attractive to private developers. These fiscal constraints mean that while it may be the case that local governments are best positioned to manage housing, they currently lack the resource base to fund it. In Ontario, where responsibility for housing was devolved to municipal and regional governments in 2001, very few new units have been built and the existing stock has deteriorated or been converted to more profitable ownership housing (Pierre 2007).

British Columbian municipalities now have the ability to generate new sources of revenue through development cost levies, community amenity contributions, and other tax mechanisms. The Community Charter also grants municipalities the power to independently dispose of land below market value for social housing developments. Since many municipalities own a significant amount of land, this is perhaps the most valuable asset a municipality can bring to a partnership with a non-profit housing society. While leasing property to non-profits at nominal rates is a common mechanism now, this is essentially a “sixty year property management agreement” (Personal interview, May

14 2008), after which time the ownership of the land reverts back to the municipality who may do with it what they choose. Conversely, allowing non-profits to purchase this land creates a land-trust that ensures the property will serve the needs of the community indefinitely.

Federal and provincial investments over the past fifty years have created considerable assets in the non-profit sector at a local level and it is vital that those assets are maintained. All three levels of government must therefore play a role in investing in ongoing, sustainably funded affordable housing programs. However, it is time for the non-profit sector to begin discussions about long-term plans for transitioning out of operating agreements. The absence of a long-term strategy will result in non-profit providers being subject to the whims and ideologies of changing governments (Sharad 2007). It is time for the sector to begin its own strategic planning to ensure that its future – regardless of actions taken by government – is self-determined.

The strategies explored in this paper present a starting off point for discussions around how to maintain the existing stock of non-profit managed affordable units in a climate of scarce government funding. Successfully diversifying mechanisms for procuring and maintaining affordable units will bring a non-profit organization greater control over the stability and predictability of their income – in essence, greater autonomy. Yet while diversification reduces dependence on any one resource, it blurs the distinction between the non-profit sector and other sectors. It takes a great deal of skill and knowledge to simultaneously mimic private enterprise and perform a social mission, and the extent to which this is even possible may be questionable. Even if a society successfully starts a social enterprise or develops a project on the private market, there is still a danger that "in their struggle to become more viable competitors... [they] will be forced to compromise the very assets that made them so vital to society in the first place" (Ryan 1999, cited in Scott 2003, 57). It is therefore important that societies select strategies that best fit their particular situation and abilities. Non-profits who are unable to adapt to the changing social, economic and political environment while focusing on their mission may risk eroding their legitimacy. Indeed, "[e]nhancing or securing organizational capacity is only important... to the extent that it assists organizations in achieving their goals and aspirations." (Scott 2003, 11).

While the trend towards increasingly targeted and short-term funding poses many challenges to non-profits, perhaps the biggest challenge is change. However, this change also presents an opportunity for societies to examine where they are, to consider how they have conducted themselves in the past, and determine ways of ensuring they are sustainable in the future. As one contact put it, "With change comes chaos [and] uncertainty... and the opportunity to work through that process in order to come out on the other end with something that's viable and sustainable" (Personal interview, May 5 2008). This change presents an opportunity for the sector as a whole to increase its autonomy, to create its own future, and ensure its long-term viability. Above all, this will require societies to be adaptable, creative, and entrepreneurial in their thinking. Societies who are able to adapt to this change and utilize it to spark innovative solutions will succeed.

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APPENDIX A. INTERVIEW GUIDE

Introduction: My Master's Project focuses on identifying the challenges and opportunities presented by operating agreement expiry, and increasingly scarce and uncertain government funding. I am also exploring strategies societies have used in the past or are considering using to ensure sustainability and financial viability in the future.

1. Start off by telling me about your most recent project. How was it funded; is it covered by an operating agreement; were any other partners involved?

2. Does your society have any operating agreements expiring in the near future? What challenges or opportunities do you expect expiry to bring?

3. Do you have experience developing or managing housing outside of long-term operating agreements?

4. If so, how were these projects funded? Would you consider it a replicable experience?

5. What challenges or opportunities has your society experienced as a result of government funding becoming increasingly hard to access?

6. Has your society had experience developing market housing?

APPENDIX B. INTERVIEW CONTACTS

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