

Quick Case Guide

Public Foundation	Publicly Fundraising	Mostly Direct	Finance First
Private Foundation	Non-Fundraising	Mostly In-Direct	Impact First

Improving lives through social purpose real estate

In conversation with the Central City Foundation, January 2017

The Central City Foundation is a public foundation with roots extending back to 1907 and the Central City Mission Society. With a mission to bring together their neighbours to build a community of hope, the foundation has provided help and hope to the most vulnerable people in Vancouver's Downtown Eastside and other areas of the inner city. Over the years, Central City Foundation has become a leader for its model of investing in innovative, sustainable social purpose real estate properties to further its mission. We spoke with Jennifer Johnstone, Central City's CEO, about this journey and what they've learned.



What does impact investing look like today at the foundation?

Today about 40% of our capital is invested in social purpose real estate. Take one example: In 2012 we purchased a building for one of our community partners, [Aunt Leah's](#), who works to build brighter futures for foster care youth. They needed additional housing for single moms and space for their social enterprise; we bought a small building for those two purposes. Eventually the building was fully renovated through a repayable grant. They moved their full operation into the building. The security of tenancy and tenure within our property has meant that they've been able to take new risks and innovate with different aspects of their programming. In a time when most of us are searching for ways to have impact on complex, seemingly intractable social issues, the pursuit of social innovation is challenging for many charitable organizations. We've been able to help Aunt Leah's mitigate one of their greatest risks. It's one of my favourite projects for these reasons.

How do you identify these opportunities?

We identify these opportunities primarily through our grants program. Our small grants program is our main relationship-building tool in community. Our grants are an authentic relationship with community. Making a grant to an organization opens the door to a relationship that includes getting to know that organization and its impact. That organization informs us about what is going on in community — where those needs are, what's not being met. We've been able to build some really strong relationships. The building I spoke about, Aunt Leah's in New Westminster, grew directly out of that granting relationship.

“From the beginning of the foundation it's been about figuring out how, with a relatively small endowment, to maximize our mission in relentless pursuit of impact.”

What is Social Purpose Real Estate?

Social Purpose Real Estate (SPRE) are real estate assets that create a blend of real social, environmental, and financial returns.

These real estate assets support the community and often support mission-driven organizations such as charities and non-profits.

Common examples include affordable housing, seniors care centres or childcare facilities, among others

How do you understand the 'impact' of your investments?

We measure our impact in a few different ways. There are some things we can count, such as jobs created, housing units built and patients served. We also have a story gatherer on staff; we collect stories, look at those stories of impact and study how impact investing has affected individual lives. In 2013, we undertook a [Social Return on Investment](#) study of our real estate portfolio that looked at the return on operating capital and the return on our capital. We took a conservative approach,

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because we wanted to be sure we weren't taking credit for what our partners are doing. But we are taking credit for how we supported what they are doing. Overall, for every dollar we spend on social purpose real estate we generate almost four dollars in return. The overall social return on our capital is 18%, which is a good return — this is a combination of financial and social return. It provides a benchmark. We will redo that study occasionally to see if we are making progress in terms of the impact we are having.

What barriers do you see to more organizations engaging in impact investing?

One of the biggest challenges for impact investing is scale. There are some amazing social enterprise opportunities going on, but many are not at a significant scale. Foundations are sitting on billions of dollars of assets in this country, with capital looking for an investment opportunity. But it's limited on the social enterprise side of things. Real estate, on the other hand, can be leveraged on a much larger scale. Some of the impact investment vehicles that we've seen, for example the Community Forward Fund, are mostly investing in real estate such as affordable housing. To a certain extent, that's where there is scale, and where you can invest large capital dollars.

Knowing what you know now, where would you begin in impact investing?

Getting to clarity of mission is key. Then take a step back and look at your strategic approach to understand how you can maximize that mission. Think about our current historical context. It's fine to preserve your capital, but at this point in history there is some stuff that needs to get done! I think increasingly, it is not ok for us to sit on our assets in foundations. There are significant dollars; now it's time to think about how we can leverage those dollars. Those who are interested in impact are looking to go beyond their minimum spending requirement. We're at a point where the community has invested in us. Foundations that don't invest back in the community are being challenged... by donors, by community, by the urgency of the complex challenges we're facing in urban and rural settings today. **Spending some time as a foundation reflecting on your purpose and your mission gets you closer to finding those opportunities for impact investment, because ultimately that's what the impact is about — it's about your mission.**

Excited? Want to learn more about social purpose real estate? Consider looking at a [real estate product example](#).

KEY STEPS

- *Use grant programs and community partners to identify opportunities*
- *Consider smaller scale projects to empower social enterprises*
- *Reflect on your purpose and mission to guide investment*