Edmonton’s Social Enterprise Fund

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Objectives of workshop:

• To familiarize participants with Edmonton’s Social Enterprise Fund.

• To describe the role of the City of Edmonton in the Social Enterprise Fund.
Social Enterprise

A social enterprise is a type of business venture that has at its core, a 'social good'. Like any business, a social enterprise is designed to be profitable or at least break even, over a given period of time. Social enterprises are unique, hybrid organizations that combine a social mission with a business model. Very often social enterprises and/or their clients are located in redeveloping inner city neighbourhoods.
Why Social Enterprises?

- Social Enterprise is one tool that can assist in addressing some of the complex issues that municipalities face and provide a way to address poverty in diverse populations.

- Social enterprises often do not qualify for traditional financing or grants.
Financing Continuum

Traditional Philanthropy
- Grants
- Donations

“Bridging the gap” Social Enterprise Financing
- Patient Capital
- Affordable housing mortgages
- Interim financing
- Grants for technical assistance

Traditional Capital
- Commercial lending
- Private Capital
- Public market capital
Edmonton Examples:

- Goodwill Enterprises
- Women Bldg. Futures -The Fix-it Chicks
- Flavour Budzzz
Goodwill Enterprises:

A PROVEN HISTORY USING INVESTMENTS TO TURN DONATIONS INTO JOBS—since 2004 added 4 new stores and created 380 new jobs!
Women Building Futures

• Mission is to contribute to women’s economic prosperity through trades training and employment support.
• Participants are women who want to achieve sustainable livelihoods to better care for themselves and their families
• Participants are under-employed, on social assistance or on Unemployment Insurance
Flavour Budzzz
Flavour Budzzz—Catering

- Purpose is to develop, implement and support employment/training opportunities for mentally challenged and disabled recipients interested in the social enterprise.

- Joint project of Capital Health and DECSA.
City of Edmonton’s Response to Increase Social Enterprise Activity

• Work with the Edmonton Community Foundation to develop the Social Enterprise (SEF) fund
• The SEF is an endowment that will provide needed financing and assistance to social enterprises and affordable housing projects.
• The purpose of the SEF is to supply the financial resources and tools needed to create jobs and provide services.
City of Edmonton survey indicated that the combined demand for social enterprise and affordable housing financing in Edmonton exceeds $70 million.
Capitalization of Fund

- To date $4,260,000 has been secured
- United Way $500,000
- Edmonton Community Foundation (ECF) $660,000
- Alberta Government $100,000
- The City of Edmonton $3,000,000

(Note The ECF is committed to funding the following amounts: 2009 $1,000,000; 2010 $1,000,000 & 2011/2012 $500,000)
SEF Governance

City roles:
- Shareholder
- Appoint director(s)
- Steering Committee membership
- Technical experts on advisory committees

Part IX Company (non-profit)

SEF Steering Committee

Projects Advisory Committees

SEF Projects

Stand-alone Charity or ECF Social Enterprise Division
SEF Core Products

• Loans-- Bridge financing – SEF provides funds to projects that can’t get full traditional funding

• Development services
  ➤ Seminars
  ➤ Direct engagement
  ➤ Path to Loan Grants
  ➤ Technical Assistance Grants for Business Planning
Technical assistance grants

• Grants foster sustainable development by providing financial and technical support to organizations interested in developing a social enterprise.

• Helping to develop business plans—new and expanding businesses
Social Enterprise Fund: loans and technical assistance working in the community
Housing

- **Gap** financing
- **Short term** – exit strategy
- Possible **mortgage** – smaller amount; higher interest; longer term
- **Maximum** - $500,000
- **Minimum interest**: 5%
Metis Capital Housing Corporation

- **Purpose:** purchase of existing supportive seniors complex
- **Social return:** maintains complex for current use; provides services to aboriginal elders
Big Brothers Big Sisters

• Purpose: purchase of land for home lottery
• Social return: lottery business generates significant net revenue to support programming in the community
CASA, Child and Adolescent Family Health

- Purpose: purchase of school for program delivery
- Social return: build balance sheet + necessary 1st step to new mental health complex in Edmonton
The Excel Society is a not for profit organization that provides both support and advocacy for people with mental, physical and developmental disabilities in Edmonton.

Gap funding to enable Excel to provide housing with residential services to meet individual support requirements and/or living preferences.
Challenges

• Capitalization of the fund; neither the provincial nor federal governments have contributed

• Lower than anticipated demand for Social Enterprise financing

• Changes in operating environment
SEF responses

• Reduce operating costs
• Increase revenue streams
• Convert fixed costs to variable costs
• More development services
• Keep capital working
Response to challenges

- Portfolio development
- Increase SE capacity
- Asset-based loans, real estate to back loans
- The way forward – both provincial and federal governments and other sponsors
Allocating the Investments

Investment Portfolio

- 38% Market Investments
- 10% Affordable Housing Mortgages
- 10% Interim Financing
- 2% Patient Capital Loans
- 10% Grants for Technical Assistance

40%
Features Common to all Loans

- SEF is a **development lender** – take more risk; more flexible
- What we look for?
  - **Blended value**
► History of performance
► Ability to execute
► Ability and willingness to repay

- **Eligible applicant:** Charity, non-profit, non-profit co-operative head quartered and operating in Edmonton – social benefit flows to beneficiaries living in Edmonton

- **What we assess** – apply standard credit assessment criteria:
  ► Character
  ► Conditions
  ► Collateral
• We do not lend against collateral – we lend against cash flow

• Interest – near prime – there are minimums depending on the type of loan ranging from 3 – 5% - interest is subject to evaluation of risk

• Term loans

• Full security

• Accountability/reporting measures

• Social Return On Investment
Summary of Municipal Roles in SEF

- Community engagement
- Identification of community need; financing gap
- Research and Development
- Capitalization
- Governance
- Implementation
Thank you

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