SCALE COLLABORATIVE

# Examples of Social Finance

Supported by Vancity Credit Union

Cowichan Green Community
Cultivating food, community, and resilience

SALT & HARROW

SPUD.CA
Local Organic Groceries

## Four Vancouver Island Case Studies

October 2017

## Acknowledgements

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# Social Finance Case Study: Vancouver Island

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 avoiing 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.

The case studies in this report include social ventures in food, real estate and community development. The goal of all is to increase their impact.

**Table 1: Key Attributes Social Finance Case Studies**

| Social enterprise or venture | Location | Structure | Financing mechanism | Growth Stage |
|---|---|---|---|---|
| **Cowichan Green Community Society** | Duncan | Non-profit society | Social purpose real estate - mortgage | Mature (post-construction mortgage) |
| **Salt and Harrow** | French Creek | For-profit social venture | Microfinance | Early-stage launch |
| **Sustainable Produce Urban Delivery** | Victoria and Vancouver | For-profit Certified B Corp. | Venture capital | Mature |
| **Victoria Social Innovation Centre Society** | Victoria | Non-profit co-operative | Social purpose real estate - mortgage | Mature (post-construction mortgage) |

The case studies follow a similar format to allow for comparison. Cases begin with a summary of the organization's form, financing structure and social mission. The cases then review the rationale for choosing the type of finance to launch or grow their business, outcomes of using the financing mechanism and the key challenges, conditions for success and lessons learned.

The table on the next page summarizes the key conditions for success and lessons learned across the four case studies.

**Table 2: Key Lessons from Social Finance Case Studies**

| Case | Key Conditions for Success and Lessons |
|---|---|
| Sustainable Produce Urban Delivery | Consider combining different financing mechanisms to appeal to different risk and return preferences of investors. |
| Sustainable Produce Urban Delivery | Seek out investors that have expertise in your field and alignment with your social mission. These investors will have a better understanding of the market opportunity, and they will be less likely to expect your business to compromise its mission to grow. |
| Cowichan Green Community | Be willing to take risks to achieve your objectives and do not lose sight of your social mission. |
| Victoria Social Innovation Centre Society | Growing your social impact does not necessarily require growing your organization. Partnerships with like-minded organizations can lead to new opportunities to create positive social impact. |
| Salt and Harrow | Having a plan is essential to getting your business off the ground. At the same time, build flexibility into your plan to meet the terms of your funders. |
| All | Non-financial support from funders and investors is equally important as financial support. Leverage the supports offered by funders, such as access to networks and technical assistance with writing a business plan. |

# 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 avoiing investors that expect them to compromise their social mission to grow.

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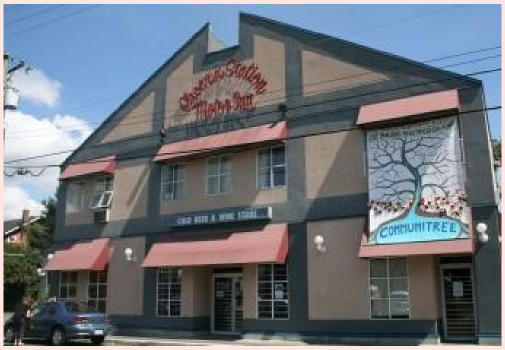
**This social finance case study will examine how Cowichan Green Community Society, a non-profit organization located in Duncan, BC, used social purpose real estate (mortgage) to increase their impact.**

The Phoenix Motor Inn (2012)




The Station (2016)

**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 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."[1]

**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

| Oct 2012 | Dec 2012 | June 2013 | June 2013 – Dec 2014 | Jan 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| CGC moved into the building as a tenant | Another non-profit purchaser withdrew, and within 48-hours CGC decided to make an offer | 6-month condition period complete. Anchor tenant withdraws | Vancity grants extension to find new tenants, 18 months of renovations | First mortgage payment made | CGC breaks even & begins revenue generation | Looking for new real estate |

**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.

[1] 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

# Social Finance Case Study: Salt and Harrow

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.

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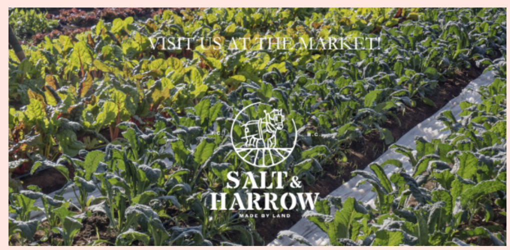
**SALT AND HARROW** is a for-profit venture that operates a 37-acre organic farm in French Creek on Vancouver Island. The organization's mission is to provide customers with access to quality organic fruits and vegetables.

**Financial Structure:** In 2015, Salt and Harrow accessed three sources of start-up capital from Vancity Savings and Credit Union. The Small Grower's Fund, which is dedicated to supporting local organic farm and food production businesses get off the ground, provided Salt and Harrow with a $20,000 loan. Once the loan and interest is repaid, Salt and Harrow will receive the interest that it has paid on the loan to help fund future growth. Salt and Harrow also received a $50,000 microloan from Vancity, which it is close to paying off. The farm uses a line of credit for operating capital.

**Rationale:** Having previously worked in the not-for-profit sector, Salt and Harrow's co-founder did not have a large source of personal assets to use for start-up capital or collateral that is often required by lenders for new ventures. Indeed, most financial institutions would not be will-ing to take a chance on a small venture that lacks collateral. What the co-founder did have was a pre-existing relationship with Vancity through his work with another successful venture (Sole Food Street Farms in Vancouver). Vancity recognized the merits of Salt and Harrow's business plan and there was strong alignment with the credit union's mandate to support local and organic food production.

**This social finance case study will examine Salt and Harrow, a for-profit social venture based in French Creek, BC. Salt and Harrow is in the early stages of their launch and are using microfinance to scale their social impact.**

Salt and Harrow operates a 37-acre farm in French Creek and sells its produce at farmers markets in Vancouver and on Vancouver island.




Salt and Harrow's founder had experience with other capital raising strategies such as crowdfunding. It was determined that this would not be a suitable strategy for Salt and Harrow after weighing the time commitment required to run a crowdfunding campaign against the benefits associated with generating interest from potential customers. Salt and Harrow's business plan depended on selling its produce at farmers markets in Vancouver and on Vancouver Island. As such, they were less concerned with generating consumer interest before going to market through a crowdfunding campaign.

**"Having previously owned a business, I knew what my ideal capital needs were, and it was a process of working with Vancity to scale the business plan back to meet parameters of their financing while still making sure that I had what I needed to get started."**

- Seann Dory, Co-founder, Salt and Harrow

**Process:** The process to secure financing took approximately three months. The first step was a meeting with Vancity to discuss suitable financing options. Salt and Harrow then worked with Vancity staff to develop a business plan. The co-founder's previous experience with writing business plans and operating a successful social venture helped to make this process efficient. Salt and Harrow was able to work directly with Vancity and did not require a consultant. During this stage, there was a lot of back and forth with Vancity about Salt and Harrow's capital needs. Salt and Harrow had to decide what was essential during the first year to get the business off the ground. As co-founder Seann Dory explains, "having previously owned a business, I knew what my ideal capital needs were, and it was a process of working with Vancity to scale the business plan back to meet parameters of their financing while still making sure that I had what I needed to get started."

**Key Outcomes:** Vancity's microloan programs allowed Salt and Harrow to access financial capital to launch its business that it would not have had access to through traditional financial institutions. Salt and Harrow is close to repaying its loans and is looking to the next round of financing to grow its business. One option it is considering is Vancity's 'Next Step microloan' program that is designed to help small businesses that have a few years of successful operations under their belt to reach the next stage of growth[1].

**Key Challenges:** Microfinance is a great source of start-up capital for businesses that do not meet the financing requirements of traditional financial institutions. However, there are some limitations to launching and growing a business with microfinance. In particular, farming is an expensive endeavour that requires large upfront investment in capital such as greenhouses, tractors, and equipment. Salt and Harrow has made do with the bare minimum and its growth rate has been slower than what it could have been, if it had access to more capital.

A second potential challenge when working with local credit unions to access finance to start a business is geographic restrictions. While Salt and Harrow did not face this challenge since the farm planned to sell its produce in the Vancouver market, other businesses planning to operate outside of the geographic region that is served by Vancity may face barriers to accessing this type of financing.

**Resources:** **Salt and Harrow website**
**Interview, Seann Dory, Co-Founder and Owner, Salt and Harrow**

**Key Conditions for Success:** Microloan programs are useful for new entrepreneurs and businesses that are willing to start small and scale their business. It is more difficult for bricks and mortar businesses that depend on large upfront investments to start their business. However, the example of Salt and Harrow shows, it can be done. Vancity's willingness to lend to Salt and Harrow was essential to its success, as there are few alternative financing options for small ventures that lack collateral. Constant communication was also essential to maintaining a good relationship with Vancity.

**Lessons Learned:**

**Be ready with a plan...** Salt and Harrow was able to get its business off the ground in three months because the owners had knowledge of their business and experience with developing a business plan. Salt and Harrow had done the heavy lifting required to convince its lenders of the merits of its business.

**...but be willing to flexible...** Because Salt and Harrow did not have collateral that traditional business ventures often have, it had to scale back on some of its initial plans to meet the terms of Vancity's microloan program. As Dory explains, it requires making sure that business fits with the financing that is available, so if you are starting small then make sure that you actually are small."

2 Business owners can access expansion funding of up to $75,000 based on their character and the competence they've demonstrated in the initial years of their business operations.

# Social Finance Case Study: Sustainable Produce Urban Delivery

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**This social finance case study will examine Sustainable Produce Urban Delivery (SPUD), based out of Vancouver and Victoria, BC. SPUD is a for-profit certified B-Corp that has used venture capital to scale their social impact.**


SPUD delivers local and organic groceries to homes in Victoria and Vancouver BC.

**SPUD** is a for-profit Certified B Corp that provides online grocery delivery service with operations in Victoria, Vancouver, Edmonton, Calgary and several cities in the US. SPUD partners with local and organic farmers to provide customers with access to food produced using sustainable farming practices and humane treatment of animals while also reducing pollution associated with the transportation of food.

**Financial Structure:** SPUD was established in 1997, with a $150,000 personal investment by the founding CEO. In the following year, Renewal Partners, a social venture capital firm with a focus on organic and sustainable food, invested $70,000 in shares and provided SPUD with a $50,000 loan. In subsequent financing rounds, SPUD received approximately $1 million in total investments from Renewal Partners. SPUD reserves 10 percent of its share ownership for employees. The CEO owns 20 percent of shares. In the earlier years of its growth, SPUD offered debentures that could be converted into shares or a new two-year note. Most of SPUD's capital is now in the form of common shares. In 2017, Walter Group completed a $12.8 million private placement of common shares. SPUD's investors represent a mix of socially-minded and conventional investors. As SPUD's CFO Adrienne Yu explains, "we've got high net worth individuals that are passionate about food systems and sustainability and more traditional investors that see the trend of increased demand for sustainable and organic food and want to be a part of it."

**Rationale:** Equity investment allows SPUD to replace debentures and to expand its operations. In addition to financial capital, venture capital firms bring expertise, partnership and access to new networks.

**Process:** SPUD's social mission guides the type of investment partners that they seek. Investors must share SPUD's long-term vision and demonstrate alignment with SPUD's values. SPUD attributes its success in attracting private investment to its ability to articulate a strong vision and compelling narrative. This story must be backed by clear opportunity that can be understood by prospective investors within 18 to 30 slides. Investors also need to see that SPUD is aware of potential risks and has a plan to mitigate these risks.

**Key Outcomes:** Recent capital raises have been used to grow SPUD's warehouse distribution facility in Vancouver, to establish physical stores in British Columbia's lower mainland and to support growth of businesses in SPUD's existing markets. SPUD has become the largest organic food delivery company in Canada.

**Key Challenges:** Having a social mission means that long-term viability of the company can take precedent over short-term profits. In the earlier years, finding venture capital firms that were willing to tolerate patient returns was difficult. In an interview conducted in 2007, the founding CEO Peter Van Seters expressed, "I was worried they would ask me to water down the company values to generate a bigger profit, and all of a sudden we're selling Coca-Cola." SPUD's CFO explains that finding investors that are aligned with SPUD's values is not as challenging as it used to be and that many conventional investors recognize the growth potential in the market for organic and sustainable food. In Yu's experience, "having a social mission does not prevent us from finding good investor partners – rather, it helps us to weed out potential investors that would not be a good fit."

There are some challenges that all ventures face when raising capital, regardless of whether they have a social mission. First, reporting requirements to keep investors informed of the firms' activities can be onerous. Second, raising capital often requires capital in the first place, since investors want to see that the firm is prepared to execute quickly. Moreover, preparing presentations for investors requires resources. SPUD often must demonstrate its past financial performance, particularly for more conventional investors. This may require testing on a small scale to validate claims and financial modelling, which requires both time and resources.

Another key challenge relates to the structure of convertible debt to attract investors. In its earlier years, SPUD's cash flow was insufficient to cover repayment, which meant that SPUD had to raise capital every year to cover repayment of debts and to avoid risk of default. Approximately half of the investors in convertible debt opted out after their term. SPUD now relies more heavily on common shares.

**"We've got high net worth individuals that are passionate about food systems and sustainability and more traditional investors that see the trend of increased demand for sustainable and organic food and want to be a part of it."**

–Adrienne Yu, CFO, SPUD

**Key Conditions for Success:** In several interviews, SPUD's founding CEO attributes the firm's success to finding values aligned venture capital investors like Renewal Partners who understood that the value of SPUD was intimately tied to its social mission. This support extends beyond financial and management experience, to include referrals and network opportunities. When looking to attract new investors, a key condition for success is a strong management team with the capacity to execute. As Yu explains, "while you need to sell your plan on paper, you also need the capacity to execute the plan." Persistence and willingness to work through adversity are also critical.

Key to maintaining SPUD's existing relationships with investors is consistent communication. SPUD provides information on a regular basis to investors to keep them informed, particularly if there are changes to what SPUD initially committed to do. SPUD's CFO also emphasized that it is important that ventures understand the deal and ensure that the deal is structured properly. Yu adds, "there are several examples of bad deals where companies have given up too much. You need to consider what you are willing to give up and what you are not willing to compromise."

**"Having a social mission does not prevent us from finding good investor partners—rather, it helps us to weed out potential investors that would not be a good fit."**

–Adrienne Yu, CFO, SPUD

**"Be prepared for things to not go your way and don't let it deter you from your end goal. It can take twice as long as planned to close a deal. Ensuring that you have the cash front while you are raising new capital is critical."**

–Adrienne Yu, CFO, SPUD

**Lessons Learned:** SPUD has a long and successful track record of raising capital from a diverse mix of Canadian and US investors, some with strong ethical and social missions to invest in businesses that align with investment criteria and others that focus only on long-term value. It is remarkable that SPUD has maintained its commitment to its social mission despite giving some control to outside investors. SPUD continues to evaluate opportunities to expand and strengthen the pursuit of its social mission. Finding the right partners and ensuring that SPUD does its due diligence is key to maintaining this alignment and ensuring that it never has to compromise on its values.

To be sure, short-term tradeoffs between social and financial goals can arise. SPUD's social mission guides its decision-making to find the right balance between its long-term viability while continuing to contribute to more sustainable food systems and healthy communities. Maintaining this balance requires on-going and open dialogue with investors to ensure that they understand that SPUD is seeking to build a company for the long-term. As Yu explains, "we are a for-profit entity and you need to be able to speak intelligently about your business model and financial performance metrics. Working with investors is both a tactical process as well as a visionary one, and both perspectives are needed."

**Resources:**


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**Interview: Adrienne Yu, Chief Financial Officer, SPUD**

# Social Finance Case Study: Victoria Social Innovation Centre Society

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**This social finance case study will examine how Victoria Social Innovation Centre Society have used social purpose real estate (mortgage) to increase their social impact. The Victoria Social Innovation Centre Society is a non-profit cooperative based in Victoria, BC.**

The new Victoria Social Innovation Centre - under renovations in 2017

**VICTORIA SOCIAL INNOVATION CENTRE SOCIETY (VSIC)** was formed in 2017 by two founding member organizations, the Victoria Immigrant and Refugees Centre Society and Family Services of Greater Victoria. In early 2017, VSIC purchased a 15,000-square foot building in downtown Victoria (1004 North Park St) to create value for member agencies and to serve as a hub for collaboration among not-for-profit organizations.

**Financial Structure:** The $2.5 million building purchase and renovation costs are financed by a 25-year mortgage from Vancity Savings and Credit Union and a five-year interest-only loan from the Vancity Commu-nity Foundation. Member societies pay market rents for the space that they occupy within the building. VSIC retains direct ownership over the building. Remaining year-end cash after maintenance costs and debt servicing are refunded back to each member society. Member societies are free to give up their occupancy in the building and rent elsewhere. However, member societies cannot take equity out of VSIC.

**Rationale:** The VSIC model provides a way for member societies to diversify their funding source by generating income from renting out other units in the building. The occupancy costs for each society should reduce considerably in the long term after paying off renovation costs. It is anticipated that the cooperative ownership structure will strengthen member organizations' financial positions, making it possible for these organizations to self-finance innovative social services that are often ineligible for conventional funding. As a result, member organizations will become more resilient to changes in government funding. The structure of the VSIC provides a continuous incentive for both member societies to collaborate, since neither society owns the building. If the VSIC board is vacated, neither member society would receive equity.

**"If you do not have the impulse to bring friends to the table, then this model is probably not for you. We bought a building four times the size that we needed for our own organization because we know we can fill it with other like-minded organizations that offer a diversity of services."**

–David Lau, Executive Director, VIRCS

**Process:** The first task was to establish a new organizational structure. Using part of a $10,000 grant from the United Way of Greater Victoria the two member societies hired a consultant to assess options for organizational structure and to create the constitution and articles to form the new non-profit society. The executive directors of Victoria Immigrant and Refugee Centre Society and Family Services of Greater Victoria created a memorandum of understanding to engage other potential members. They also asked Vancity to speak to the board about the risks and long-term benefits of joining VSIC. During this early phase, VSIC members invested time in board development. This involved creating relationships at the board level, where member societies would spend time attending each other's board meetings to better understand how each other's boards operated.

To find a suitable building, VSIC initially engaged with the City of Victoria. However, the City had other priorities at the time and was unable to find suitable space for the Centre. VSIC then turned to Vancity Savings and Credit Union, knowing that the credit union has a mandate to support social purpose real estate and cooperatives. VSIC identified a suitable building previously owned by the MS Society of Canada. Family Services of Greater Victoria and the Victoria Immigrant and Refugee Centre Society worked together on a plan to purchase the building. Vancity Savings and Credit Union and Vancity Community Foundation agreed to jointly finance 100 per cent of the building purchase and to provide VSIC with a short-term loan to undertake renovations so that member societies would not have to rely on their own reserve funds.

**Key Outcomes:** It is still early days (at the time of writing, VSIC is undertaking renovations) but it is expected that both societies' financial positions will improve once they begin collecting rents from other societies that occupy the building. It is also expected that VSIC will catalyse collaborations across not-for-profit member organizations and create long term financial advantages associated with its cooperative ownership structure to strengthen members' financial positions. It is hoped that this will have several downstream effects related to creating more innovative social services.

**Key Challenges:** Finding suitable partners with strong alignment between long-term interests was challenging. In some cases, it may not be feasible for client groups of different societies to share the same space. Moreover, not-for-profits are often at different stages of development, which makes collaboration challenging. VSIC originally began with four partners and ended up with two. While this presented some initial challenges, it also presents an opportunity by leaving the remaining two societies in a favourable position to select member organizations that demonstrate strong alignment with VSIC's strategic direction. Another significant challenge was that the member societies had to float $60,000 for closing costs.

**Key Conditions for Success:** There were several key conditions that contributed to the success of VSIC in achieving key milestones to date. First, both member societies benefit from strong leadership that is committed to a long-term vision. Executive directors of both member societies saw an opportunity for ensuring long-term viability of their organizations through this model. Second, member societies emphasized the competencies required to take on a large capital project, from project planning and financial modelling to relationship management. As the executive director of the Victoria Immigrant and Refugees Centre Society, David Lau, explains, "if you do not have the impulse to bring friends to the table, then this model is probably not for you. We bought a building four times the size that we needed for our own organization because we know we can fill it with other like-minded organizations that offer a diversity of services." Third, VSIC benefits from the strong and supportive partnership with Vancity Savings and Credit Union. The willingness of Vancity to finance the building and renovation costs without the requirement of upfront capital was essential to making the numbers work.

**Lessons Learned:**

**Effective partnerships depend on mutual respect:** Equally important to finding suitable partners with aligned interests is establishing a partnership model that is flexible and based on mutual respect to ensure on-going collaboration. As Lau explains, "when these types of partnerships break down, it is often due to a perception of inequality among members. Members can become unhappy about what they are getting from the relationship relative to what they have been required to sacrifice. It can be over something as petty as parking spaces." VSIC is conscious of this challenge. One advantage of the VSIC model is that their funder does not occupy the same building, which is often the case in other innovation centres. This means that member societies themselves have control over rules that govern the use of the shared space, such as office hours, parking allocation and conflict resolution.

**Forward-looking leadership and long-term commitment:** This model requires leaders that are considering long-term options to stabilize their organizations over a 2-decade span. 'Stability as a legacy' may have more gravitas for leaders who are at end of their careers and are concerned with leaving their organization in a strong position. Lau advises, "if you are not thinking about what your organization will look like long after you are gone, then you may not be ready to take on this level of collaboration on a real estate acquisition."

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–David Lau, Executive Director, VIRCS

**Internal dynamics matter:** Not-for-profit organizations are often staffed with altruistic people who want to see their organization succeed and improve. However, staff members will likely have different motivations and time horizons for executing initiatives than board members. In some cases, board members will be more interested in a model such as VSIC than staff because board members are often thinking about how they can contribute to the success of the organization within the span of their board term, whereas staff have the span of their careers to contribute to the organization and they may be less inclined to take on such a large endeavour, particularly if they are in the earlier stages of their careers. As Lau explains, "staff members and board members are often operating on different wave lengths. It is important to understand at what octave everyone is singing."

**Resources:**

**Interview: David Lau, Executive Director, Victoria Immigrant and Refugees Centre Society.**