CASE STUDY 9: M'AKOLA GROUP OF SOCIETIES, VICTORIA

Business Transformation activity :	Established revenue generating subsidiary; scaling up through management contracts and potential takeover; rationalizing existing housing assets.

"Having a well-managed strategic organization has helped stabilize other urban native assets and created improved operating economies for M'akola and has allowed us to move into the Development Consulting and Project Management realms which further diversifies the Group's revenue streams."

Kevin Albers, CEO, M'akola Group of Societies

Context

M'akola is somewhat unique in Canada in adopting a more UK like group structure with a broader geographic reach. The original society, M'akola, is an urban Native non-profit society initially established to deliver, own and manage a portfolio of housing on Vancouver Island (initially under the Federal Urban Native program). Over time, as new and different types of programs have been introduced, M'akola created eight separate legal entities to hold the assets under different programs (e.g. for Rural and Native housing, independent seniors, leasehold projects) and in one case assumed ownership of a pre-existing society in Northwestern BC.

In total, they now own nearly 1,100 homes and manage under contract a further 500 homes including single family dwellings, apartment structures, assisted living, rural housing and a number of scattered sites throughout BC.

Type of business transformation activities

As noted above, as new assets have been absorbed or acquired under different programs, M'akola has created separate new societies, operating in a group structure. The group structure that has evolved is an outcome of the most expedient and feasible way to assume other existing societies and their assets. It was easier for M'akola to have the absorbed society's board and members resign and to replace these with M'akola's board members and then elect the directors. This avoided the more complicated and onerous legal and costly process of formally transferring assets and operating agreements

The parent society provides overall governance as well as core head office functions (administration, finance, HR, payroll etc.) while the other societies take on more operational activities, including property maintenance and management.

A separate subsidiary non-profit society, M'akola Development Services has also been created as a development consultant and project manager on a fee for service basis to other Urban Native societies, Bands, and some non-Aboriginal non-profit societies. This has created a source of revenues to help sustain the organization (these revenues partly cross subsidize some staffing costs, as staff are shared between M’akola Group and these developments or management contracts).

Recently, M’akola expanded into the northwest region of BC, to assume ownership of a struggling Urban Native society (Muks Kum Ol). This too has been integrated into the group structure. This merger created a challenge for M’akola due to the distant location from their home base on Vancouver Island. In order to justify local staffing, M’akola has negotiated management contracts with BC Housing to manage 267 BC Housing homes in the Prince Rupert-Terrace area in the Northwest. This helps expand the portfolio and establish economies of scale in management activities. It is anticipated that, ultimately, M’akola will negotiate a full title transfer of the BC Housing units and take over full ownership of these assets from BC Housing.

External research as well as M'akola’s own portfolio analysis has demonstrated that few Urban Native portfolios are viable beyond the expiry of federal subsidies (especially those that were unilaterally Federal subsidy).

As a result, M’akola has initiated a planning process and asset rationalization strategy. In some cases, particularly for scattered site portfolios, which involve a number of older detached homes, physical conditions are poor and it is more rational to sell off some of these individual homes and to use the capital receipts to fund capital renewal on properties that are retained. In some markets there is weak demand so it is a business decision to dispose of unneeded assets and to redeploy the proceeds towards developments in urban centres. This will result in some contraction of the portfolio (potentially up to 30% reduction), but this is seen as a necessary path to overall sustainability of the society.

Governance and leadership

While comprised of subsidiary societies, the group shares a common board of directors. This is made up of Aboriginal representatives on Vancouver Island who subscribe to the vision of improving living conditions for Aboriginal people while encouraging and reinforcing traditional practices and cultural beliefs. This vision includes hiring and training as many staff of Aboriginal ancestry as possible to provide necessary services to the tenants, and to manage and maintain the sites.

The Board of Directors consists of six elected members, four members appointed from the Friendship Centres on Vancouver Island and one elder.

Much of the leadership for new initiatives (e.g. setting up the development consultancy) has been driven by the CEO and executive team. However, these new directions have been discussed and approved by the board.

Culture of organization

Extensive review and discussion with the Board has helped to increase understanding of the consequences of expiring agreements and subsidy, and despite strong support for the vision of improving living conditions and outcomes for their Aboriginal tenants, the Board has accepted the necessity of new polices (e.g. raising rents, strategic sale of some properties, and contracting the portfolio). As such, there has been some movement in the Boards culture.

There has, however, been some challenge in selling these ideas to staff. They remain committed to helping low-income people and do not always agree with new more business-oriented policies that M'akola is now seeking to implement.

Managing risk

As noted, the form of the subsidy formula for Urban Native Societies has placed them in a high-risk situation at expiry of agreements. M'akola is fully cognizant of these impacts and has developed a long term plan to manage this issue. Across their existing self-owned and managed portfolios, they have implemented risk management strategies to ensure both organizational sustainability and portfolio sustainability. This includes remaining diligent in financial monitoring and reporting across the group's societies, streamlining and making consistent many procedures and processes across the portfolio and where possible adding to internal capacity in skills areas such as asset management and capital planning.

One of the largest challenges is recruiting and retaining competent staff in some of the geographically distant communities in which M'akola operates and where industry expansion is underway, including Liquefied Natural Gas.

CASE STUDY 10: ATIRA WOMEN'S RESOURCE SOCIETY, VANCOUVER, BC

Business Transformation activity :	Creating separate subsidiaries; undertaking new development without subsidy

> *"With a board willing to accept manageable risk and staff excited to pursue new initiatives and become more entrepreneurial, Atira has to work hard to gain acceptance from government funders whose practice and policies sometimes act to discourage entrepreneurial initiative."*
>
> Janice Abbot, CEO Atira Women's Resource Society

Context

Atira Women's Resource Society is a community-based organization that supports all women, and their children, who are experiencing the impact of violence committed against them and/or their children. Through education, advocacy and outreach, Atira is an active voice in the struggle to end violence against women and their children.

While their focus is as a women's resource centre providing support, advocacy and education, the provision of housing as a refuge and home is central to their mission.

As part of this mission, Atira develops and manages housing across a continuum from emergency shelters, transitional supportive and permanent housing. Initially created in 1983 as a resource centre, they undertook their first housing development (a transition house) in 1987. Over the past 30 years, Atira has grown from a single transition house located in South Surrey with a staff of seven, to a large multi-service agency with two, for-profit subsidiaries, a development arm and more than 500 staff.

Over this period, the organization has developed a portfolio of over 1,400 units and now provides management services for other societies' units totaling another 400-500 non-market units. They also manage more than 4,000 market condominium, rental and commercial units.

Type of business transformation activities

As the society developed internal capacity in property management and administration, it identified this as a marketable commodity and established a for-profit subsidiary, selling property management services to other societies and market projects. Though this has been a source of income, these revenues have fluctuated from barely break-even to a peak of $220,000. To the extent that the subsidiary covers its own costs, it adds some economy of scale and efficiency to Atira's internal property management functions.

A recent initiative, which has become a flagship project for Atira, is an innovative development using recycled shipping containers to create 12, self-contained studio apartments, alongside a restored heritage hotel with 18 single room accommodations. With funding assistance from the Federal Shelter Enhancement Program this was a highly innovative model and proved to be relatively cost- effective compared to more traditional wood frame or masonry construction. The