

Transforming the Sector

Moving from reliance on one time funding to permanent solutions

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Stephen Giustizia, CIHCM
CEO
Housing Development
Corporation, London

Don McBain, CIHCM
Executive Director
Ontario Aboriginal Housing
Support Services Corp

Shayne Ramsay, CIHCM
CEO
BC Housing

New One-Time Funding

IAH

SIF

SHIP

SHARP

SHEEP

Sector Realities

- **Government funding commitments are ending:** Over the next 2 decades, operating funding from senior levels of government will end.
- **Current funding model shortfalls:** Research indicates that the Canadian housing sector is facing a multi-billion dollar unmet capital funding need.
- **End of design life:** many social and affordable housing buildings have reached the end of their useful life and need wholesale redevelopment
- **Disproportionate housing needs**
- **Lack of a specific Indigenous strategy**

One time funding, while welcome, cannot adequately address these realities

The Need for Transformation

- Canada's social housing sector is in a period of unprecedented change
 - EOA
 - aging stock
 - limited new programs
 - lack of affordable housing
- These challenges call for nothing short of a fundamental shake-up of the sector and new ways of doing business now and into the future.
- In order to be sustainable into the future, housing organizations need to be innovative, business-like, and/or diversify their businesses, requiring a transformation of their business models.

Chartered Institute of Housing

What is CIH Canada?

- Professional body for the housing sector in Canada
- Offers accreditation programs for housing professionals; established in 2013
- Joint partnership between Housing Services Corporation (HSC) and UK Chartered Institute of Housing (CIH)

UK Chartered Institute of Housing:

- Established in 1918 as the professional body for the housing sector
- 22,000 plus members in over 20 countries
- Accredits housing education programs in over 100 learning institutions (Universities, Colleges) in the UK
- Accredits programs in Hong Kong, Macau, Taiwan, Australia, Republic of Ireland, Holland...and now Canada!

Our Purpose: To **strengthen** Canada's housing sector by establishing and supporting **professional standards**

CIH Canada was initially created to respond to the following issues:

- **Demographic shift** means those who learned the trade on the job are retiring; need to prepare “next” generation of housing professionals
- Limited **educational options** at post-secondary level to prepare for careers in housing
- No **reliable standard** for gauging and recognizing expertise of housing professionals



Chartered Institute of Housing

CIH Canada Founders Program

- Leadership Program for Distinguished Housing Professionals
- Founders Program leads to Chartered Member (**CIHCM**)
- Each Founder wrote a report on ***Transformational Change in the Sector***

Housing Partnership Canada (HPC)

Who we are:

- Peer based network of the CEOs of Canada's social/affordable housing providers.
- Dynamic and collaborative group which meets on strategies, business practices and policies to support the development, operation and sustainability of social/affordable housing in Canada.
- HPC members manage close to 200,000 housing units.
- HPC has a role to play in using its resources and membership to support innovation and promote new ways of thinking about the future of housing.



**Business Transformation: Promising
Practices for Social and Affordable
Housing in Canada**

Housing Partnership Canada

Edited by Housing Services Corporation & BC Housing

Research Team: Centre for Urban Research and Education
(CURE), Carleton University

September, 2015

Business Transformation Research Project



Business Transformation Research Project

- In 2015, HPC released a cross-Canada study on the strategies that support **business transformation of the housing sector** to ensure long term viability.
- Research conducted by Centre for Urban Research & Education (CURE), Carleton University, Ottawa.
- 33 organizations took part of in the study
- Almost all study participants have taken on some new activity outside of the traditional social housing provider role.
- Over half (22) reported **significantly** expanding into new activities.

Transformation Activities

The organizations participating in the study had undertaken a range of new activities to support sustainability, including:

- *Property sale or acquisition*
- *Redevelopment activities (implying a conscious effort to rationalize asset holdings)*
- *Expanding into new business ventures (selling professional services to other organizations or other non-social housing activity)*
- *Developed more mixed income type of projects to facilitate self-subsidization*
- *Entrepreneurial activities both commercial and social enterprise*

Types of Business Transformation Strategies

Strategy 1:

Cost Efficiency and Growth

Do more with less
(lean)

Enhance economies of
scale ("small is
unsustainable")

Merge/Acquire in order
to grow

Add to internal capacity

Expanded business
practices

Strategy 2:

Levering Core Competencies

Selling expertise to generate
new revenues (property
management services & head
office functions)

Drawing on accumulated
asset equity

Created subsidiary
corporations to provide
development consulting
services

Investing in skilled
competencies as
marketable service

Strategy 3:

Innovation and Enterprise

Cross Subsidize

Creating new forms of
housing

New financing models

Divest assets and
optimize portfolio

Autonomous business
oriented social enterprise

Expanding profitable
business lines

Strategy 4:

Enabling and Facilitating

Transfer asset ownership
to non-profit community
sector

Establishing a land bank

Keys to a Sustainable Sector



Municipal support - Access to land, rezoning, tax exemptions, expedited development approvals, waiving fees



Access to land equity now – not wait until mortgage/debenture expiry



Regulatory aid – remove regulations that hinder innovation or business approaches

Keys to a Sustainable Sector



Capacity development – new skills to meet new priorities; housing development, building financial models, writing business plans for financing. Bringing a business and professional lens to the future



New Partnership Models – between housing providers, with private sector, with municipalities

What do we have working in our favour?

- More organized sector than 20 years ago
- Cross country networks, like HPC and CIH Canada to support sharing best practices
- Strong asset base with un-tapped equity
- Recognition that solutions lie not in government, but at local and sector level

What do we have working in our favour?

- New thinking at local levels:
 - Creation of development corporations
 - New partnership models for development
 - New commercial enterprises and using them in different ways to support operations
 - Looking at new financing opportunities – built by the sector

Canada Housing Finance Corporation



Key to Self-Sufficiency

Sector based and sector driven.

Goals:

- Reduce reliance on government funding
- Leverage assets
- Deliver more affordable housing
- Be entrepreneurial & self-sufficient

Working Collaboratively

- Feasibility Study, Morrison Park Advisors
- Commissioned by **Housing Partnership Canada:**



Additional funding partners:

- CMHC
- Province of Ontario
- City of Toronto and Northern Service Managers –
Cochrane, Kenora,
Thunder Bay, Nipissing,
Manitoulin-Sudbury,
Parry Sound, Greater
Sudbury



Financing options matrix

	Banks	Government Debt Programs	Direct to Capital Markets	Dedicated Housing Lender
Ongoing funding stability	Depends	Possibly	No	Yes
Can handle fragmented sector	Somewhat	Somewhat	No	Yes
Customized to social housing	No	Somewhat	No	Yes
Leverages sector creditworthiness	Possibly	Yes	Yes	Yes
Low financing costs	No	Yes	Yes	Yes

Recent Federal Support

- **\$2.3B** investment in affordable housing over 2 years
- **\$500M/year for 5 years** in CMHC loans for affordable rental development
- Capital repairs backlog
- Expiring operating agreements
- Waiting lists/new development

**Total Commitment =
~\$4.8B**

**Total Need Over 10 years =
~\$72B - \$121B**

Proven Models

Housing Finance Corporation, UK

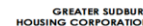
- Non-Profit Corporation
- Established in 1987
- Over £4 billion loans
- Direct capital markets
- A+ credit rating
- Staff complement of 20

First Nations Finance Authority, CAN

- \$10M fed investment
leveraged over \$100M loans
- 60% annual operating grants
- A- credit rating
- *“solid competitive position in
a niche market”*

Initial Projects Across Canada

- 20 providers
- \$1B financing need
- 73 projects of nearly 8,000 new and regenerated units



Federal Support – The “Ask”

1. One-time Guarantee to the Canada Housing Finance Authority

- \$100M federal first loan loss guarantee will lever \$1B in loans to the affordable housing sector

2. Support 50% of Finance Authority’s startup and operating costs

- From: \$208.3M Affordable Rental Innovation Fund
- Balance of 50% from the Canadian housing sector

Questions?

THANK YOU!

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