

Staying on Board:

Non-profit housing provider
board capacity in a changing context

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Abstract

As their funding and operating agreements with Canada Mortgage and Housing Corporation expire, non-profit housing providers look to their boards of directors for direction. Boards must adapt to a wholly new context in order to continue to offer low-cost housing: less predictable revenue, new regulations, a new relationship with a different part of the provincial government, and new opportunities to use the equity in their properties. At the same time, some of the previous context remains: aging buildings, low reserve funds, and sometimes, board makeup that has not changed in decades. Interviews with housing providers, policymakers, and others involved in low-cost housing provision in Manitoba show that while many boards are ready and willing to transition into their new context, others are not, and may require additional supports if they are to continue to offer housing into the future.

Introduction

Social housing ... has to be the responsibility of the government. You can't put that responsibility on non-profits. They [non-profits] are doing the work that government typically should do.
– Non-profit housing provider

For decades, non-profit social housing in Canada has been supported by volunteer boards of directors. Beginning in 1973, federal programs offered funding and support to local groups—churches, unions, service clubs, cultural organizations—to build and manage low-cost non-profit housing. This housing was established and governed through agreements between the local non-profit organizations and the government. The agreements provided operating funding and set out the regulatory context for the housing. These federal programs and the operating agreements enabled the development of non-profit housing that was “organized by a few on behalf of many” (Skelton 1996, p. 6), and that relied on local enthusiasm and commitment to providing housing for those in need. As such, members of boards, who may not have had any prior expertise in housing provision, have played a key role in meeting demand for low-cost housing in Canada (Skelton, 1996). Today’s low-cost housing policy environment is changing, however, and non-profit housing providers are embracing this change to different degrees, with some enthusiastically adopting new rent structures and new opportunities, while others struggle to continue to house low-income households (Manitoba Non-Profit Housing Association & Institute of Urban Studies, 2018; Cooper, 2022). The operating agreements, which provided a stable regulatory structure and significant amounts of funding, including deep unit-based subsidies, began to expire in the early 2000s, and will continue to expire until 2040 (Canadian Housing and Renewal Association, 2014). This paper argues that while many boards are ready and willing to meet this new context, others are struggling, leaving a potential gap in low-cost housing provision.

The governance of non-profit organizations in Canada is led primarily by volunteer boards of directors. Over the past few decades, as federal and provincial governments have transferred responsibility for

social programs to the non-profit sector, the work of boards has taken on increasing importance. Boards of directors are leading organizations in a wide variety of areas, including education, health, community development and housing. For the most part, research on non-profit boards has focused on the internal dynamics of boards, rather than on the broader structural factors that shape how they operate or the processes that are used in governance (Cornforth, 2012; Stone & Ostrower, 2007). These external factors, however, have large impact on non-profits as they take on greater responsibility for public goals (Stone & Ostrower, 2007).

In this paper, we identify key factors that shape how ready the boards of non-profit housing providers in Manitoba are to deal with a post-operating agreement context. Using a typology of board behaviour developed by Miller-Millesen (2003), we explore both the internal and external challenges that boards face as their operating agreements with the federal and provincial governments expire. We consider how they are responding to their changing context and identify factors that may put the successful provision of non-profit housing at risk. We argue that while many boards transition through their expiring operating agreement successfully, to maintain low-cost housing into the future policymakers must pay special attention to those boards that may need additional supports in renewing themselves and adapting to the new, post-operating agreement context.

A short history of non-profit housing in Canada

Canada's non-profit housing programs started in 1973, as the public housing development programs of the 1960s were slowing down. Local community-based organizations received funding from federal and provincial governments to develop and manage low-cost housing projects. Through operating agreements, capital and operating subsidies were provided to the housing projects. These reduced the up-front costs of building or acquiring the housing and made it possible to offer low and often deeply subsidized rents (Suttor, 2016). The non-profit and co-operative housing developed through these programs was widely acclaimed around the world as a model of low-cost housing provision (Dreier & Hulchanski, 1993). Through these programs, non-profit housing providers built thousands of units each year until 1993, when funding for new social housing development was cut and the responsibility for developing and managing housing policies and programs was largely devolved from the federal to the provincial level (Suttor, 2016). In most of Canada, this funding cut resulted in a sudden halt to construction of low-cost housing by non-profit providers, but ongoing subsidies, provided through already-established operating agreements, continued to be funded.

For the most part, board members of community-based housing organizations would have had little housing expertise when beginning to develop their housing in the 1970s and '80s. Skelton (1996) notes that "organizing social housing is an onerous task, requiring considerable amounts of bureaucratic and technical work" (7). Over time, boards have developed their expertise as they managed many different aspects of social housing development and provision, from establishing non-profit organizations in the 1970s, '80s and '90s, to today providing governance and planning direction to staff. As directors of housing provision, volunteer boards play a key role in the infrastructure of social housing and have made a significant contribution to the social safety net in Canada (Skelton, 2000).

Since 1993 the funding and regulatory context on the ground for housing providers in Manitoba has remained relatively consistent—as long as providers continued to provide low-cost housing, according to the terms of their agreements, they continued to receive federal funding and support. However, the policies shaping and supporting non-profit social housing are changing. Each social housing project has its own agreement, usually set to expire when the mortgage is paid off after 35-50 years. The agreements included various accountability and reporting requirements that structured how housing providers managed their housing. They set out rent structures and tenant mixes and, through the Manitoba Housing and Renewal Corporation,¹ regulated various aspects of housing management. As such, the agreements provided a substantial structure and operating framework that community-based organizations—often started by people with little or no experience in housing provision—were able to use for decades to manage low-cost housing.

The agreements also included both operating subsidies and rent-geared-to-income (RGI) subsidies, which enabled a proportion of units to be rented to very low-income households for 25-30 percent of household income. Agreements signed before 1985 usually required that between 15 and 30 percent of units be RGI. After 1986, a focus on housing provision for the lowest-income households meant that new agreements often required that 100 percent of units be RGI. The RGI subsidies enable non-profit housing providers to meet demand for very low-cost housing from households that cannot afford to pay even the operating cost of a unit.

These agreements are now expiring, and boards of directors must navigate a new context with fewer subsidies, particularly the deep, long-term RGI subsidies that enable providers to offer low rents geared to tenants' incomes. They must also shift away from the regulatory frameworks for low-cost housing provided by Manitoba Housing—their principal partner under the operating agreements—to the Residential Tenancies Branch,² which regulates private rental housing in Manitoba. In addition to implementing rent regulations, housing providers must also ensure that they comply with legal requirements such as employment standards, workplace health and safety, and human rights regulations without recourse to a portfolio officer at Manitoba Housing (Manitoba Non-Profit Housing Association & Institute of Urban Studies, 2018).

The transition presented by the expiring operating agreements would be difficult for any board to navigate. However, many housing providers find that their buildings are aging and beginning to need significant upgrades and repairs; they also may find that their reserve funds, which were often capped by the agreements, are too low to sustain the housing for the long term (Canadian Housing and Renewal Association, 2014). While many housing providers have strong boards that are eager to take on the challenges posed by the expiring operating agreements, others do not. Many board members are retired, and often boards rely on a small number of directors who, after having supported the housing

¹ Manitoba Housing and Renewal Corporation, usually called Manitoba Housing, is the provincial government body responsible for public housing policies and programs.

² The Residential Tenancies Branch is the part of the Manitoba government that is responsible for implementing the *Residential Tenancies Act*. It deals with all aspects of residential tenancies in Manitoba.

for many decades, risk burnout (Pomeroy, 2017). The capacity and effectiveness of both board and organization are thus threatened by a changing fiscal and regulatory context.

Understanding boards

Boards play an important role in supporting non-profit organizations. They draw volunteers from the community, who dedicate hours of time to meetings and other work for the organization. Boards play a variety of roles, depending on the organization, ranging from oversight and direction-setting to hands-on, day-to-day work to support the organization. They are also responsible for setting and implementing the organization's mandate and values, and for providing strategic direction. Boards are most often associated with governance, as it is the responsibility of the board to ensure that the organization is governed appropriately and well.

Governance means taking care of the organization and putting its interests first, before those of the individual board members. It also means overseeing financial, legal, ethical, and planning decisions, supervising the executive director or management company, and carrying out specific tasks to support the organization and ensure that the organization is sustainable for the long term (Kumar & Nunan, 2002; Stone & Ostrower, 2007). However, governance does not operate the same way across all organizations.

While boards are a very common mode of non-profit governance, they are not universally considered useful. Hill (2005) questions the very role of volunteer governance in non-profits, arguing that boards often take a disproportionate amount of time from staff in a context of limited resources, and that they are frequently dysfunctional and may not contribute much to the organization. She suggests that creating alternative models of governance might be a way to address the issues of struggling and dysfunctional boards. For most non-profit organizations, though, boards are part of the operating structure, so ensuring effective board function is essential.

The success of a board is affected by two primary factors. The first is how effectively the board can perform its duties, including developing long-term plans for the non-profit that align with the organization's mission, supervising the executive director, and ensuring the financial stability of the organization. These are internal factors based in the dynamics of the board and board members. The second is the capacity of the board to perform its duties. This is shaped by a variety of factors, including the formal structure of the board (size, organizational structure and supports, etc.), the make-up of the board and its internal dynamics, and the leadership of the board. The capacity of the board will render a board more or less effective in carrying out its duties and thus will affect the success of the organization (Murray & Harrison, 2014).

Both continuity of board members and renewal of the board are important for maintaining institutional knowledge. Retention of board members who know the history of the organization, and why certain decisions were made, is important for maintaining consistency in operations (Rochester, 2003). At the same time, new infusions of energy through the recruitment of new board members are important. Individuals join the non-profit sector for a wide range of reasons, including commitment to

organizational goals, for social recognition, to engage in social activities, to gain skills and experience, and because of emotional connections to the organization or issue (Miller-Stevens & Ward, 2019). Finding a balance between continuity and renewal is necessary to ensure that the board includes the full range of skills required to govern the organization (Greer et al., 2003); how this works in practice will vary by organization.

Rochester (2003) notes that small organizations face particular challenges. They usually rely greatly on a small board, making it difficult to offer more complex or specialized services and risking burnout. Their size may also make it harder to build relationships and partnerships with other organizations, including for funding. Relying on one source of funding can also be a challenge, especially when it is short-term and unpredictable. Three key problems emerge for the boards of smaller organizations: board recruitment is more difficult, especially to recruit board members with specific skills and expertise; it is more difficult for the board to complete the full range of tasks required of a board; and finally, it is difficult for staff to have enough time to properly support the board while also managing the organization. Smaller organizations are also more likely to focus on immediate and short-term needs, rather than to dedicate time to needed long-term planning (Kumar & Nunan, 2002; Rochester, 2003). Rochester (2003) describes this as the “the liability of smallness” (116), and notes that even where organizations stay small intentionally, their size can be a vulnerability.

Since the 1970s, `80s and `90s, the role of non-profits in service provision has increased significantly. Moreover, as the state has retrenched and outsourced many of its previous functions and responsibilities, non-profits have increasingly taken them on (Bezanson & Luxton, 2006; Colderley, 1999). This has resulted in what Cornforth (2012) describes as “the creation of quasi markets through separating the role of public authorities as ‘purchasers’ of services, who have the overall responsibility for meeting public needs, planning provision, and purchasing services, from the ‘providers’ of services, who are responsible for delivering the service” (p. 1120). In the housing sector, this shift can be seen in the federally managed non-profit and co-operative housing programs from 1973 to 1993, which resulted in local non-profit groups taking on responsibility for low-cost housing provision. While non-profit groups provide the housing, the government still maintains a certain degree of control through “performance management systems”—in this case, through the operating agreements (Cornforth, 2012, p. 1120).

The boards of non-profit organizations—and the non-profits themselves—cannot be understood separately from their broader context, including their relationship to the state. With the increasing devolution of government responsibilities to non-profit organizations, “the boundaries between non-profit governance and public governance are increasingly fluid and overlapping” (Stone & Ostrower, 2007, p. 417). While boards are responsible for governance within an organization, there are other elements of governance that take place apart from the board, which Cornforth (2012) defines as “the framework of responsibilities, requirements, and accountabilities within which organizations operate, including regulatory, audit and reporting requirements, and relations with key stakeholders” (p. 1122). As a result, concepts of governance should also include what happens outside the organization, “especially the broader public environment in which non-profits play increasingly important roles”

(Stone & Ostrower, 2007, p. 419). Because non-profits may be responsible for implementing public policy goals, which will shape how they operate, the question of their relationship to the public interest is significant. The stability of the board and its capacity to manage its responsibilities is thus critical and, in the case of low-cost housing, has implications for thousands of households across Canada.

Methods

To investigate how boards of directors of non-profit housing providers are managing the transition as their operating agreements expire, we conducted qualitative, semi-structured interviews with board members and executive directors representing 14 non-profit social housing providers in Manitoba, Canada, as well as with eight policymakers and others involved in social housing provision.³ Research participants were selected using a purposive sampling approach, to reflect the breadth and variety of housing providers across the province. The interviews were carried out in 2017, and were transcribed and analysed using a multi-step coding process following Creswell (2013) to answer the following questions:

- What are the internal and external factors shaping non-profit housing provider board capacity in a changing policy and funding environment?
- What are the implications of these internal and external factors for board behaviour and capacity?

To answer the research questions, we adapted Miller-Millesen's (2003) model of board behaviour. Her model uses three theoretical frameworks to identify "the conceptual links between environmental factors, organizational factors, and board behavior" (p. 523). These three frameworks are agency theory, which examines the distinction between ownership and control of the organization; resource dependence theory, which examines the role resources play in the capacity of the organization; and institutional theory, which examines the implications of organizational structure. Her model illustrates the ways in which boards make decisions about their roles in managing their organizations.

Our version of Miller-Millesen's model (see Figure 1) is simplified to highlight the external and internal factors that shape organizational choices. External factors include the environmental factors identified by Miller-Millesen (2003), including funding and resourcing as well as institutional and regulatory change. Internal factors include the organization's age and level of stability, as well as the professionalization of the board and organization. Both internal and external factors affect board recruitment practices, which in turn and in conjunction with the internal and external factors, affect

³ Data were collected in two processes. The first was in dissertation research addressing the impacts of the expiring social housing operating agreements (approval for this research was provided by the University of Illinois Institutional Review Board; see Cooper, 2018). The second was for the creation of a guidebook for non-profit housing providers dealing with their expiring social housing operating agreements (approval to use these interviews for research purposes was provided by the University of Manitoba Joint-Faculty Ethics Review Board).

board behaviour. Through this model, we identify the factors shaping board capacity, and the implications for organizational success.

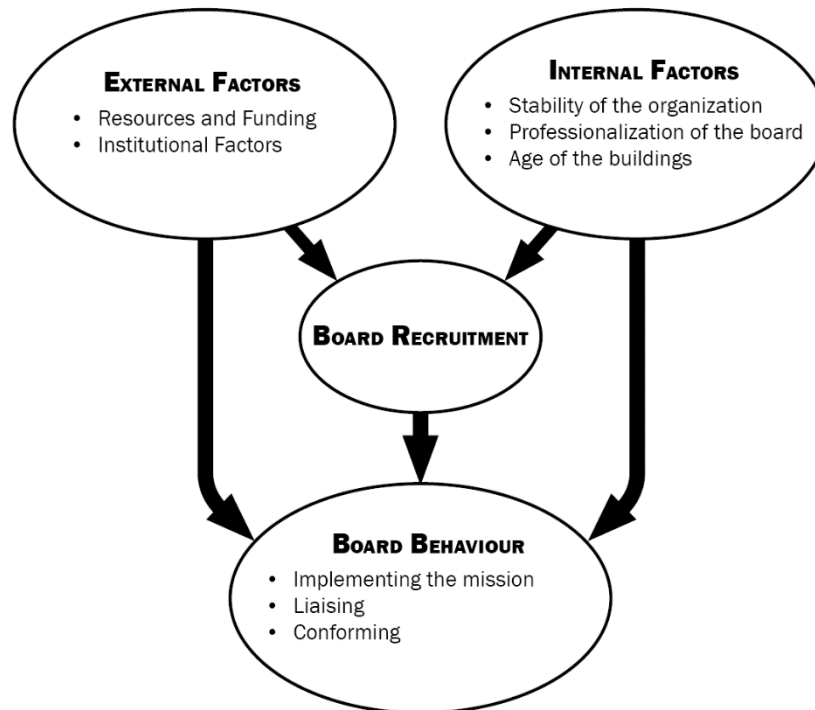


Figure 1: Factors shaping board behaviour. Adapted from Miller-Millesen (2003).

Findings: External and internal factors impacting board capacity

The interviews revealed a complexity of external environmental factors and internal organizational factors shaping the capacity and behaviour of non-profit housing boards. First, we describe how the external and internal contexts inform the operations of boards and identify potential areas of risk for non-profit housing providers. The following section articulates how these factors influence the behaviours of non-profit housing provider boards, and, consequently, the impacts on the provision of low-cost housing by non-profit organizations.

External factors

As their agreements expire, non-profit social housing providers face two major shifts in their environmental context. First, their resource and funding context shifts: they no longer receive financial subsidies and support (e.g., education opportunities, accountability requirements) for their operations from Manitoba Housing. Second, as their institutional context changes, they no longer have to adhere to the management restrictions mandated by their agreements. These changes present both challenges and potential opportunities for the boards of these providers.

Resources and funding

In the transition to a post-operating agreement context, the first and perhaps most significant challenge is the loss of operating and RGI subsidies for providing low-cost housing. After their agreements expire, housing providers must find new ways to carry out their mandate to provide low-cost housing without the subsidies provided through the operating agreements. The rents that tenants in RGI units can afford are usually very low, often below the cost of providing and maintaining the unit. The loss of these subsidies results in a gap between rents being paid and the cost of providing the unit. This often means that an organization has to change their rent structure or tenant mix (e.g., the proportion of RGI units, or tenant income mix). Providers with larger proportions of market or close-to-market rents expressed fewer concerns; however, those with high proportions of deeply subsidized units (including 100 percent RGI housing projects) spoke about how difficult or even impossible it would be to sustain those levels of subsidized housing after expiry. To continue to provide low-cost housing, some found they had to convert some units to market rents to enable them to continue to subsidize others. As one housing manager noted:

If the original agreement was for an income mix, they should be okay. And that's demonstrated through some of our clients, provided they do the right thing and plan ahead. But if they really are focused on this, the most needy are going to get hurt the most here, that's a challenge. If you've got 100 units for the most needy people, then the numbers are showing as, once you're off the agreement, those 100 units, you're probably only going to be able to have 20 of those units [as RGI units], so you lose 80 units. It's almost 80 percent low-end of market income and 20 percent RGI that would work.

This is a major challenge for housing providers that are dedicated to providing low-cost housing for low-income households, and it may require that they revise their operating policies and practices.

However, housing providers may also find that addressing this issue by increasing rents or changing tenant mixes may result in unexpected costs, making it difficult to predict and manage budgets. Because of changes to rent structures and reductions in the proportion of low-income households in a given property, some housing providers faced unexpected associated costs. For example, one found that, after changing its rent structure, it was no longer eligible for the provincial education tax rebate it received as a seniors' building, because too many of its tenants now were above the income cut-off. Two others were no longer able to claim a GST refund, worth about \$25,000-30,000 per year, because the percentage of low-income tenants had decreased. The loss of subsidies requires careful consideration of the type of housing provided, and the financial implications of changes to rents and tenant mix.

Institutional

The operating agreements provided a structure for the provision of low-cost housing. After their agreement expires, housing providers are freed from the obligations contained in the agreements and must also adapt to a new institutional context: rather than being primarily accountable to Manitoba Housing, housing providers are now fully accountable to their boards and to the Residential Tenancies

Branch (RTB; the agency of the Province that regulates private landlords). They must develop their own accountability and operating policies and processes.

Some organizations we interviewed appreciated the opportunity to create their own policies and plans. One interviewee described the importance of having a clear vision and goals for the organization post-agreement:

You really need to set some policies and some direction for the project, because again, if the whole board were to turn over, and you're not under government, you need to make sure that whatever road or future you want [the organization] to have and those values, you need to set them now.

Setting these policies in place before expiry protects the long-term vision of the board. Similarly, another organization used its upcoming expiry as an opportunity to review its vision and mission statement, and re-committed itself to providing affordable housing. It then created new guiding principles to help with decision-making and prioritization in operations:

It's been a place where, when we're pondering decisions, well, what do our guiding principles say? Or in dealing with residents, well, this comes from our guiding principles, this is why we're doing this. ... [before expiry] we didn't have concrete guiding principles, and so, I love them. I have found them very, very useful.

As this provider noted, having policies and practices in place that reflect the values of the organization helps guide board decision-making for the long term. For organizations that undertake this kind of planning, the end of their agreement has proven to be an opportunity to take more control over their housing.

Other organizations have found this transition more challenging. Although housing providers are supposed to follow provincial regulations and laws while under agreement, including most of the *Residential Tenancies Act* (RTA) as well as safety and health, protections from discrimination in employment, and so on, some were not aware of these regulations and were caught off guard when their agreement expired. This emerged as a particular challenge for some organizations that were operating at a very grassroots level, especially those without paid staff. Where board members were involved in the day-to-day operations of the housing, they were often doing so out of deep commitment to the provision of low-cost housing, rather than from a professional standpoint. One interviewee noted:

The [board] that I worked with... was an older generation who didn't understand all the rules required, for example, in a safe work place: the importance of having a set structure, a set reporting mechanisms, that, in today's world, you can't be homophobic, you can't call your executive director 'babe'...

Others found the transition to setting rents under the RTA confusing. One housing provider, which felt it was ready for expiry as its buildings were in good shape and it didn't have many low-income tenants,

didn't realize that it would be coming under the jurisdiction of the RTB. It found setting rents confusing, because "we didn't understand the market rent and discount stuff" and was receiving contradictory messages from both Manitoba Housing and the RTB. Another provider noted that they had to learn a new language to talk to the RTB, a new terminology to discuss rents and rental policies. The interviewee noted that tenants also needed help to understand the new rent structures post-expiry. For many housing providers we spoke with, the end of the operating agreement presents a steep learning curve. As their agreements expire, board members must be knowledgeable about the regulatory context for private rental housing, to reduce risk of legal and financial consequences to the organization. Our interviews suggest it can take more than a year for boards to come to terms with the new, post-agreement reality, and to begin the process of preparing for the end of their agreement.

Internal factors

As their agreements expire, boards of non-profit social housing providers operate in a new environment determined by changes in external factors in the institutional context. The capacity of boards to address these external factors depends in large part on the internal organizational factors that shape its operations, including the age of the buildings, the stability of the organization, and the professionalization of the organization.

Age of the buildings

The vast majority of non-profit housing operating agreements established in the 1970s, '80s and '90s are set to expire when the mortgage is paid off, after 35-50 years. Most buildings 35-50 years after construction need renovations or upgrading. Elevators, building envelopes, and foundations all may begin to show signs of wear. Interiors, including kitchens and bathrooms, may need updating, and older appliances and building construction may no longer be energy efficient. To prepare for this, landlords and property managers may set money aside in reserve funds or use the equity in the property to acquire loans.

However, participants noted that the operating agreements often included limits on reserve funds, to reduce the possibility of housing providers saving their subsidies instead of using them to house low-income households. The limits varied, but at the end of their agreements, many housing providers we spoke with found themselves with very low reserves. For example, two housing providers described maximums of \$200,000-250,000 in reserve for about 80 units. Another had a cap of \$600 per unit per year, which wasn't enough, so they worked with Manitoba Housing to increase it to \$1,000 per unit per year—a process requiring knowledge of capital reserve planning, which not all organizations have. Having insufficient funds for renovations or building maintenance at the time of expiry makes it difficult for boards not only to address the day-to-day management of the property, but also to plan for the future.

Stability of the organization

In most cases, the housing providers we spoke with were relatively stable: they were not dealing with an unpredictable or uncertain operating environment, and their staff were strong and consistent. However, as interviews showed, for even the most stable organization, the end of the operating agreements

creates a period of transition. Organizations must reorient themselves to their new resource and regulatory environment. This was especially the case in the early 2000s, when agreements were just beginning to expire and often came as a surprise to many organizations. There is now a greater level of awareness among housing providers, and both the Province of Manitoba and the Manitoba Non-Profit Housing Association have been working with housing providers before their agreements expire to ensure that they are prepared (Manitoba Non-Profit Housing Association & Institute of Urban Studies, 2018).

Nevertheless, our interviews showed that organizations must still go through a process of transition. Organizations that are relatively stable can plan ahead and address concerns about income, housing condition, and board stability before the agreement expires. For less stable organizations, particularly those dealing with burnout or changes in staff, the end of their operating agreement may result in significant uncertainty and pressure. For some providers, the day-to-day pressures of maintaining the housing make it difficult to plan ahead. As one housing provider noted:

In the non-profit world, we're just, we're struggling just to figure things out from day to day, so it's pretty tough to think about the future when you're just trying to stay [with] your head above water.

In some cases, the providers are so focused and committed to the day-to-day housing provision that they are not necessarily thinking about the end of their agreements. Especially for smaller organizations, or organizations without professional property management expertise, simply managing the housing can take up all the capacity. Less urgent issues, though equally important, may be ignored as board members focus on day-to-day crises.

As housing stakeholders we spoke with indicated, in some cases organizations may be stable enough (though possibly in decline) to continue within the context of the operating agreement, but the end of the agreement may destabilize their structures to the point where maintaining the housing becomes difficult. Participants noted some extreme situations in which housing providers have closed their doors and sold their properties when maintaining the organization post-expiry became too difficult. The combination of the board's stability and capacity to adapt to a new policy context, and the condition of the housing and reserve funds, can result in challenges to the long-term stability of the organization itself.

Professionalization of the organization

There is substantial variation in the level of professionalization among the housing providers we interviewed. At the professional end of the spectrum, some organizations have executive directors and staff with substantial knowledge and expertise. These organizations tend to have experience dealing with the complexities of housing management, including rent regulations and employment policies. These organizations are usually larger, with more units, and often have the support of another community organization (e.g., a church or a service organization). Likewise, some smaller organizations work with property management companies to manage the housing. In these cases, there is often a dedicated board, but the number of units may be too small to support full-time staff. The property

manager deals with the day-to-day housing operations and provides advice to the board for long-term planning and decision-making.

At the other end of the spectrum, there are organizations that are small and entirely volunteer-run. These organizations have often relied on a small group of core volunteers to populate the board and to make all the decisions for the organization. While this model can work, it is also very intensive for the volunteers. For example, we interviewed one organization that was run primarily by three very dedicated board members, one of whom had been with the organization for 40 years. These three members worked with tenants, did many repairs themselves, and dealt with administrative matters. They worked with Manitoba Housing once a year for their annual audit, but otherwise ran the housing on their own, with community members donating their time for maintenance and administration. However, this organization recognized that the model was not sustainable, particularly with all the changes that accompanied the end of their operating agreement and with the intense commitment required of the core volunteers. After their agreement expired, they decided to hire a property management company to manage the housing:

We literally walked out... we literally said we can't do it. Here's a team of 20, 30 people, to replace three.

In the post-agreement context, the level of professionalization and the capacity of volunteers can have a significant impact on the housing's sustainability over the long term. Organizations that are more hands-on face additional challenges adapting to the end of their operating agreements, including a higher risk of board member burnout.

How these factors affect boards

The external and internal factors described above shape the context in which a board operates. They have implications for board behaviour and capacity, especially in relation to recruitment and how the board implements the mission of the organization, liaises with other organizations, and conforms to regulations.

Board recruitment and institutional memory

These operating agreements have been in place for decades. By providing funding and a regulatory framework, they created a stable environment for the provision of low-cost housing, with relatively simple roles for board members. The transition away from the operating agreement creates new and expanded expectations and responsibilities for board members. As our interviews showed, for some boards this prompted a recognition of their need for new skills and expertise related to the financial management of multimillion-dollar housing projects.

While some organizations we spoke with have grown and matured and renewed themselves into long-term, sustainable housing providers led by strong and adaptable boards, others are struggling. Many non-profit housing boards include a core group that does most of the work, and in some cases this core group has been doing most of the work for decades. Because they were started by local community-based organizations, many non-profit housing providers were grounded in the local community and

often deeply supported by members of the founding community-based organization. Over time, this has changed for some housing providers, often alongside changes in membership of their founding organization. Where service clubs or faith groups shrank due to aging and declining membership, non-profit housing providers that relied on that membership for their board likewise faced difficulties with membership and renewal.

As a staff person at Manitoba Housing noted, for some organizations there is an engaged board but no replacement or succession plan, and no knowledge transfer from older to newer board members. While an organization is under agreement, Manitoba Housing will provide assistance and education for boards; however, once the agreement has expired, the organization is on its own. Board renewal and institutional knowledge then become especially important for ongoing housing provision. For smaller housing providers, and those without professional staff, creating succession plans for boards can be beyond the organization's capacity.

Even where boards are renewing themselves, interviewees noted that new board members may be less committed or may have other priorities. Bringing younger members onto the boards is a priority for many organizations, but work or caregiving obligations can make it difficult for younger board members to stay committed. Several interviewees noted that some boards have difficulty finding volunteers, because there are simply not enough people willing to make the commitment. For these reasons, the changes arriving with the end of the operating agreements put new and unexpected pressures on the boards of non-profit housing providers.

Board behaviour

Miller-Millesen (2003) identifies three key roles for boards: implementing the organization's mission; liaising between internal and external partners; and conforming to legal or other requirements. We analyze how the expiration of operating agreements impacts these activities for boards of non-profit housing providers.

Implementing the mission

As the operating agreements expire, the importance and breadth of the boards' role in monitoring the implementation of the organizational mission increases. Although boards were always responsible for the mission and direction of the organization, the operating agreements set parameters that limited what could be done with the housing. Boards could, to a certain extent, rely on the agreements to frame how the housing would be managed. Without the agreements, boards are free to—and in fact, must—create their own policies, parameters, and procedures for operations.

According to interviews, this transition often means that boards require new skills and expertise to continue to carry out their mandate of providing affordable housing. Board members must be knowledgeable about the regulatory context for private rental housing, think about the housing's financial viability, and make decisions that prioritize the financial stability of the housing and the housing provider over the needs of tenants. Many board members do not have skills or expertise in these areas.

A significant challenge for many interview participants is the need to focus on financial details. Members often join boards because they want to contribute to their communities by providing low-cost housing. They are not necessarily joining with the intention of managing a multi-million-dollar business, although after the agreement expires, that's essentially their role. As one interviewee commented:

Boards generally don't really care about the numbers. They care about their guiding principles to house a particular type of household. So ... you report monthly on the numbers, but really, they're not there to make money, they're there to break even and make sure it's affordable, quality kind of housing option available to the poor.

Participants noted that after the agreements expire, the financial bottom line becomes much more important to the survival of the organization. As well, the focus of the housing may need to change, shifting away from housing the lowest-income households to providing housing for moderate income households, while ensuring the long-term stability of the organization. This changing purpose of the organization, along with the practical challenges presented by the expiry of the operating agreements, requires boards to be flexible and proactive in developing policies and procedures to maintain the housing.

Liaising

Boards play an important role in mediating between internal and external environments. This includes managing external pressures and information, and developing or maintaining partnerships with outside bodies (Miller-Millesen, 2003). For non-profit housing providers, this work focuses primarily on relationships with other housing organizations, potential funders, and the Province.

According to interviewees, before agreements expired many non-profit housing providers operated independently, often without knowing much about other providers. The original federal funding program involved community groups applying for funding to start and run housing. As a result, Manitoba has a large number of small housing providers that operate independently from one another. This may present a risk, particularly in rural areas. As several interviewees noted, smaller organizations, especially in rural areas, tend to be very isolated and may not know others in the non-profit sector. As the organization ages, such isolation can increase, making adaptation to change more difficult. The challenges of the expiring agreement have pushed many to reach out to learn how others were dealing with their own agreements. After expiry, they have the opportunity to look beyond their own operations, to build new relationships with other housing providers and to create mutual support networks to share expertise and experience.

The expiry of operating agreements has also pushed some housing providers we interviewed to consider new sources of funding. While agreements were in effect, housing providers could not refinance their mortgages, and their access to private financing was limited. After expiry, these restrictions are removed. In some cases, housing providers anticipated needing funding relatively soon after expiry (or even before), to address renovation needs. In other cases, housing providers were considering their options and how they could use financing most effectively. The ability to apply for and access new

sources of funding—for example, by remortgaging the property—offers new opportunities to expand or develop new programming.

Finally, after the operating agreements expire, the nature of housing providers' relationship with the Province changes: providers no longer relate to Manitoba Housing (the department responsible for public and social housing) but instead to the Residential Tenancies Branch, which is responsible for regulating private market rental housing.

Conforming

A board's role is, in large part, to ensure that the organization is implementing its mandate of providing low-cost or affordable housing, and that it does so in compliance with legal requirements. They continue to do so even after their agreement expires. However, especially for those providers where the board is more grassroots and hands-on, there may be a steep learning curve in adapting to the new funding and regulatory context.

Interviews demonstrated that board members are generally deeply committed to the provision of low-cost housing. In fact, the depth of their commitment can, at times, make the transition through the end of the agreement more difficult. One housing provider noted that their organization's board members were not concerned initially about the end of the agreement, because they strongly believed that "the government won't let us go bankrupt ... [because] we're doing the government a favour by offering housing." The decisions required at the end of the agreements—including raising rents and changing tenant mixes—become more fraught when led by a deep commitment to low-cost housing provision.

Conclusions

Through our research, and drawing on Miller-Millesen's (2003) framework for understanding boards, we analyzed the capacity and behaviour of non-profit social housing provider boards of directors facing operating agreement expiry, to highlight the factors affecting their capacity. These factors are external, including a changing resource and funding context and a new policy context that requires the development of internal policies and processes. They are also internal, including the challenges that accompany aging buildings, the stability of the organization itself, and the extent to which the organization has professional staff and management. Specific factors that shape whether a board will be able to succeed in the transition through the operating agreement expiry include:

- *Proportion of RGI or low-cost rental units:* Organizations with high proportions of units with rents below the cost of providing the unit will struggle without subsidies, unless they are able to modify their rent structures or access additional government programs such as rent supplements.
- *Housing condition and reserve fund:* Housing that is in poor condition or that has insufficient funds in its reserve will face challenges and increasing costs over time.
- *Flexibility and adaptability:* A lack of strategic expertise on the board will limit the board's capacity to manage a new context.

- *Level of professionalization:* Grassroots housing providers that rely on a small number of volunteer board members run the risk of burn-out and organizational deterioration.
- *Size and level of isolation:* Smaller organizations and those that operate independently and without connection to other housing providers may have less awareness of and capacity to respond to changes in policy.
- *Awareness of external resources on which the board can draw:* Relationships with external organizations can provide support and resources to housing providers, including a source of new members for the board.

These factors affect how boards recruit new members as they seek new skills and expertise, especially for those that do not have a succession plan in place or that have trouble retaining new board members. The skills and knowledge required to manage the property under the operating agreements are distinct from those required for a post-agreement context. Skills in financial management are especially important, as they are foundational to the organization's capacity to provide housing, as is expertise in provincial housing and other relevant policies.

The end of the operating agreements represents a watershed moment, where decisions must be made that will shape these organizations' futures. Although the challenges many boards face might be inevitable, the end of the operating agreement pushes these challenges to the forefront. There are real consequences for current and future households living in non-profit housing, including the risk of fewer low-cost and subsidized units being available.

The concerns highlighted in this paper could be addressed in a number of ways, including:

- *Support through the end of agreement transition:* For most organizations, the transition that takes place when an operating agreement expires is substantial and requires considerable preparation. The Manitoba Non-Profit Housing Association (MNPHA) provides resources to support organizations through the transition, and the Province also works with organizations as their expiry approaches. More attention to the specific challenges faced by small and isolated organizations is needed, especially those that may not be members of MNPHA.
- *Resourcing and training for boards:* MNPHA provides tools for boards to build their capacity in governance, planning, finance, and other areas. The Province of Manitoba should support MNPHA in this work, including by providing funding for workshops and for engaging organizations that may be struggling.
- *Planning at the provincial level for long-term provision of good quality low-cost housing:* Once an operating agreement has expired, the housing provider is no longer obliged to continue to provide low-cost housing. The Province must find a way to address demand for low-cost housing, particularly when that demand is for very low-cost housing that would require some form of subsidy. This will require assurances for housing providers that long-term, stable subsidies and resources will be available, to enable them to plan for their futures.

These changes would strengthen board capacity, and by extension, the non-profit housing sector in Manitoba.

Although the expiry of the operating agreements is an important moment for non-profit housing providers, the funding and policy context for low-cost housing provision continues to change. For example, Canada's 2017 National Housing Strategy, released after these interviews were completed, has created the Canada Community Housing Initiative, which promised subsidies to maintain the overall number of subsidized community housing units. It also changed policies relating to equity and mortgages, making it possible for housing providers to use their properties as equity (Government of Canada, 2017). These substantial changes emphasize the underlying issue: as housing policies change, organizations—led by their boards—must find ways to adapt and thrive in a new context.

It is important to emphasize that in the course of this research we spoke with many non-profit housing organizations in Manitoba that are guided by boards of directors that are strong, well-organized, and ready to adapt to the changes emerging from the expiration of operating agreements. These organizations usually have staff, including an executive director, with expertise in managing non-profit rental housing. They also tend to be deliberate in selecting board members with necessary skills in strategic planning, business development, and financial management, to ensure that the board is prepared to deal with the funding challenges that may emerge post-expiry. There are some boards, however, that are not as ready or able to face the significant challenges posed by the end of their operating agreements. Identifying the factors affecting their capacity to adapt can be helpful in assessing organizational risk and the kinds of resources needed to strengthen board capacity.

While the operating agreements provided a framework for accountability to the Province, after expiry non-profit organizations must rely much more on their boards for accountability and structure. Our research shows that boards that relied on a relationship with the Province that no longer exists, a relationship where the state provides support and funding to enable the provision of low-cost housing, may require additional supports to continue to do so. The risks to the viability of the low-cost housing offered by such organizations are significant, as a lack of capacity to address challenges and move forward may result in an overall loss of low-cost units in the housing system. In this context, strong and adaptable boards, ready to address their new reality, become more essential than ever.

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