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# Social Finance Case Study

**Cowichan Green  
Community Society**

October 2017

## **Acknowledgements**

The researcher (Heather Hachigian) is grateful to the interviewees for sharing their ideas, knowledge and experiences. The researcher is also grateful to those that provided feedback on the draft report: Lee Herrin, Kristi Fairholm Mader. Any errors and/or omissions are the sole responsibility of the researcher.

# Social Finance Case Study: Cowichan Green Community Society

Social enterprises and ventures often face significant challenges accessing financial capital to ideate, launch and grow. Many not-for-profit social ventures do not have the cash flow required to service large debt obligations, leaving these organizations largely dependent on traditional sources of short-term and cyclical grant funding. While for-profit social enterprises and ventures have the option of raising equity capital, these organizations also face challenges related to finding investors that are willing to tolerate patient returns and avoiding investors that expect them to compromise their social mission to grow.

The aim of these case studies is to illustrate how Vancouver Island-based social enterprises and ventures have leveraged innovative financing to support their launch and growth, while maintaining a strong commitment to their social mission. The case studies are selected to represent a diversity of organizational forms, stages of growth and financing mechanisms. It is hoped that their stories will inspire other social enterprise and ventures to explore innovative financial mechanisms to scale up their own social impact, and to identify social finance tools and options that could be further strengthened. The table below summarizes the key attributes of the four case studies selected for this research.

**COWICHAN GREEN COMMUNITY SOCIETY (CGC)** is a not-for-profit focused on promoting food security, affordable housing, and environmental sustainability in the Cowichan Valley. In 2013, CGC purchased a building in downtown Duncan, formerly known as the Phoenix Station Motor Inn, which they renamed The Station. The building, once home to a liquor store, pub and motel, has been re-purposed into a vibrant community space, and includes commercial kitchen space, affordable housing units and retail space for mission-aligned organizations.

**Financial Structure:** CGC secured a \$1.14 million mortgage from Vancity Savings and Credit Union to purchase The Station. The mortgage is structured as a 5-year, fixed term. Board members used their own money for the deposit. CGC also secured a \$700,000 credit facility from Vancity to finance building renovations. When CGC experienced an unexpected short-fall due to the loss of an anchor tenant, Vancity provided an additional \$375,000 re-financing arrangement and the Vancity Community Foundation provided CGC with a \$50,000 grant.

**Rationale:** CGC was originally seeking new rental office space and did not set out with the intention of purchasing a building. A combination of motivated staff and board members who recognized the importance of diversified funding and who were willing to take calculated risks, a supportive mortgage lender and serendipity (another not-for-profit set to purchase the building withdrew) provided the impetus for the

This social finance case study will examine how Cowichan Green Community Society, a non-profit organization located in Duncan, BC, used social purpose real estate (mortgage) to increase their impact.

The Phoenix Motor Inn (2012)



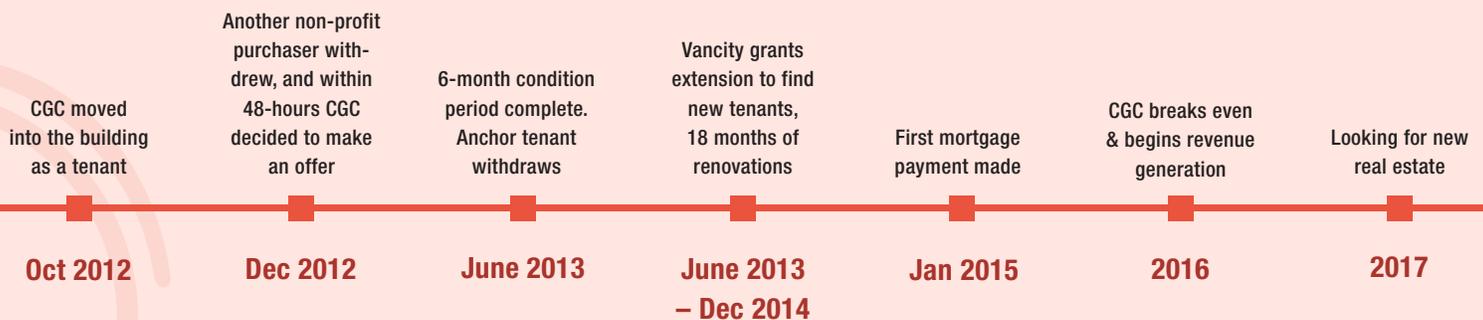
The Station (2016)



purchase of the building. “What we wanted was a solid physical and financial foundation from which to pursue our mission. We were spending untold hours on fundraising—we realized that we needed sustainable income to develop sustainable food.”<sup>1</sup>

**Process:** Staff contacted Vancity to discuss the feasibility of a mortgage and at the time, the credit union had a new focus in real estate to support affordable housing, food security, and social purpose real estate. CGC aligned with all three objectives. When a prospective buyer backed away from the deal, CGC had to act fast, making an offer within 48 hours. The conditions of the sale (e.g. subject to finding suitable tenants and financing) were removed six months later. During this time, CGC received some funding from the Canada Mortgage and Housing Corporation to conduct an affordable housing feasibility study. CGC tried to work with BC Housing but ultimately was unable to meet the criteria. In particular, BC Housing does not finance projects with a significant commercial component. The first round of financing from Vancity was released in 2013, for the renovations. The renovations took 18 months. During the condition period and the renovations, the CGC board was meeting on a weekly basis. In addition to its mortgage payments, CGC submits annual financial statements to Vancity.

## Timeline for Purchase of the Station



**Key Outcomes:** In 2015, CGC made its first mortgage payment, and is now generating a stable source of income. CGC has a \$1.785 million mortgage against a building appraised at \$2.4 million.

In 2017, CGC was short-listed for a Community Food Centre Grant, an accomplishment that the society largely attributes to having the credibility, physical space and stability that real estate ownership provides. However, as the Executive Director explains, “there are some downsides to owning a building; some funders and community members may have the perception that CGC is now rich, making us less likely to be considered for some types of funding or donations. But the reality is that we still rely on grants and donations and are far from being self-funded.” CGC has earned several awards and recognition for its role in revitalizing the downtown. At the same time, CGC is aware that revitalization displaces rather than resolves some social problems. CGC focuses on generating social impact through its core programs. CGC is now looking to purchase another building.

**Key Challenges:** The withdrawal of a large, long-term tenant after the sale closed posed significant challenges for CGC. The society had to find suitable replacement tenants in a short period of time, and CGC lost revenue due to the delay. Another key challenge was the demand placed on staff to simultaneously manage the renovations while maintaining operations. Since CGC was re-purposing the building for residential and commercial use, zoning changes were required. The building was constructed in 1992, and required several upgrades to meet newer building code requirements. The renovation budget was also challenging to manage, due to unexpected costs. For example, work on upgrading the two fire escapes cost over \$100,000. Looking forward, interest rate increases are a concern.

<sup>1</sup> <https://www.vancity.com/AboutVancity/InvestingInCommunities/StoriesOfImpact/Housing/CowichanGreen/>

**Key Conditions for Success:** The motivation and commitment of the board members was key to the Station's success. The deposit was not a nominal sum and played an important first step in securing the building. The willingness of staff and the board to take risks was also a key contributor to success. This approach would not likely work for organizations with more conservative risk tolerance. As the Executive Director explains, "there are two ways to go about purchasing a building. The first way is to buy the building and then work out how to finance it. The second way is to figure out the financing and then search for the right building." CGC took the first approach, and it paid off. Also, having a lending partner like Vancity that was flexible and willing to step up with re-financing when the major tenant withdrew was essential. Vancity provided an extension to complete the renovations. The City of Duncan was also supportive, providing approximately \$10,000 in grant funding to help support the development permits and zoning application fees.

**"We had to keep reminding ourselves that our overall objective was to generate income for the not-for-profit so that we could establish a sound base from which to pursue our mission."**

**- Judy Stafford, Executive Director, CGC**

**Lessons learned:** The story of the Station can be told many ways. One way is to emphasize that CGC staff and board members were in the right place at the right time, and had limited alternatives. Interest rates were low, CGC needed a new place to call home, and Vancity had just shifted its real estate lending focus in a way that aligned with CGC's focus. But telling the story this way discounts the dedication and vision of the board and staff, and their courage to take calculated risks. CGC understood the importance of generating a steady source of income, and staff believe that it was worth the pain. The most important advice CGC offers to other organizations that may be contemplating real estate ownership is to remember why your organization is buying a building. As the Executive Director explains, "We had to keep reminding ourselves that our overall objective was to generate income for the not-for-profit so that we could establish a sound base from which to pursue our mission."

**Resources:** CGC Society website

Vancity Savings and Credit Union Social Purpose Real Estate

Interview: Judy Stafford, Executive Director, CGC