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# **Feasibility Study for a Social Enterprise Deconstruction Business**

## Summary Report

Tom Zizys

## Metcalfe Foundation

The Metcalfe Foundation helps Canadians imagine and build a just, healthy, and creative society by supporting dynamic leaders who are strengthening their communities, nurturing innovative approaches to persistent problems, and encouraging dialogue and learning to inform action.

## Metcalfe Innovation Fellowship

The purpose of the Metcalfe Innovation Fellowship is to give people of vision the opportunity to investigate ideas, models, and practices that have the potential to lead to transformational change. The Fellowships are currently focused upon addressing systemic issues of poverty and strengthening the nonprofit sector.

## Tom Zizys

Tom Zizys is a consultant working in the community sector in Toronto. He specializes in labour market studies, employment program design, and community economic development initiatives. He was awarded a Metcalfe Innovation Fellowship in 2006 to carry out a feasibility study for a social enterprise operating as a deconstruction business.

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# Introduction

Among its various initiatives, the George Cedric Metcalf Charitable Foundation supports inquiry into new ideas that could benefit low-income communities. In 2006, it funded an Innovation Fellowship to explore the feasibility of a social enterprise operating as a deconstruction business. This summary report highlights the findings of that inquiry, to share the insights of those learnings and hopefully stimulate sustainable enterprises in this field.

## Background

A social enterprise, or social purpose enterprise, refers to an income earning business that seeks to meet one or more social goals. Such an enterprise tends to be structured as a non-profit entity, where its various revenue streams support both the business operations and the social mission.

Deconstruction is the process of carefully dismantling a building in order to salvage components for reuse and recycling. While traditional demolition is highly mechanized, capital-intensive, and waste generating, deconstruction is labour intensive, low-tech, and environmentally sound.

In theory, a social enterprise deconstruction business has a very compelling appeal: for one, there is a clear environmental benefit to diverting demolition waste from landfills, retrieving materials that can be reused or recycled. For another, there is an economic benefit, through revenues from the resale of recovered materials that can be reused, recycled or that have been restored. On the employment front, deconstruction, because it requires more care, tends to be more labour intensive than demolishing a structure, yet the requisite skill levels required are sufficiently basic that relatively low-skilled individuals can be trained for such tasks. Thus, there appears to be significant potential for such an enterprise to serve several social goals (supporting the environment while offering employment to marginalized populations) while also earning income.

The rationale for this particular feasibility study emerged from the opportunity presented by the redevelopment of Regent Park, a major social housing neighbourhood in Toronto. The physical redevelopment of this 69-acre community has relied on numerous technical studies as well as broadly inclusive resident consultations. The latter generated widespread expectations regarding social regeneration as well, resting on the hope for economic and employment gains on the part of present residents arising from the redevelopment activities, from employment in construction to new jobs among retail stores and services to be located in the revitalized neighbourhood.

Because the redevelopment was premised on the demolition of buildings housing over 2000 apartment units, the owner of the site, the Toronto Community Housing Corporation, suggested to local community organizations whether they might wish to explore the possibility of a community business exploiting the deconstruction possibilities offered by this opportunity, given the volume of demolished materials to be generated.

# The Study Process

As a result, an initial reference group was formed that provided support for the funding application to Metcalf, made up of those community organizations that had an interest in the demolition business and in employment possibilities related to Regent Park. Over the course of the study this group was expanded to include other likely stakeholders as well as relevant resources, organizations that had either an interest in some aspect of this enterprise or that could bring some special expertise to the study.<sup>1</sup>

The study involved several distinct activities.

## **Desk Research**

- A literature review on deconstruction, reviewing reports, case studies and evaluations, the majority of which were from the United States, supplemented by experiences in other jurisdictions, including Canada.
- A review of environmental policy and the regulatory context in Toronto.

## **Interviews with Sector Informants**

- Environmental sector
- Private demolition industry
- Salvage industry

The study produced both an interim report and a final report, and greatly benefited from several extended sessions of the reference group, which reviewed and made comments on oral presentations and these written reports.

The study findings are summarized under the following headings.

- Deconstruction: Benefits and Barriers
- The Business Case for a Deconstruction Enterprise
- Options for a Social Enterprise
- The Value of a Social Enterprise to Participants
- Issues for a Social Enterprise

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<sup>1</sup> The group eventually included: a number of local and Toronto-area community agencies, including social enterprises; the local residents' organization; the site owner/developer; a union representing demolition workers; funders (City and the Foundation); an environmental group; and City waste management staff.

# Deconstruction: Benefits and Barriers

## **Making Clear What Deconstruction Involves**

Deconstruction involves the disassembly of a building, with the goal of maximizing the reuse and recycling of recovered materials. The degree of deconstruction is usually measured in terms of the percentage of construction and demolition waste (CDW) that gets recycled and diverted from landfill.

Deconstruction can also be classified according to non-structural deconstruction (removal of materials that are not part of the structural integrity of a building, such as flooring, fixtures, window and door frames) and structural deconstruction (materials that are part of the structural integrity of a building, such as joists, beams, bricks and concrete).<sup>2</sup>

For some, deconstruction is hardly a break-through concept, as the recycling of materials through salvaging and “junkyard selling” has always taken place to varying degrees. However, what is distinct about deconstruction is its emphasis on a planned and systemic approach, seeking a financial return from a consciously environmental mindset.

## **The Benefits of Deconstruction**

Deconstruction can fulfill several societal goals, resulting in environmental, economic and social or community benefits.

### *Environmental benefits:*

- Enables efficient use and better management of natural resources;
- Diverts CDW from landfills, thus reducing the need for landfills;
- Supports proper handling of hazardous materials;
- Produces less noise, vibration and environmental damage;
- Conserves and recycles embodied energy;
- Enables sustainability and helps implement higher environmental standards;
- Supports the “cradle to cradle” environmental design approach.

### *Economic benefits:*

- Retail of recovered material;
- Export of product;
- Creates venue for skills training and job creation;
- Allows for social enterprises implementing deconstruction projects;
- Supports small businesses processing recovered materials;
- Makes possible other secondary businesses in support of deconstruction.

### *Social or community benefits:*

- Conscious adoption of a sustainable development mentality;
- Opportunities for community economic development.

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<sup>2</sup> Non-structural deconstruction is also known as soft-stripping.

## The Barriers to Deconstruction

Despite its obvious benefits, deconstruction often does not occur as a matter of course, largely because it involves a largely different approach to how things are typically done. These systemic and process barriers include:

- The need to piece together a system-wide approach, addressing industry practices, government regulations, secondary markets for recycled goods, consumer awareness and so on;
- A lack of knowledge about deconstruction and how to implement;
- Uncertainty about markets for salvaged goods;
- Inaccessible insider “trade secrets” of demolition firms;
- Uncertain export possibilities;
- Low land-fill costs and constant capacity make diversion less attractive financially;
- Overall lack of clear economic benefits;
- Lack of foresight in setting the stage for future deconstruction;
- High insurance costs;
- Government shortcomings relating to research, policy and regulations;
- Limitations relating to techniques, machinery and tools.

## The Business Case for a Deconstruction Enterprise

Starting from basic common sense, it is evident that deconstruction, or some form of recycling enterprise, has social and financial appeal: at the broadest level, witness the growing societal expectation for environmentally sustainable activities and green business strategies; at a waste management level, one sees an increasing emphasis on diverting garbage from waste sites; and at a everyday level, it is hard to avoid the proliferation of junk removal services and the market for recyclable products. The public will increasingly demand and governments will increasingly require more waste diversion from landfills, thus increasing the business case for deconstruction.

Indeed, it is already apparent that such businesses are active. Private demolition firms work regularly with companies that profitably recover materials from demolition sites, notably metals, while one well-known non-profit, Habitat for Humanity, operates a highly successful chain of salvage stores, called ReStore, across the continent.<sup>3</sup>

While the business case for a specific enterprise depends on local market circumstances, almost all key informants from the industry intuitively felt that a salvage enterprise that focused on soft-stripping was a viable proposition. Their practical advice included:

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<sup>3</sup> Currently there are ReStore operations in 55 communities across Canada, 29 of which are in Ontario. Most ReStores operate in much the same way, relying on donated materials and volunteer labour, where their retail revenues cover their overhead and paid staff costs, and where their profit (which is often a considerable portion of their revenues, given their reliance on volunteer labour) goes towards supporting the administrative costs of Habitat for Humanity.

- Provide a charitable tax receipt for donated materials; many firms are happy giving the materials away if they know it will be put to good use, but a tax credit would provide an added bonus;
- Access to a site to be demolished would require a proper agreement regarding safety and liability; liability insurance would be a big concern and a substantial cost;
- The salvage enterprise would need to be able to work to tight timelines with limited advance notice of when they would be required;
- This enterprise would consequently require very competent supervisors;
- The enterprise would likely require a fair bit of space for where to store the retrieved materials;
- Commercial sites to be demolished may also offer a market; while the materials may be of less standard size or application, there is often very good material that gets trashed in the course of commercial buildings;
- A social enterprise could also assist demolition contractors by helping them understand and meet LEED requirements.<sup>4</sup>

Thus, while the evidence is largely anecdotal, the expert judgment of industry informants and the experience of salvage enterprises (both profit and non-profit) that are expanding offer a strong inference in favour of a deconstruction social enterprise.

## Options for a Social Enterprise

Even where a preliminary assessment supports the business viability of a deconstruction social enterprise, an initiative in this field can take any number of forms, depending on the objectives of the proponents and the industry environment. Some options to consider are:

### Goals of the Initiative

Is the purpose of the social enterprise:

- To generate income for a social purpose?
- To provide employment for a marginalized population?

The answer to this question is of significant consequence for how the enterprise is structured and focused.

### The Business Shape of the Initiative

- A non-profit deconstruction firm, a community-based social enterprise engaging in deconstruction activity, providing a service to the demolition industry;

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<sup>4</sup> Leadership in Energy and Environmental Design established the benchmark for performance in construction and demolition, and is often adopted as the standard in requests for proposals for such projects, particularly for public sector projects.

- A demolition sector deconstruction consortium, that is, a deconstruction firm led by a partnership between private demolition firms, demolition unions and community agencies promoting employment programs;
- A job placement program, community agencies creating links to employment opportunities in the deconstruction sector (that is, avoiding the social enterprise form and focusing directly on helping to prepare individuals for employment in the demolition sector).

### **The Activities of a Social Enterprise**

- Small-scale demolition and/or removal of garbage and debris, that is, a limited-scale garbage hauling business;
- Retrieval of salvaged materials, removing materials in such a way that maximizes their reuse value (this bears emphasizing: retrieving these materials with a mind to preserving their value involves applying skill and care in removal – this is not straight-ahead demolition);
- Restoration of salvaged materials, repairing and/or upgrading the salvaged materials in a way that increases their reuse value;
- Retailing salvaged materials, selling the retrieved and restored materials to individual end-use customers.

Each of these activities represents a different stage in the value chain, which has implications for the scale of the business operations, the expertise required to operate it, the space needed for these different functions, and the skills that the workforce will require.

## **The Value of a Social Enterprise to Participants**

There are a number of ways in which a social enterprise focused on an employment goal will be of benefit to participants:

- Acquiring job-related skills: There are a number of specific job skills that can be acquired and/or improved, which are relevant to a number of different occupations, such as working in demolition, construction, salvage shops or restoration work;
- Acquiring employability skills: The work experience will necessitate acquiring very specific employability skills, such as attendance, punctuality, working in teams, communicating with co-workers, being sensitive to safety issues, taking instruction, exercising judgment, problem-solving, organizing one's work, responding promptly, and managing the chaos and the unpredictability of the work;
- Gaining skills and experience while getting an income: The value of this experience is that it supports a transition whereby one can earn money while learning, so that participants can ease their way into a regular work regimen while receiving income as well as on-going personal supports;
- Advancing after participation in this program: The objective of such a transitional work experience should be to link individuals to a permanent job after the program, or to further education or vocational training.

It bears emphasizing that the purpose of a social enterprise focused on employment is not so much to provide permanent employment to a limited set of beneficiaries as it is to enhance the employability of a revolving number of program participants. In order to achieve this goal, such a social enterprise must rely on the following:

- Have *dedicated job coaches/case managers* whose function it is to provide both group instruction related to employability, as well as one-on-one counselling to address specific issues as they arise;
- *Structuring the work experience* so that specific employability skills are put to the test;
- *Tracking the performance* of participants in terms of their employability, to identify potential needs as well as to measure the impact of the program.

## Issues for a Social Enterprise

Practically, there remains a considerable distance between the broad, sound, business choices represented by the options listed above, and the actual implementation of an enterprise. These are as follows:

### **The Need for an Implementing Champion**

All the best feasibility studies and business plans will not result in an enterprise being started. Rather, there is need for the one individual who would actually “run” with the idea, the person who would be the business manager for this enterprise. Ideally, this person would be passionate about deconstruction, the sort of person who will eat, breath and sleep obsessing about secondary markets for used copper or recycled asphalt, someone will roll up their sleeves and match, effort for effort, what demolition firms are already doing to compete in this sector.

Exploiting a business niche that straddles the demolition industry and home renovation sectors on the one hand, and takes advantages of environmental opportunities on the other, in the context of a non-profit business that could provide work opportunities to disadvantaged individuals, will require a champion who possesses a unique combination of business and social skills. Perhaps this is always the case with a social enterprise, but somehow it feels in this instance even more so.

### **Two Key Positions**

The Business Manager would need to make the enterprise operate as a business, having regard to its employment mission. A Job Coach/Case Manager would be needed to ensure that participants acquire the necessary employability skills and can overcome whatever barriers have prevented them from succeeding in jobs in the past.

That such a social enterprise would largely rely on a workforce of individuals with barriers to employment poses a serious challenge. The work involved in retrieving this material depends on

timeliness, quality work (so as not to damage the materials), customer relations (meeting any concerns of the building owner), safety and operating in a chaotic environment (the unpredictability of demolition work). It is hard enough preparing hard-to-employ individuals for jobs – it is that much more challenging to do so in a business context that requires prompt response, attention to safety, careful execution and sensitivity to customers. These two positions are essential to meeting this challenge.

### **The Need for Staging**

No one should imagine an enterprise that does everything at once, that is, retrieval, restoration and retail. Just as a matter of risk, there is much to be saved in trying a little part of this, and then expanding the functions if things work out. Because each added function is qualitatively different, each new stage has consequences in terms of how much space is required, what tools are needed, and so on. Another consideration is the practical experience that will be acquired as this enterprise starts working at the front end of this supply chain of recovered materials. Studies can only go so far in exploring what an enterprise likes this needs and what it will face. This is no substitute, after some initial due diligence, for jumping in and learning by doing, and that will truly be the test of how far such an enterprise can go in taking over more and more functions. A social enterprise in the salvage sector could focus at first on retrieval of materials, together initially with some light cleaning and restoration of these materials. The retail of these materials should be managed through partnerships and other contractual arrangements with retail operations.

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