

Québec's Housing Nonprofits Experiencing the End of Federal Subsidy Agreements: Adaptability Without Renewal?

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ABSTRACT

Nonprofit organizations have become pivotal actors in the delivery of services. Many of them receive public funding to carry out their activities. However, this funding can be interrupted or even stopped for various reasons, political or not. This article examines how 26 housing nonprofit organizations in Québec, Canada, coped with the withdrawal of federal government subsidies to house low-income households. Drawing on structured interviews with managers, this article reports how they perceived this withdrawal and what they reported as the main challenges and the most effective strategies or “best practices” for addressing these. The discussion ends by positioning the housing case in relation to other organizations in the third sector.

RÉSUMÉ

Les organismes sans but lucratif (OSBL) sont devenus des acteurs indispensables dans la prestation de services. Plusieurs d'entre eux reçoivent des fonds publics pour mener à bien leurs activités. Cependant, ce financement peut s'interrompre ou même s'arrêter pour diverses raisons, qu'elles soient politiques ou non. Cet article examine comment 26 OSBL de logement au Québec (Canada) se sont adaptés à une réduction de subventions provenant du gouvernement fédéral pour loger des ménages à faible revenu. Cet article se fonde sur des entretiens structurés avec des gestionnaires pour montrer comment ceux-ci ont perçu cette réduction, et quels étaient selon eux les principaux défis et les stratégies les plus efficaces ou les meilleures pratiques pour relever ces défis. Ces réflexions se concluent en situant ce cas sur le logement par rapport à d'autres organismes du tiers secteur.

Keywords / Mots clés : housing, cooperatives, funding, retrenchment, affordable housing, strategy / logement, coopératives, financement, réduction, logement à loyer modique, stratégie

INTRODUCTION

What do nonprofit organizations do when faced with revenue cuts, particularly those coming from the state? This issue is topical given the now very large number of public policies implemented by the third sector (Grønbjerg & Smith, 2021; Morgan & Campbell, 2011; Salamon, 1987). The literature looking at nonprofit organizations' loss of funding not surprisingly concludes that organizations either cut costs or seek other revenues. In almost all cases, these responses involve "losses" for the nonprofit's mission, its employees, and the people that it serves. The nonprofit cuts services or the wages and working conditions of its workers. Its clients lose services, receive less attention from less experienced staff, or must pay user fees. Generally, the literature puts a brave face on the efforts of all involved, but is pessimistic as to the outcome (Vacchelli, Kathrecha, & Gyte, 2015; Jones, Meegan, Kennett, & Croft, 2016).

Having said that, much of the literature emphasizes human service organizations that are heavily dependent on state funding to serve their clientele. When looking at nonprofits in the parks sector, where clientele are the public at large and state funding less central, Cheng and Yang (2019) find slightly different dynamics, suggesting that the impacts of cuts varies depending on funding structures. The way nonprofit organizations operate does influence how the loss of the subsidy is perceived, as well as how the continuation of activities is planned. This article takes up an unusual context, namely the cancellation of subsidy agreements in the Canadian nonprofit housing sector. To the authors' knowledge, this is the first analysis conducted in this policy area based on a considerable sample size. Results suggest that the impact of the cancellation was not large for most organizations, and indeed was likely positive for many of them. The impact was also foreseeable, allowing organizations time to plan. Unlike many human services, the delivery of housing does not require the management of many employees but does involve making long-term decisions about capital commitments and managing housing assets. These are all features that open the possibility of different strategic responses to changed funding, as observed in other countries (Crook & Kemp, 2019; Mullins, Milligan, & Nieboer, 2018).

This article begins with a discussion of the literature on nonprofit responses to funding cuts in general, before describing the subsidy agreements in the Canadian nonprofit housing sector and the complicated ways that their expiry affects nonprofit providers. It then provides an overview of a survey conducted by the authors of 26 Québec-based nonprofits whose funding agreements for a total of 2465 housing units had expired. From the survey, four sets of findings are discussed. First, the discussion underlines how the expiry of these agreements was treated in a positive fashion by the majority of the sample and did not occasion a lot of internal reflection by boards of directors. Second, challenges, especially regarding ageing buildings and the forms that the support offered to low-income households may take, are discussed. Third, the authors observe that the strategies adopted to respond to the end of the subsidies tended to involve increasing rental income, thus showing a slight isomorphism with private sector practices. Fourth, while the headline numbers show a strongly positive assessment, for several providers, the period around the end of the agreements produced a "gut-check" exercise, testing their desire to sustain their existing portfolio. Ultimately, 8.3 percent of the units held by the surveyed nonprofits were transferred or sold. All told, the nonprofit response had a direct and immediate impact on users in a small number of cases. Despite an apparently marginal negative impact on organizations, there were nonetheless transfers

and sales of units, but these seem to be explained by various contextual and management issues. The final section reiterates the main findings and expands the discussion on the characteristics of the housing sector where entrepreneurship and commercial values shape nonprofit management.

THE IMPACT OF STATE FUNDING CUTS ON ORGANIZATIONS

There is a considerable body of work on the impact of state funding cuts on third-sector organizations. While the research tends to be nationally specific rather than broadly comparative, there is a fair bit of convergence in the conclusions.

The literature finds that cuts usually lead these organizations to adopt strategies such as trimming their activities, seeking new resources at the risk of mission creep, and reducing attention given to non-funded activities (such as relational aspects of delivering services or advocacy) (Chouinard & Crooks, 2008; Jones et al., 2016; Vacchelli et al., 2015). It may also be the case that these cuts encourage forms of institutional isomorphism, where survival strategies involve adopting private sector-based approaches such as non-subsidized fees and prices or the abandonment of loss-producing activities (Ascoli & Ranci, 2002).

For instance, Cheng and Yang (2019) characterize the two main financial responses to government budget cuts as finding new revenues and reallocation. New revenues include finding “more private donations, borrowing and using accumulated reserves, or diversifying revenue portfolios” (p. 678) in addition to increasing earned income (see also Johnson, Rauhaus, & Webb-Farley, 2020; Jones et al., 2016). Reallocation is a kind of retrenchment strategy, where internal costs are reduced to make up for funding loss. Given the importance of staff costs, the usual impact are cuts to staff or their conditions of employment, as well as work intensification (Cunningham, Baines, Shields, & Lewchuk, 2016). These findings echo those of Chouinard and Crooks (2008), who find that disability nonprofits in British Columbia and Ontario dealt with the reduction of core funding by either networking and collaborating with other organizations, finding non-governmental funding, or reducing overhead costs. In this instance, reducing “overhead costs” often meant cutting staffing levels.

These strategies have an impact on the ability of organizations to meet their missions or serve their clients' needs. A common response to reduced funding is to constrict the range of programs and services offered to clients or to reduce the number of clients served (Chouinard & Crooks, 2008). This often takes the form of shrinking non-funded activities (such as relational aspects of delivering services or advocacy) (Cunningham et al., 2016). The search for new sources of funding can lead to a commercialization of organizations that distances them from their original mission (Evans, Richmond, & Shields, 2005). The danger is institutional isomorphism, as these organizations adopt survival strategies that mimic private sector practices (Ascoli & Ranci, 2002).

This work also emphasizes the role of internal and external decision-making structures. Internally, fraught decisions about reallocation and retrenchment fall to boards, who must make difficult decisions about staffing levels, salaries, and programs, to say nothing about existential questions about whether the organization has the resources to continue to pursue its mission (Mordaunt & Cornforth, 2004). Externally, organizations can try to work in partnership and solidarity to engage the state in the hopes of stopping cuts, or at least to distribute the cuts across the sector in a way that protects

certain values, organizations, or activities (Vacchelli et al., 2015). The silver lining is that the “blitz mentality” of a period of cuts can allow for innovation. This can take the form of pushing existing organizations to recognize complementarities or ways to be more productive, or by increasing the willingness of both state and third-sector actors to experiment with new forms of interaction (see Jones et al., 2016).

Cheng and Yang (2019) underline that much of the literature on the impact of cuts is focused on human services providers, which are a part of the nonprofit sector that rely heavily on government funding or contracts to sustain their operations. Cheng and Yang consider if cuts are experienced differently by organizations in other sectors or those less dependent on state funding. They demonstrate that parks nonprofits navigate their response to funding cuts in a different manner, and in some cases can expand their mission if funding cuts are part of a broader policy of state austerity that reduces government commitments to park programming.

There is literature on the impact of policy measures affecting housing owned and managed by third-sector organizations, although it is quite nationally fragmented given the specificities of national regulatory and funding frameworks. Early work from the United States emphasizes how federal policy changes in the 1980s and 1990s squeezed community housing organizations that had emerged out of the community activism of the 1960s and 1970s. The response was generally to consolidate into larger community development corporations (CDCs) and professionalize. In the process, the economic bottom line won out over the social bottom line (Koschinsky, 1998), and community-wide housing agendas got lost in the competition between CDCs for funding (Bockmeyer, 2003). Recent work on European cases seems less keen to adopt this conclusion of market isomorphism, and instead underlines the “hybridity” of the sector, as different organizations pursue different responses to a tightened financial situation and may even swing back and forth between commercialization and decommercialization as the availability of credit and state regulations change (Mullins, Milligan, & Nieboer, 2018; Morrison, 2016). Nevertheless, the work underlines a multiplicity of responses. In many instances, organizations grew through mergers to better tap economies of scale and access private market funds, have created for-profit subsidiaries to cross-subsidize affordable homes (Crook & Kemp, 2019), and have been more aggressive in recycling assets to capture gains in property values (Morrison, 2016). In situations where such entrepreneurial strategies are not possible, for instance, due to the regulatory regime, housing associations still adopt more of a market focus by seeking budget savings and efficiency in the management of their existing housing stock (Nieboer & Gruis, 2016).

This emphasis on the context of cutbacks and the value of looking beyond the “usual suspects” helps motivate the research reported below on the nonprofit provision of social housing in Canada. Canadian studies of cuts to human services tend to focus on state funding cuts, whose impact is felt more or less immediately, as it has a direct impact on organizational budgets in that budget year or the next. For housing nonprofits, the big financial event in the past decade has been the expiry of funding agreements that subsidized the mortgage payments of housing providers in return for commitments to provide reduced rent for a share of their units. Unlike typical cuts to human services, these cuts could be foreseen well ahead of the expiry of the agreements. Moreover, while their expiry involved an immediate financial challenge for a small number of providers, for many

others the challenge was a “life-cycle” one, namely of meeting expected capital costs for maintaining ageing buildings. The next section describes the context of this sector and the financial challenges related to the expiry of these agreements, before discussing what nonprofit housing providers in Québec said about their strategies and challenges in navigating this change.

THE CASE OF CANCELLING SUBSIDIES TO CANADIAN NONPROFIT HOUSING PROVIDERS

In broad terms, the federal government’s social housing policy from the 1970s to the early 1990s involved entering into long-term operating agreements with nonprofit housing associations (i.e., housing providers) and co-operatives that spanned the 35–50-year mortgages on the social housing buildings (Bendaoud, 2018; Suttor, 2016). By design, these agreements provided subsidies to the housing associations in exchange for agreeing to details about the management of the building and the eligibility for subsidized units, for the duration of the mortgage. By the 1990s, roughly half the social housing stock (593,000 units) was either managed by nonprofits (244,000) or co-operatives (61,000) (Canadian Housing and Renewal Association, 2014), with most of the remainder being provincially or municipally owned public housing.

In a context of budgetary constraint and provincial demands for a stronger role, the federal government withdrew from social housing and offered to transfer the funding and responsibility for the operating agreements to the provinces (Carroll & Jones, 2000). Québec did not agree to the transfer, but this did not change the narrative: the federal government abdicated responsibility for the social housing beyond the expiry of the federally designed agreements. Nonprofit organizations might face challenges in providing the same extent of subsidized housing once their mortgages came to maturity, in many cases starting in the 2010s. With the subsidy gone, the nonprofits had to find the money elsewhere. For instance, they could raise the rents for some tenants to subsidize others or increase rents for all.

The shock of the end of the subsidy was nevertheless tempered by the fact that the organizations’ mortgages were paid off. The financial situation of a housing provider was therefore dependent on two questions: 1) would they have positive net operating income at the moment of mortgage expiry/end of the operating agreement? and 2) would they have sufficient reserves (Pomeroy, 2012)? Providers with positive net operating income and sufficient reserves would not be affected by the end of the agreements. Indeed, they might be in a positive situation because they were freed from the conditions of the operating agreements, and therefore had more freedom in pursuing their mandates. Co-operatives could, for instance, use spaces in their buildings to create new programs and activities, or housing providers could borrow against the equity to build new housing (Cooper, 2014).

For housing providers with insufficient capital reserves, the cash flow freed up by the end of mortgage payments could prove ephemeral (Cooper, 2014). Given that the buildings were now 35 to 50 years old, there were often longstanding plans to refinance the buildings to pay for renovation and repair. While the operating agreements required the associations to keep reserves for such repairs, these may not have been set at sufficient levels to accommodate major life-cycle renovations, particularly if boards had emphasized keeping rents low (Pomeroy, 2012). For other nonprofit hous-

ing providers, and especially those with a high number of rent-geared-to-income units built between 1986 and 1994,¹ the end of the agreements would almost necessarily lead to a negative net operating income. In a rough calculation, Pomeroy (2017) estimated that about 4 percent of the 600,000 homes covered by operating agreements were at high-risk of losses. As for the other apartments owned by housing nonprofits, such as those included in this research sample, the risk of losses depended on various characteristics, which must be analyzed on a case-by-case basis.

This ambiguous situation, where the end of the subsidy could move organizations close to the financial status quo (or even be a benefit) or be a potential burden, led representative organizations in the sector, such as the Canadian Housing and Renewal Association, to develop diagnostic tools for nonprofit housing providers to anticipate the likely outcome and to plan accordingly (e.g., British Columbia Non-Profit Housing Association, 2018; Housing Services Corporation, 2016; Pomeroy, 2012). For providers facing negative operating income, solutions include choosing higher income tenants for rent-geared-to-income units, transforming some rent-geared-to-income units into market units, or jettisoning rent-geared-to-income rents in favour of low break-even rents. In dealing with insufficient reserves, solutions include adding capital levies to rent or borrowing against an operating surplus (see Pomeroy, 2012). In all these examples, the net impact is to either remove the number of units available to the least well off, or to increase the rents collected from existing tenants. In other words, protecting an organization's mission when faced with the loss of subsidy requires imposing some losses on the organization's clients. Yet, imposing these losses erodes the core goal of providing shelter and moves organizations toward simply "becoming landlords" (Cooper, 2022). There are solutions that do not follow this path, such as negotiating with senior levels of government for supplementary assistance or new funding. Other proposals include the consolidation of the many small providers in the sector into larger scale nonprofit organizations with the hope of increasing professionalism in property management and development (see Pomeroy, 2017; Salah, 2017).

The situation of the nonprofit housing actors analyzed in this article is therefore unique in two regards. First, unlike many of the grassroots and service-oriented nonprofits in studies of funding cut-backs, the nonprofit housing associations of interest to this study manage assets of significant value and enjoy long-term agreements. They are less immediately threatened by closure or implosion from cuts and have a larger margin of manoeuvre to respond to state funding cuts (Carroll, 1989). Second, they are dealing with a much longer time-scale in terms of planning. The people in the association when the typical 35-year agreements come due are likely not the same ones who signed those agreements in the 1970s and 1980s. In choosing how to respond to the end of the subsidies, the members of these associations must consider their ability to sustain the organization over similarly long periods (Cooper, 2022). The loss of certainty and predictability provided by the long-term operating agreements is likely to affect the calculus about the desirability of different responses to the loss of funding. As it is, small nonprofit providers have difficulties in recruiting new directors, and boards have become less active due to challenges finding funding to respond to increasingly complex demands (Cooper & Zell, 2023; Pomeroy, 2017). This question takes on a particular salience given the difficulty of the current National Housing Strategy to deliver the kind of deep affordability that was delivered by nonprofit providers from the 1970s to the early 1990s.

Deng, Leviten-Reid, and Thériault (2023) report that developing new proposals is a complex process fraught with poor communication and slow reviewing by the Canada Mortgage and Housing Corporation (CMHC). Given the lack of funding support for deeply rent-geared-to-income units, other organizations may consider projects somewhat higher up the affordability spectrum, but that present their own challenges as the organizations may need to change their identity and ways of working (see Mitchell, 2023). In either case, such activity requires nonprofits to come through the operating agreement expiry era with boards with expansionary ambitions.

In sum, there is interest in understanding the impact of the end of the subsidy agreements as a financial shock akin to a cutback for some nonprofit housing providers. Do the features of this policy area produce different patterns of response by nonprofit organizations?

METHOD

In 2018, the authors partnered with the Réseau québécois des OSBL d'habitation (RQOH) to study how nonprofit housing providers in Québec were managing the transition. The RQOH is Québec's largest association of nonprofit housing providers (1200 providers running 53,000 housing units). Its members are nonprofit organizations with a board, which sets them apart from housing co-operatives, which exist under a different legal framework. Its mission is to offer services to its members to support their activities, in addition to advocacy with political bodies on behalf of its members. The RQOH wished to develop a clearer portrait of how the expiry of operating agreements affected its members. To do so, the authors and the RQOH co-developed a survey instrument of open- and closed-ended questions that gathered information about the nonprofit organization and the number of housing units it operated, the process through which it planned for the expiry of its subsidies, the strategies deployed to respond to the end of the subsidies, and the impacts of the change. Given the breadth of information sought by the RQOH, and a desire not to burden the time of organizational leaders, the interview guide did not leave space for follow-up questions. This, unfortunately, limits the depth of the analysis provided below. The project and related interview protocols received clearance from the McMaster Research Ethics Board.

Data collection took place from February to May 2018. According to a list provided by the RQOH, 56 nonprofit organizations were identified as potential respondents given that the end of their operating agreement with the federal government occurred before April 2016. That cut-off date is significant, as the federal government provided for various measures to continue supporting third-sector organizations whose agreement expired after April 1, 2016, as part of the National Housing Strategy (Government of Canada, 2017). After several email and telephone requests, 32 managers or administrators agreed to complete the questionnaire over the telephone with one of the researchers. Since a manager was responsible for two nonprofit organizations, his responses for both were noted on the same questionnaire. The interviews lasted 45 minutes on average. This data collection enabled researchers to acquire information for 33 nonprofit organizations. The response rate of 59 percent (33 out of 56) is satisfactory by the standards of survey methods.² That said, for the purposes of this article, the research focuses on the 26 nonprofit organizations that offer permanent housing to various households in urban and rural areas across the province, and exclude the seven nonprofit organizations that offer temporary accommodation (the latter differ in their financing mech-

anisms, do not charge rent to residents, those residents are not bound by a rental lease, etc.). These organizations are located in 11 of Québec's 17 administrative regions. The 26 nonprofit organizations in the sample were affected by the expiry of the operating agreements for 2,465 housing units, but it should be noted that 11 out of 26 nonprofit organizations also have other units (residential or commercial) in their portfolio so not all their units were affected by the expiration. The smallest organization was responsible for three units, while the largest oversaw a portfolio of over 2000 units. Table 1 divides the organizations into three tiers based on the number of units in the overall portfolio. The table shows that the lion's share of units affected by the expiry were held by the largest organizations. What it does not show is that the two largest nonprofits had more affected units than the 19 smallest organizations combined. The smallest organizations in the sample nevertheless stand out in having non-renewal affecting all their portfolio, a situation that remains frequent in the middle tier of organizations. While this was the case for two of the largest organizations, overall, the expiry only affected slightly more than a third of their portfolio in this period.

Table 1: Characteristics of survey respondents

Total number of units held by Housing Non-Profit	Number of organizations	Total number of units in this category affected by non-renewal	Share of total units in this category affected by non-renewal	Assessment of impact of non-renewal (Positive/Neutral/Negative)
100+	8	1983	36.6%	6/1/1
21-100	9	370	78.7%	7/0/2
1-20	9	112	100%	4/1/4

A qualitatively driven mixed-methods analysis is employed to reconstruct the decision-making logics. Data collection consists of qualitative material taken from coded interview responses of nonprofit administrators to our questionnaire. We relied heavily on manifest content when classifying answers into themes. Those themes were thus identified inductively using a technique often labelled as thematic analysis (see Drisko & Maschi, 2016). The coding process was facilitated by the ranking attributes of the questionnaire, which ensures greater internal validity, reliability, and reproducibility. In short, our aim was to understand decisions through the experience of those who lived it, but also to compile the results numerically to identify the most important (from the interviewees' perspectives) and recurring themes.

FINDINGS

Most providers see the expiry as positive

Overall, nonprofit providers held a positive assessment of the expiry of the subsidy agreements. Seventeen respondents saw the expiry as positive, seven saw it negatively, and two had mixed views. These are the results obtained by compiling the responses provided by respondents to the question "With the benefit of hindsight, what has been the main impact of the withdrawal of the government subsidy on your organization?" The results in Table 1 indicate that the size of the housing projects (number of units) has little impact on the responses from the middle and larger organ-

izations, but negative responses were more common in the smallest, and indeed the four negative replies came from the four organizations with the least units.

To explain these results, it is necessary to understand the context and especially the specificities of the government funding program. The federal grant consisted of lowering the interest rate to 2 percent. This was one of the main features of the program under section 95 (formerly 56.1) of the *National Housing Act*. On one hand, this meant that the government subsidy was equivalent to the difference between the organization's actual mortgage charges and what they would have been at a rate of 2 percent. Thus, when the Bank of Canada's key interest rate exceeded 20 percent in the early 1980s, the subsidy granted to these same nonprofit organizations was very large. On the other hand, the very low interest rates recorded since the end of the 2000s, and especially after the international financial crisis, had the effect of reducing the subsidy they received simply because the interest rate the nonprofits paid on their mortgage charges was already low. In short, and as mentioned earlier, nonprofits were now freed from their mortgage payments and the government subsidy was less than these payments anyway. In a nutshell, nonprofits had more money left in the coffers.

Beyond the decrease in expenses, as mortgage charges were the main budget item for nonprofits, the other most common positive impact was that of being no longer accountable to CMHC, the federal agency that funded the program. Many administrators were delighted that they no longer had to comply with the agency's requirements (accounting reports, forms, etc.) and appreciated the increased autonomy they now had in the management of their resources.

That said, seven nonprofit organizations out of 26 identified negative impacts linked to the end of the agreements. The majority pointed to the financial aspect, namely the difficulty or the uncertainty of having enough funds to continue to support poor households and to carry out necessary renovations. They deplored the non-sustainability of funding.

It is difficult to explain the difference of opinion between the managers who concluded that it had a positive impact and those who considered it rather negative. As mentioned, this does not seem to be related to a significant difference in the financial situation of the nonprofit or subsidized households, but more to a difference in perspective. Among the seven nonprofits identifying a negative impact, the concern seemed to be about the continuation of long-term activities, support for less fortunate households and renovations. For the smaller organizations, this was a more difficult concern as fewer units reduced degrees of freedom in developing a response. Yet, for most managers who viewed the end of agreements as a positive development, this sort of fear or pessimism was not noted. Finally, the two nonprofit organizations having mixed or less clear-cut opinions took up some of the positive elements discussed above and some of the negatives discussed here.

Generally, the expiration of grants did not spur much debate or reflection by nonprofit administrators. The median number of hours spent on transition planning in the six months around the end of the agreement was 15 hours, while the average was 33 hours. The median gives a more accurate picture because the average includes three cases of 100 hours or more devoted in particular to the planning of renovations or other major restructuring. Two of these cases were found in the category of the largest organizations, and both saw the expiry as a positive event. One of these two would

sell some of its units, judged to be poorly located, two years after expiry, with the intent of creating others. The third case was the largest of mid-sized organizations. It viewed the change negatively due to the uncertainty it introduced, and felt abandoned by CMHC.

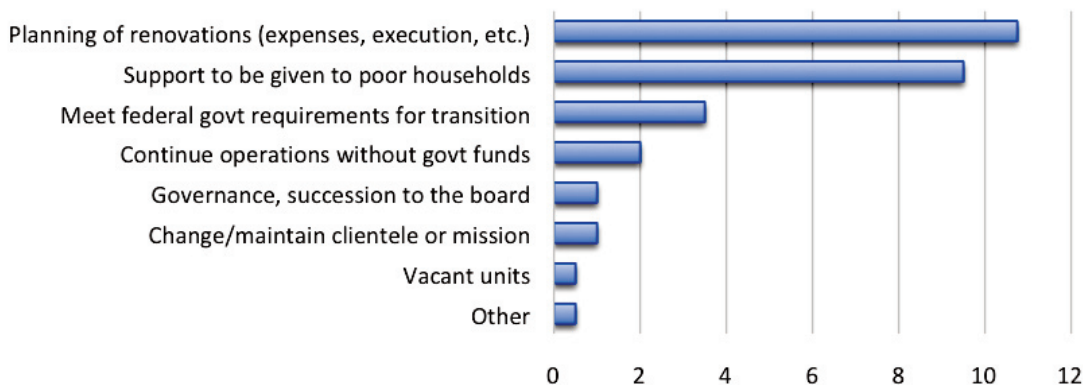
Difficulties faced by housing providers regarding expiring agreements

It is worth mentioning that four nonprofit organizations (two of the larger organizations and one each of the middle and smaller ones) reported having no difficulties to overcome. In general, these organizations said they had enough resources to go through the transition and had prepared themselves well on all fronts, specifying that the federal government's grant was rather modest in recent years, as mentioned above. In contrast, three nonprofit organizations (two of the smallest and one in the middle group) explicitly mentioned that one of their main concerns was their ability to continue operations without the government subsidy.

The main difficulty experienced by the nonprofits surveyed was the planning of renovations, including the associated costs and execution. Considering the nonprofit organizations in the sample, all the buildings they own are now over 35 years old, or even older; some were acquired through "purchase-renovation." The questionnaire was not intended to identify the main renovations or to prioritize them. Yet, virtually all building elements were mentioned as needing renovations during the interviews. Inside buildings these included obsolete electrical panels and plumbing, as well as cabinets, sinks, windows, toilets, floors, and patio doors. Exterior renovations emphasized the renewal of wall cladding and roofing. These lists are not exhaustive and attest to the seriousness of the repairs needed or even to the state of degradation of certain buildings, as explicitly mentioned by some managers. In short, renovations were a major issue for all managers.

The other major concern, identified in Figure 1, was the support to be given to poor households. For nonprofit organizations, discussions focused on maintaining subsidies in their current state, re-

Figure 1: Main difficulties when subsidies ended



Notes: Answers to the question "What were your greatest difficulties during the transition? Rank in order of importance, starting with the main difficulty." The first answer given receives a score of 1, the second response a score of 0.5, the third a score of 0.25, and the fourth a score of 0.125. In exceptional cases, when two answers (i.e., corresponding to two themes) were on the same line in the interviewee's formulation, the score is divided between two themes for the purposes of the analysis. 4 interviewees had no difficulty, did not provide any answer.

viewing them, or even stopping them immediately or eventually. Beyond the lack of funds, one of the dynamics observed in some organizations was the unease experienced by some administrators and tenants to charging “full price” rent to subsidize a handful of poorer tenants. In other words, when the subsidy came from the government (and, by extension, anonymous citizen-taxpayers), it was not an issue. However, after the end of the agreements, some took a dim view of tenants paying the full price, subsidizing those benefiting from a reduced rent.

A final recurring difficulty was compliance with CMHC's requirements at the time of transition. Some nonprofits were bothered by the agency's requests for the submission of final documents, especially accounting documents.

Strategies implemented by housing providers

The 26 nonprofit organizations surveyed have mandates to serve a specific clientele such as seniors, families, or single people. While they were more stringent at the start, over time, some have relaxed the selection criteria to accommodate “just about everyone,” without necessarily setting an income ceiling.

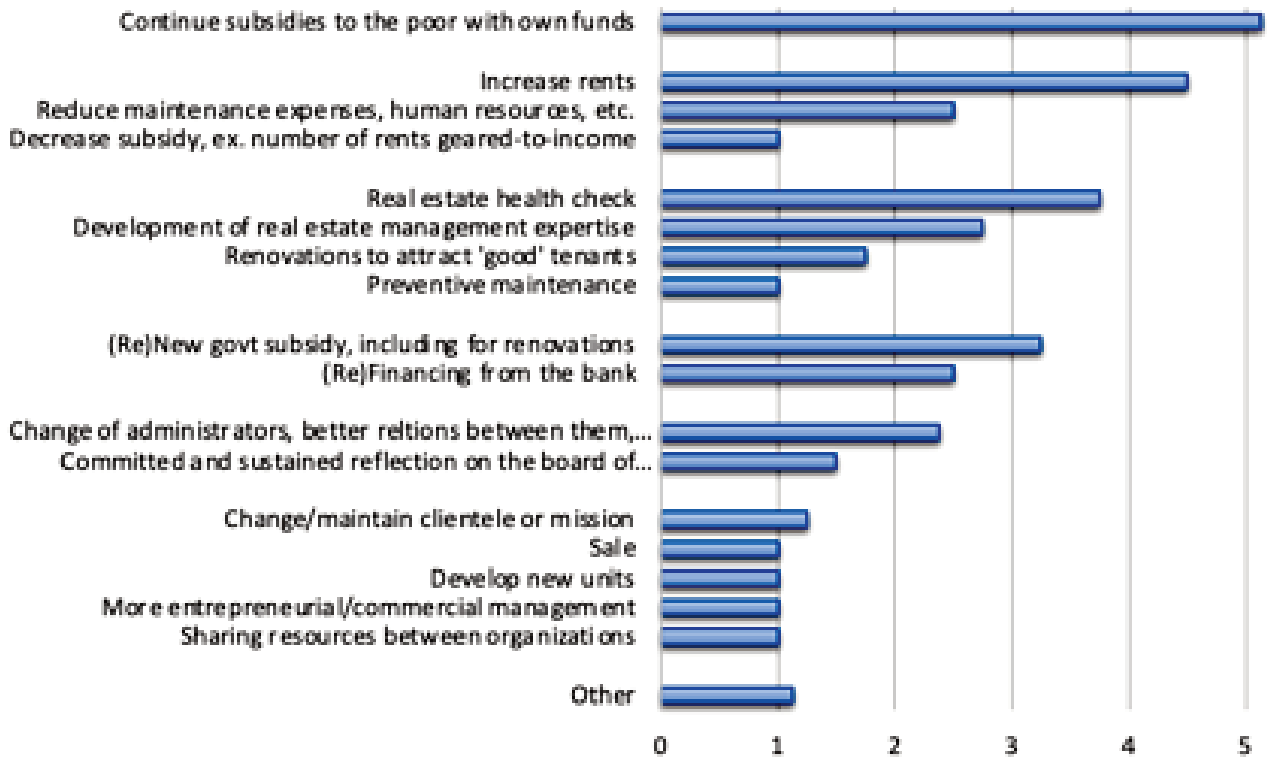
According to the administrators interviewed, the most effective solution was to maintain support for certain low-income tenants with the nonprofit's own funds. It is part of the organization's mission, said some administrators, having decided to use the income from other rents to continue to offer cheaper rent to less fortunate households. Thus, some directors did not have to change the rental structure.

Some nonprofits have cut maintenance or human resource expenses, but the main trend is setting higher rents, especially for tenants who benefited from reduced rent. For these providers, this is a form of subsidy reduction, which is often not attributed to the expiration of the agreements since the two elements are not systematically linked to each other. To be precise, it appears that for 15 nonprofit organizations out of 26, the rents have not changed significantly. Several organizations continued to offer uniform below-market rents for units of the same size, regardless of household income. Other providers rent a few apartments to poorer households; for example, tenants pay rent set at 25 percent of their pre-tax income or receive some other form of rebate. These organizations have continued to provide the same types of subsidies over time, generally using surpluses generated by income from other rents. Seven percent of the 2465 units in the sample received a rent-geared-to-income subsidy.

Nevertheless, for nine nonprofit organizations, upward pressure has been noted on rents. This inflation goes beyond the annual increases linked, for example, to the increase in taxes or the cost of living, which would be around 2 percent on a yearly average in the decade preceding our study. Most of the revenue from these increases was targeted to subsidized households. The main practice observed at eight nonprofits was to increase the rent-geared-to-income formula from 25 percent, as mentioned, to between 28 and 33 percent of the tenant's income. By questioning managers, we learned that the changes occurred before agreements expired and sometimes well before. In fact, this type of increase seems to be linked to the end of the agreements in only two of eight cases. The ninth organization simply stopped offering rent-geared-to-income arrangements. This decision was taken two years after the expiration of the federal subsidy agreement due to lack of funds.

While this leaves it as an outlier, it is worth noting that several of the 15 organizations that did not significantly increase rents mentioned this kind of scenario. In other words, if their organization lacked financial resources, they would be likely to revise or even abolish the subsidies.

Figure 2: Strategies deemed “Most effective” by respondents



Notes: Answers to the question “Which strategies have been most effective or useful for your organization? Rank in order of importance, starting with the most effective.” The first answer given receives a score of 1, the second response a score of 0.5, the third a score of 0.25, and the fourth a score of 0.125. In exceptional cases, when two answers (i.e., corresponding to two themes) were on the same line in the interviewee’s formulation, the score is divided between two themes for the purposes of the analysis.

For the two other nonprofit organizations, the portrait is nuanced. One nonprofit has seen a reduction in the number of subsidized households over the years, which is unrelated to the expiry, but the administrator mentioned that the number could rise again if new tenants have very low incomes. Finally, one nonprofit organization increased the rents for everybody, but also increased the number of households benefiting from a rent-geared-to-income, thanks to a non-permanent subsidy program from the Québec government.³

The other group of solutions widely promoted by administrators relates to property management. Regular “real estate health checks” were useful for forecasting repairs, in the short and long term. There was also an identification, especially among the largest organizations, of the importance to develop real estate management expertise, internally by improving the skills of managers or administrators or externally by using the services of specialized firms. Preventive maintenance of buildings was also mentioned, while other administrators have clearly justified renovations to attract or retain a “good” clientele and ensure all their units are rented.

The administrators also sought funds from government agencies including at the provincial level, to continue to support low-income households as well as for renovations. (Re)financing obtained from banking institutions was pointed out by some interviewees.

Another group of solutions deemed useful by managers concerns governance. Some solutions focused on the human dimension of management, as opposed to the financial dimension, and stressed the renewal of the board of directors or simply the improvement of relations between them. The more engaged and sustained reflection by the managers on the issue of the end of agreements also allowed some to prepare well for the transition.

A final group of solutions includes sharing resources between organizations (human resources, bureaucratic), more entrepreneurial management, notably illustrated by remunerating the person in charge, as well as developing new housing units, which was mentioned by two interviewees. The limited financial impact of the expiry meant that providers avoided the defensive reactions predicted by Cooper's (2014) dire scenario, but also lacked incentives to engage in the more offensive strategies to rebuild the sector foreseen by Pomeroy (2017).

Long-term generational renewal: An issue separate from expiring agreements

As is also the case with for-profit organizations, the longevity of nonprofit organizations prompts fundamental questions about their existence and the continuation of their activities. Having been in operation for decades, the nonprofits surveyed in this study delivered nuanced stories about the successes and setbacks of housing management. A concrete example is the sale or transfer of the assets, in part or in whole, of four nonprofit providers. In total, 205 units (8.3% of the 2465 units) were sold or transferred to other organizations. That said, it is important to underline that the expiration of the agreements was not directly linked to the sales/transfers, which took place a few years before or after the expiration.

Specific and more contextual reasons were given by the managers in these four cases. In the first case, a small project (three housing units) was sold to the private sector after having recorded financial losses partly due to ransacked housing. Exhaustion and a lack of new administrators within the board was also mentioned in this first case, as well as in a second case where 20 dwellings were transferred to another nonprofit organization, which, to the researchers' surprise, is also part of the sample. In a third case, a small project (six housing units) for seniors in a very rural area was sold to the private sector, because the housing units were unoccupied due to lack of demand in the area. Finally, a very large project (176 housing units) was sold to the private sector in a central district of Montréal. The manager claimed that new units could eventually be developed with the proceeds, but no actions have been taken yet.⁴

It is hard to know what to make of these cases as they are not directly tied to the expiry of the agreements, and it is uncertain whether the 176 units sold will eventually be fully or partially replaced. These units represent more than the 4 percent deemed "at risk" by Pomeroy (2017, p. 4), but it is not obvious that the sale was motivated by the expiry. It remains that the expiry of a program that left most providers better off has resulted in a slightly smaller envelope of housing units that are slightly more expensive for users. There was little evidence in the short term of organiza-

tions using their financial situation to develop more units or foster a more professionalized approach to management. The organizations surveyed varied greatly in scale and professionalization, but there was generally muted enthusiasm for building significant numbers of new units.

The 2017 National Housing Strategy and related initiatives such as the National Housing Co-Investment Fund are a step in the right direction in addressing some of this fatigue. The National Housing Strategy has put community housing back in the picture, a change that was welcomed by many observers given that Ottawa's withdrawal from the sector in the 1990s had dire and long-lasting consequences. As part of the 2017 strategy, an array of initiatives have been pursued to create new stock or renovate existing stock, build capacity and share good practices or knowledge within the community sector (see for example CMHC, 2023). To date, the strategy has responded reasonably well to the renovation needs of nonprofit housing providers, but less so in terms of spurring new building or the acquisition of existing buildings by nonprofits.

Two important issues on the latter front include government grant levels that are insufficient to allow nonprofits to provide deeply affordable rents, and an administratively heavy approvals process that demands too much from nonprofit organizations (see Blueprint ABE, 2022; Pomeroy, 2021; Deng, Leviten-Reid, & Thériault, 2023). In other words, to date it appears to address the fundamental concerns shared about being able to afford to rehabilitate the rental buildings but does little to entice these experienced nonprofit organizations to expand their portfolios.

CONCLUSION

Having paid off their mortgages, most of the nonprofit organizations studied now have considerable financial leeway, which exceeds the amounts associated with the grants they were receiving. It is therefore unsurprising that the end of federal subsidies under section 95 (or 56.1) of the *National Housing Act* was not seen as a crisis by most respondents. Managers and administrators did not have to spend a lot of time planning the transition. This outcome stands in contrast with the alarmist portrait provided by Cooper (2014). Yet, it is true that this study is solely based on the answers given during the interviews. If other housing managers operating with another government program had been questioned, the results might have been quite different. Nevertheless, this analysis allows us to observe a sector subject to certain pressures, namely, the aging of buildings. In short, the end of the subsidies does not seem to have dealt a heavy blow to the organizations, although some smaller ones appear to have faced harder challenges. Still, it does not seem to push many nonprofits to imagine an expansion or to renew their role to support more poor families and individuals.

As Cheng and Yang (2019) point out, context greatly influences how the funding cuts are interpreted as well as the reactions of nonprofit organizations. In this study, there does not seem to have been much of a "reallocation" or "scaling back," largely because these organizations do not have a lot of staff providing an array of daily services, with large overhead costs, etc. The results neither suggest a change to other mandates at the expense of the initial activities, but rather the search for new revenues. Yet the new earned income comes from the same clients, namely the tenants of the same buildings run by nonprofit providers. In a nutshell, managers have made various interventions to extract more income from existing buildings, largely to ensure their sustainability. As this

analysis did not focus on the impact on households living in these buildings, and researchers did not collect data on their personal finances, it is difficult to draw a complete picture of the consequences. However, we can assume that at least some of those households must devote a larger proportion of their income to shelter costs, to the detriment of other incompressible expenses such as food, electricity, medication, or child-related expenses.

Finally, this study leads us to go beyond “nonprofit managerialization” as broadly defined in the literature (see Beaton, 2021) and consider the specificity of housing as a sector. Indeed, since buildings represent important assets, in addition to the fact that some administrators themselves live in these buildings, the incentive to increase their value and desirability is then greater. In line with observations made by other researchers long before us regarding nursing homes or day care centers (see Hansmann, 1980), housing providers also appear to be a type of nonprofit organization where management is permeated by entrepreneurial and commercial dimensions. For some, the end of the subsidy agreements might have allowed for the consolidation of the many small providers in the sector into larger scale nonprofit organizations able to engage in the kind of strategies discussed above in the literature review. Proponents of this idea believe that it will increase professionalism in property management, maintenance, and bookkeeping. It may also enable a more social entrepreneurial orientation by providing a sufficient basket of assets to permit new investment and construction, a nimbleness to respond to new funding environments, and a capacity to engage private-sector developers in projects (see Pomeroy, 2017; Salah, 2017). The survey instrument did not allow for much insight on the criteria affecting nonprofit organizations’ decisions about building or acquiring new housing units. This would appear to be a question worth pursuing, especially for larger organizations who ultimately manage the lion’s share of units affected by expiring operating agreements.

NOTES

1. Construction of buildings in this sample took place in the early 1980s and 1970s and so this does not apply to them.
2. Response rates of surveys of the executives of organizations have decreased over time, and this study’s rate compares favourably to the overall rate of 32 percent reported by Cycyota and Harrison (2006) in their analysis of studies appearing in top management journals between 1992 and 2003. That said, the researchers are not able to check for non-respondent bias.
3. The Operating Agreements were a solely federal program, and the respondents did not discuss the expiry in terms of linkages to other forms of subsidy or to relations with the Société d’habitation du Québec, with the exceptions of two mentions of a support program for organizations facing the end of their operating agreements just before April 2016.
4. While nonprofit organizations were barred from making sales to the private sector under the operating agreements, there are ways to achieve this once the agreement expires. The survey did not explore the modalities by which these sales occurred.

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