St. John the Divine
Master Development Plan

Not-For-Profit Social Purpose Land Development Models: Land Tenure and Operational Governance

By Robert Brown and Deborah Curran

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1. Introduction

1.1 Context and Purpose

Many not-for-profit organizations, including those with land holdings, such as churches, are getting into the land development business. Their approach is to provide the platform – land – from which community service can be amplified in a community. They often provide space for other organizations to join them and co-locate a number of non-profit enterprises on site. Co-location as an incubator for social innovation is an emerging field. Drawing on the economic geography literature and the phenomena of "clustering" of like-minded businesses, the Centre for Social Innovation describes the following factors as key ingredients to fostering social innovation:

- Create diverse environments where different approaches, from a variety of sectors, to solving problems can interact and stimulate creative thinking;
- Create and curate excellent physical spaces with access to resources, support structures, a functional work environment, and the opportunity to participate in workshops, discussions and activities that foster creative thinking; and
- "animate" the physical space by offering learning opportunities such as capacity-building workshops, social events, and access to other programming that allows tenants to participate if they want and "…to nurture a participatory culture where all members feel welcome to bring their ideas and to leave their fingerprints".

Taking many forms, these social purpose real estate ventures are complex undertakings, as is any activity in the arena of land development. They are also decidedly non-profit.

In particular, several decisions weigh heavily on the staff and volunteers who are shepherding a land development project. These are:

1. What corporate form(s) will be chosen to hold and/or develop the land? Should we incorporate another non-profit or company to act as the developer?
2. What will be the relationship between the landowner(s) and others using the site (the tenure of the organizations or individuals on the site); and
3. How will the activities on the site be planned and managed once the physical construction is complete (the governance of operations).

The purpose of this report is to address questions two and three because there is very little written information for people in the non-profit sector when they set out to craft a workable governance structure for a land development project.

Specifically, this paper sets out some of the options for two different phases of developing or redeveloping land for non-profit and sustainability outcomes. The first, set out in Part 2, explores the possible land development models that organizations may use to execute projects. It responds primarily to the question of what form land tenure (purchase, lease, strata, etc.) could take. The information provided in Part 2 is based on models of development partnerships, both actual and fictitious, with a view to providing concrete examples for organizations or groups of people embarking on a land development project, the purpose of which is primarily non-profit or social-purpose.

Part 3 addresses mid- and post-development site-wide governance. It responds primarily to the question of what legal and governance structures will the parties on the site adopt for operating the social purpose "campus". This includes operations (e.g maintenance, use of common property, utilities, etc), community animation, entering/exiting the relationship, and dispute resolution. This discussion is premised on a desire to co-manage the entire property together, irrespective of the legal relationships between the organizations on the site. The aim is to move away from the traditional landlord-tenant or owner-tenant relationship and co-govern the site collectively to amplify social service and sustainability outcomes. We believe that collaboration, irrespective of legal entitlements, leads to better organizational and thus community outcomes.

The intent of this discussion paper is not to be exhaustive. We aim only to inform those involved in non-profit development projects of a range of different structures and provide some comparative information to assist the readers in working with their professional advisors in making decisions about the complex issue of land tenure and governance.

1.2 St John the Divine Redevelopment, Victoria B.C.

This document arises from the work of the St. John the Divine Redevelopment Task Force. The members of the Church of St John the Divine in downtown Victoria, British Columbia have a strong commitment to community building and believe that their land asset can be used to strengthen social service work and stimulate effective and balanced redevelopment in this part of the City. The vision for the land is *"Mobilizing the property for social change".* The terms of reference for the Task Force are:

> To discover whether we can undertake financially self-sustaining redevelopment on our property at no cost to parishioners and, by doing so support the building of an inclusive community of people seeking to serve others in the heart of Victoria, all anchored by the spiritual centre which is the current church building.

An integral part of this redevelopment discussion is how to ensure that the values, vision and objectives of the project are maintained and thrive in the final "product" that will likely be delivered in partnership with other organizations.

The values informing the redevelopment project are:

1. Sense of community: this includes creating a physically open, inclusive beautiful and welcoming space; providing sanctuary, and being inclusive to those of other faiths, and those with different needs. Making sure we meet the needs of our partners and programs, but also that we are aware and accepting of the responsibilities these kind of changes necessitate.

2. Environmental sustainability: this includes making sure the structures being considered are carbon neutral (or better) and that we create many green spaces throughout, such as community, rooftop, and patio gardens. That we preserve the Memorial garden and perhaps even eliminate above ground parking.

3. Equity and social justice: this includes preserving low-income housing options for seniors and providing housing, spaces and programs for single parents and other groups and individuals in need.

The objectives of the project are to:

- Model servant leadership
    - Driven by and for the community and its needs
    - Replicable and transparent
- Support the mission of the church
- Anchor, amplify and expand service to the community
- Generate income to support the work of the church
- Share infrastructure/building costs
- Provide administrative and other space for Church use
- Create community
- Showcase environmental, social, economic, and spiritual sustainability.

Also, Task Force and Parish have outlined components that are critical to the expression of the values and vision, and that they understand are needed in the community. These are:

• Affordable Housing: While there are many diverse housing needs in the Greater Victoria community, The Task Force and Parish envisage a combination of affordable rental housing and possibly affordable home ownership units. This housing would be targeted towards households earning between $30,000 and $60,000 p.a. As such it could potentially serve working singles and couples, single parent families, two-parent families and seniors.

• Social Service "Hub" space - It is apparent that there is a need for functional, customized and attractive space to facilitate the delivery of much needed social services in our community.

• Not For Profit Office Space: A number of not for profits from a variety of sectors (arts, environment, social service, childcare, families, recreation) have expressed interest in locating at St Johns. Such users would be complimentary to the social service agencies integrated into the Social Service Hub space.

• Space for Church Needs: A detailed space needs assessment for the church made recommendations about using existing space more efficiently and sharing single purpose spaces with other organizations.

• Outdoor space: The maintenance of the inner and memorial gardens, as well as providing other green space, is critical to the achievement of the Vision and Objectives.

• Arts component: Integration of arts programs and facilities within the development would be a significant benefit to the project and the community.

• Green infrastructure: An essential component of the project is for it to be developed in a highly sustainable way. Sustainable infrastructure will serve the project and potentially the broader community. All buildings within the project will be designed and constructed to provide a healthy environment and to minimize the use of energy, water and resources during construction and ongoing operation.

These objectives and components point to a non-profit redevelopment model that supports community organizations to co-locate on the site in order to facilitate them in delivering their services to the surrounding community. It also points to a co-governance structure through which the organizations located on the campus can collaborate, operate and animate activities on the site beyond their own individual organizational mandate.

For ease of discussion we have divided this discussion paper into two parts:

- Part 2 sets out options for development models (construction and land tenure) and
- Part 3 discusses co-governance options (operations and site animation).

2. Development Models

Ultimately, in developing or redeveloping land the following three questions must be answered:

- Who will execute the project?

- Who has responsibility for raising the capital and or financing, and building the building?
- What land tenure form will the parties adopt, and is it "bankable" (will a financial institution recognize the interest in land that it creates as security for a loan and can a mortgage be registered against the title to the particular parcel being developed)?

The answers to these questions are interdependent and so should be discussed concurrently when exploring the needs and capabilities of potential development partners.

It is important to note that the types of organizations that can be involved legally in land development are many and include societies (non profits), cooperatives, strata corporations, companies, and partnerships. There are benefits and drawbacks to each of these options, and organizational leaders should discuss what form will work best for them in their development project.

Often an organization or landowner will create a specific legal entity, such as a company, to undertake a land development project. Likewise, groups of organizations that decide to build together often create a new legal entity, such as a non profit society or company, in which they all have governance and financial responsibilities. While this topic of which legal entity or entities is appropriate for what type of project is not addressed in this report, it is an important part of the land development puzzle.

The purpose of this Part 2 is to introduce readers to forms of land tenure i.e. how organizations secure rights to use a piece of land, building or portion of a building. Existing models of development partnerships are set out as examples, and options for land tenure are presented to illustrate a number of possibilities for non-profit land development.

2.1 Forms of Land Tenure

Non profit organizations typically do not own the building or land that they use. They secure leases, the ability to use land or space in a building, from a landowner. Although in the residential setting purchasing a home is seen as ideal, many organizations do not have the financial or human resource capacity to own and manage a building. However, over the past decade collective ownership - where a number of non-profits pool their resources and talents to build and own space together - is increasing.

How these organizations relate to one another in how they can use the land from a legal perspective, the tenure, can take several forms:

Fee Simple: most simply, an organization can purchase a piece of property or building and use it. Fee simple ownership allows an organization to self-govern within the limits of municipal zoning, building code regulation, and other laws. Fee simple ownership is recognized by banks as the most secure form of land tenure because when taking a mortgage of the property as security for the loan, if the owner fails to pay the mortgage back as agreed the bank can foreclose on the property, take possession and recoup some or all of their loan and costs through a sale of the property. A mortgage is the loan document and, when registered on the title to the property usually prevents the owner from selling the property without first discharging the mortgage.

Strata: purchasing a strata unit provides the owner with legal title to the strata unit plus a shared ownership in the common areas – hallways, elevators, landscaped areas, common rooms – with the other owners. A strata unit, created under the *Strata Property Act* in B.C., is bankable because a separate mortgage(s) can be registered on the title to each strata unit and a financial institution can foreclose against an individual unit. Strata unit owners are automatically part of a strata corporation that is responsible for overall building ownership, operations and maintenance. The *Act* sets out a framework within which strata corporations establish bylaws and other rules to which unit owners must adhere. Strata unit owners are thus co-owners of common property with other unit owners. From an operational perspective they also have to work in a structured and co-operative way with their fellow strata owners.

Leasehold: a lease, which is an agreement between two parties (typically a land or property owner and a tenant) that sets out the short and long term rights and responsibilities of each party. In addition to what space will be secured through the lease and how much will be paid for that space, the parties agree to who is responsible for upkeep, paying for renovations, and utilities, and the expected behaviour of tenants, staff and visitors in the building. Leases can come directly from a property owner or from a person or entity that already holds a lease from the property owner. This "sub" lease defines the terms and responsibilities between the "head" tenant and the "sub" tenant, and must take into account the terms of the lease agreement between the property owner and the head tenant. Commercial leases can be bankable, however many residential leases are not. For a lender to secure a mortgage against a leasehold property the landowner would need to agree to have a mortgage registered on the title to the property.

It is important to note that under the *Land Title Act* a lease of a portion of land for a period of more than three years cannot be registered on the title to the property without the consent of the municipal approving officer, unless the lease is for a building only. While many local governments do not deal with the approval of long term leases, others treat them as similar to a subdivisions. In these cases, as long as the land development project meets municipal bylaws, the municipal approving officer would be willing to give their consent before the lease is registered in the Land Title Office. These approvals lapse when the lease ends.

Leasehold Strata: this involves the subdivision of land into stratified "parcels" that are sold as long term leases, for example for 99 years. They are often used where the landowner is either prohibited from selling its land or does not desire to, and are available only to government entities and universities in B.C. under the *Strata Property Act*. The leasehold interest may be sold directly to new owners. Such owners could be development partners who undertake construction of a multi-unit building. Then the leasehold interest in these units may be sold to new leasehold strata unit owners. A strata corporation is also the form of governance for this form of tenure. This option is however only available to municipalities and universities.

The social purpose real estate or green development examples in the following section illustrate how these tenure types can be used in land development projects.

2.2 Examples of Project Execution and Land Tenure

There are a number of examples of co-development in the property market in Canada, four of which are outlined below. The descriptions attempt to summarize what each partner contributed to the project and how they benefited, the controls they had and the risks they assumed.

2.2.1 Verdant – Simon Fraser University, Burnaby B.C.

This development involved three main partners: Simon Fraser University (SFU) Community Trust (the entity owned by SFU to undertake development of University assets for the benefit of the university), Vancity Enterprises (the then development arm of Vancity Credit Union), and reSource Rethinking Building (a development management and green building consulting company).

The project consisted of 60 stacked townhouse units, 40 of which were sold at approximately 20 percent below market and 20 of which were "pre-purchased" by SFU as faculty/staff rental housing. The building is a leading example of green building and uses approximately 60 percent less energy than a building designed to building code standards.

	Contribution	Benefit Received	Controls	Risks
SFU	• 99 year land lease sold at below market value • delayed payment for land until completion of building • agreed to buy back 20 units for rental • agreed to buy any unsold units for rental	• sale of land • supply of affordable ownership and rental units for faculty/staff • showed leadership in social and environmental sustainability	• selected co-development partners • involved in design process • approved building design • MOU re: targets for affordability and green • restricted re-sale agreement to ensure ongoing affordability	• land sale proceeds not received until end • construction loan secured on land lease • agreement to purchase unsold units • in-house costs

	• secured buyers from faculty/staff			
Vancity	• project equity at below market interest rate of return (partly due to SFU agreements) • land development expertise • marketing to Vancity members	• financial return on equity • development management fee • built reputation as community-minded developer	• agreements with SFU for purchase • participation in design process • controlled project by being the cheque signer • controlled marketing	• construction cost overruns • construction loan liability • equity and return on equity at risk • in-house costs
reSource	• provided expertise at fixed fee • green building expertise included in fee	• development management fee • potential bonus	• development management agreement • agreed targets re: green and affordability	• time overruns re: in-house expenses

2.2.2 Clements Green – University of British Columbia

This was a 55-unit condominium project developed at UBC. The homes were developed by UBC Properties Trust on behalf of a group of faculty and staff who agreed to pre-purchase homes at cost and provided the majority of the project equity required. The project adopted numerous green strategies including a geo-exchange system that reduced energy for hot water by approximately 50 percent.

	Contribution	Benefit Received	Controls	Risks
UBC Properties	• 99 year land lease sold at market value • delayed payment for land until completion of building • any additional equity not provided by buyers • development expertise at a reasonable fee • financial guarantee for construction loan	• sale of land • supply of affordable ownership units for faculty and staff • showed leadership in social and environmental sustainability • satisfied some of their zoning requirements re: affordability	• selected co-developers • ran design and construction process • approved building design • restricted re-sale agreement	If insufficient sales or cost overruns then: • land sale proceeds not received until end • construction loan guarantee • in-house costs
Faculty/Staff Home Buyers	• legally developed the project • down-payments used as project equity at low interest rates • pre-purchase agreements	• small financial return on equity • purchased homes at cost (approx.. 15% below market) • participated and had input into design process	• agreements with UBC re purchase • participation in design process • controlled project by being the legal developer	• cost overruns • equity and return on equity at risk • other legal liabilities as the developer

2.2.3 Centre for Social Innovation – Toronto, Ontario

Social entrepreneurs approached the innovative property owner, Urbanspace Property Group, in 2004 to develop shared building space for the social mission sector, a sector whose staff is traditionally unequipped to act as land developers and who work in substandard facilities in isolation from other organizations. The owner agreed to pay for leasehold improvements to 6000 square feet on the first floor of their building at 215 Spadina. The Trillium and Harbinger Foundations provided initial core operating funding. The idea was for the tenants to provide a high quality workspace by designing shared facilities – board rooms, reception, coffee room, photocopying, offices – to decrease costs and increase interaction amongst social mission organization staff to thus catalyze social change. From the initial first floor in 2004, the Centre for Social Innovation expanded to an additional 14,000 square feet in 2007.

While the table below depicts the initial building development ownership and tenure for 215 Spadina Avenue, in 2010 the Centre purchased 720 Bathurst Street (using an innovative community bond financing vehicle) and is also working on purchasing and operating buildings in Regent Park.

	Contribution	**Benefit Received**	**Controls**	**Risks**
Owner: Urbanspace Property Group	• purchased buildings • capital/borrowing to undertake renovations for Centre	• return on equity • ongoing revenue from lease to tenants • input into the design process	• head lease agreement • maintenance	• cost overruns • equity and return on equity at risk • other legal liabilities as the developer
Centre for Social Innovation	• guaranteed building use through head lease • brought in a variety of building tenants • input into the design process • ongoing operation of space	• brought together several related entities • satisfied its mission of promoting social responsible business and non profits	• head lease	• sub tenants default on rent/space
Trillium & Harbinger Foundations	• operating grants	• recognition for the foundations	• grant agreement	• CSI fail in their mission; grant monies expended
Tenants	• Paid rent • Interacted with other tenants to create a vibrant work space	• received high quality space • shared space • connection with other tenants • secured tenure of space	• sub-lease agreement	• rental cost

2.2.4 Tides Renewal Centre at The Flack Block- Vancouver, B.C.

The developer, Salient Group, purchased the Flack Building and approached Renewal Partners and Tides Foundation as prospective tenants. Renewal and Tides not only agreed to lease space for their own use but also agreed to a head lease on additional space and then attracted sub-tenants to lease space in a shared/co-location format. All sub tenants were environmental or social non profits, or like-minded businesses. Supporting such groups is part of the mission of Renewal Partners and Tides. In addition, Renewal and a sister organization, Endswell Foundation, became investors in the overall development project. Salient and the other investors have now sold the building but Renewal/Tides remain as tenants.

	Contribution	Benefit Received	Controls	Risks
• **Owner: Salient Developments**	• Identified the opportunity • capital/borrowing to undertake project • development expertise	• A major tenant for two floors of the building (improved financing/revenue) • return on equity • ongoing revenue from head lease	• head lease agreement • input into the design process	• cost overruns • equity and return on equity at risk • other legal liabilities as the developer
Head Lessee: Renewal Partners	• assumed liability for larger space • coordinated completion of interior finishes • brought in a variety of building tenants • provided strong financial covenant • guaranteed payment of rent for sub-tenants	• brought together several related entities • satisfied its mission of promoting socially responsible business and non profits	• sub-lease agreements	• sub tenants default on rent/space
Tenants:	• paid rent • interacted with other tenants to create a vibrant work space	• received high quality space • shared space • connection with other tenants • secured tenure of space	• sub-lease agreement	• rental cost

As you can see from the above examples each party to the co-development makes a contribution and endeavours to secure with these contributions some degree of control in operating and managing their space or the overall building/land. Similarly each party anticipates enjoying some benefit from the project and is willing to make their contributions and take on some degree of risk in return for these benefits.

2.3 Options for Project Execution and Land Tenure

Building on the examples set out above, this section suggests different options for land tenure (how organizations are entitled to use land or buildings) and project execution (who assumes responsibility for what part of raising capital and constructing buildings). The range of options described makes the assumption that the owner of the property wants it to be developed for non-profit and community purposes but does not necessarily have the skills or desire to manage the site. It is important to note that although these models assume that the owner, as contributor of the land, will not be financing the land development and construction of buildings, financing can be obtained through many combination of parties and vehicles such as foundation and government funding, community bonds, traditional financing from financial institutions, owner financing, and loans.

2.3.1 Option 1: Head Lease to Agent and Sublease to Development Partners

This option sees the owner leasing all excess lands on their property through a ground lease to a new non-profit entity controlled solely by the owner's agent (or "delegate" i.e. some entity acting on the owners behalf). The agent will be responsible for the leased property. The agent then sub-leases one or more of the parcels on a long-term basis (i.e. 99 years) to development partners who raise capital and financing to build buildings on the parcels.

In this model the owner contributes land, with the agent administering the subleases and taking responsibility for overall site management. The sublease holders are responsible for raising the funds and constructing buildings on site. The sublease holders would pay a sublease fee that can be structured in a variety of ways – as a lump sum payment at the beginning of the lease, an annual fee, a monthly fee, or a combination of any of those.

The sub-lease agreement would address all aspects of the development of each parcel to ensure the effective development. It would also deal with the day to day operations of the site, for example:

- the standards for maintenance of buildings, which may include green leasing provisions such as requirements for the use of non-toxic cleaning products and waste separation and reduction strategies;
- management of the site;
- payment for utilities from green infrastructure;
- sustainability targets for transportation and other activities that have an impact on the site as a whole;
- requirements for sharing space;
- responsibilities for participation and engagement in community animation, including contributing to the cost of community events and attendance at meetings.

In this option the contribution, benefits, controls and risks could be summarized as follows:

	Contribution	Benefit Received	Controls	Risks
Owner	• land	• social purpose real estate created on site • community building • fee from lease if required	• ground lease	• owner's liability concerns such as hazards or incomplete buildings abandoned on site
Head Tenant: Agent	• management expertise • social purpose community animation • site rezoning if required	• cash payments for management • space to carry out activities if required	• sub-lease agreements • input into design process • approval of plans	• sub-tenants abandon leases with ongoing costs on the site
Sub-lease groups	• capital/borrowing to construct building(s) • leading the design process • lease fees • use of space • ownership of building (not land)	• space in which to operate • interaction with other social innovation organizations	• sub-lease agreement	• construction cost overruns • agent or owner manages improperly

2.3.2 Option 2: Head Lease to Non-Profit and Govern with Development Partners

This option is the same structure as in Option 1 except that the entity holding the ground lease takes the form of a non-profit organization that has members and board members made up of individuals from the subtenant organizations and possibly building tenants i.e. is independent of the landowner. The organizations on the site are integrally involved and responsible for community governance and animation. The non-profit would be responsible for establishing criteria and a selection process for new leaseholders and building tenants.

This option provides more diverse control through direct governance and operations management by the actual tenants who have a long-term commitment to the building or land. Safeguards can be built into leases, and the head lease could exclude portions of the property if the owner commits only a portion of the building or property for the social purpose real estate project.

	Contribution	Benefit Received	Controls	Risks
Owner	• land	• social purpose real estate created on site • community building • fee from lease if required	• ground lease	• owner's liability concerns such as hazards or incomplete buildings abandoned on site
Head Tenant: non profit	• management expertise	• cash payments for management	• sub-lease agreements	• sub-tenants abandon leases

	• governance by tenants • social purpose community animation	• space to carry out activities	• non-profit bylaws and board structure	with ongoing costs on the site • operational liability
Sub-tenants	• capital/borrowing to construct building(s) • input into the design process • lease fees • use of space	• space in which to operate • interaction with other social innovation organizations	• sub-lease agreement	• construction cost overruns • agent or owner manages improperly

2.3.3 Option 3: Individual Leases

This option sees the owner grant land leases of separate leasehold parcels directly to the organizations locating on the site. The leaseholders manage the development of their own buildings, and their relationship to the overall parcel of land and other leaseholders is mediated by the lease agreements with the owner. Thus, the owner is responsible for ensuring that the leaseholders uphold their responsibilities under the lease and is responsible for overall site operation/maintenance.

	Contribution	Benefit Received	Controls	Risks
Owner	• land • land/building management	• social purpose real estate created on site • community building • fee from lease	• leases	• owner's liability concerns such as hazards or incomplete buildings abandoned on site • tenants default
Leaseholder	• capital/borrowing to construct building(s) • input into the design process • lease fees • use of space	• space in which to operate • interaction with other social innovation organizations	• through lease agreement	• construction cost overruns • owner manages improperly

2.3.4 Option 4: Head Lease to Development Partner

This option has the owner leasing all excess land to a single development partner who builds buildings and leases them to tenants, including not-for profit organizations (office space) and housing organizations (residential units). The development partner, not necessarily a non profit organization, may continue to operate the building or assign its lease to other entities, such as a non-profit housing provider.

	Contribution	Benefit Received	Controls	Risks
Owner	• land • project vision	• social purpose real estate created on site • community building	• contract with development partner • land lease	• owner's liability concerns such as hazards or incomplete buildings

		• fee from land lease		abandoned on site • default by development partner
Development Partner	• capital and borrowing to undertake development • land development expertise	• ownership of buildings • revenue stream	• Land lease with owner • Leases with tenants	• cost overruns • other liabilities associated with being developer • tenants default
Tenants (lesees)	• lease fees • use of space	• space in which to operate • interaction with other social innovation organizations	• space or building lease	• owner/manager incompetence

2.3.5 Option 5: Head Lease to Agent or Non-Profit and Sell Leasehold Strata Units

This option envisions an agent of the owner holding a long term head lease of the property and selling leasehold strata units. These strata units may be sold to end-users or to developers who in turn sell multiple strata units. This option is only open to universities and governments as owners, with the leasehold strata units being long term leases of, for example, 99 years.

	Contribution	**Benefit Received**	**Controls**	**Risks**
Owner	• land	• social purpose real estate created on site • community building • fee from lease	• through head lease	• owner's liability concerns such as hazards or incomplete buildings abandoned on site • default by head lessee
Agent	• capital and borrowing for site work and servicing if required • land development expertise	• contract fee	• contract with owner • land leases and sale agreements •	• cost overruns
Strata corporation	• ongoing management • ownership of common areas	• land/building	• lease • Strata Corporation Act • strata bylaws • contracts	• ongoing liability for the site • dispute with other strata corp members
Strata Corp members	• capital for purchase of unit • ongoing levies for upgrades	• space in which to operate • interaction with other social innovation organizations • statutory protections	• Strata Corporation Act • Strata bylaws	• proportional share of liability

2.3.6 Option 6: Subdivide through Strata Corporation

This option sees the owner subdividing the property using a bare land strata corporation and selling the strata land parcels to organizations. The purchasers become members of the strata corporation and accept all the responsibilities and rights attached to strata ownership. As a bare land strata there may be several buildings owned by different organizations, each of whom is a member of the strata corporation as the site-wide governing entity.

	Contribution	Benefit Received	Controls	Risks
Owner	• land	• social purpose real estate created on site • community building • revenue from sale of strata parcels	• terms of purchase and sale • covenants on title if required	• recovery of costs incurred in creating bare land strata units. • Sales risk on the strata parcels
Strata Corporation	• ongoing management • ownership of common areas	• land/building	• contract of purchase and sale • Strata Corporation Act • strata bylaws • contracts	• ongoing liability for common property • dispute between strata corp members
Strata Corporation members	• capital for purchase of parcel and construction of building(s) • ongoing strata fees to cover common property costs	• space in which to operate • interaction with other social innovation organizations • statutory protections	• Strata Corporation Act • Strata bylaws	• proportional share of liability

2.3.7 Option 7: Subdivide and Sell Parcels

This option has the owner subdividing the land and selling the new parcels to individual organizations. The purchasers would acquire fee simple ownership and would be subject to existing municipal and other development standards. The owner would retain no control and would not be able to mandate a certain type of development unless the owner had registered covenants or agreements on title, such as a housing agreement, at the time of sale. The purchasers could operate independently on the site, as private owners, and would not necessarily be required to interact with other organization to animate the social purpose aspect of the development.

	Contribution	Benefit Received	Controls	Risks
Owner	• land	• proceeds from sale	• previously agreed covenants	• costs incurred to create sub-divided parcels • sales risk
Purchasers	• capital/borrowing for purchase of parcel and	• space in which to operate • fee simple	• none	• cost overruns • owner's liability

	construction of building(s)	ownership		

In summary, these possible governance models demonstrate that a variety of landholding arrangements are possible. One can envision many more potential models that are variations on what are described here. What works for a landowner and interested social purpose organizations depends on the parties involved.

A key aspect of social purpose real estate is the ongoing governance of the site or building and the organizational structure that will "animate" or generate interaction on the site. Part 3 of this discussion paper explores a few operational governance models whose aim is to have some or all of the parties co-governing the site and creating opportunities for interaction that have proven to amplify the success of social enterprising organizations.

3.0 Operational Governance Models

3.1 Community Governance Approach to Social Purpose Real Estate

Those who work on stimulating social innovation recognize that providing good physical space is only part of the recipe. The second key ingredient is creating a diverse community that is provided the opportunity to interact and learn from each other. This second aspect of community, and the organizational structures that support co-governance and animation, lead to the question of what legal forms and governance options exist for operating the site or campus (governance, operations, including community animation, and dispute resolution).

Co-governance and animation beyond any one tenant or organizations bring multiple benefits. Organizations are more committed to a particular place or site if they have a say in how it is managed and what activities occur on site. Dispute resolution can be transparent and ongoing, rather than formal and outside of day-to-day activities. The landlord-tenant categories are overtaken in favour of all those on site having an interest in management and the ongoing evolution of the site and programming on site. Ultimately, by creating a diversity of spaces, activities and learning opportunities on site, social purpose organizations' mandates are supported and amplified through creating innovation.

Finally, funding for community animation can be obtained as part of leasing fees, through grant funding from foundations, and through donations. Staffing for animation activities can be supported through student internships and co-operative education work terms.

3.2 Options for Operational, Community Animation and Dispute Resolution Structures

This section describes several ways to create a site-wide entity that is responsible for ongoing governance and animation. This entity may also be responsible for operations and maintenance.

3.2.1 Tenant's Association

A tenants' association is an incorporated or unincorporated non profit organization. The tenants of land (and possibly subtenants of buildings) are members and participate in governance, dispute resolution, community animation and operations. The board of directors of the tenants' association would be composed of staff or board members of the primary tenants, with committees comprised of all types of tenants/subtenants and community members.

3.2.2 Non-Profit Lessee

If a non profit organization has the head lease of the property, its members and board members can be composed of the subtenants of the land and possibly building tenants. In this scenario, the non profit is responsible for ongoing operations and maintenance of the site, and may also coordinate community animation activities.

3.2.3 Non-Profit Organization

A non profit organization is incorporated to undertake governance and community animation on the site. The board members and staff are composed of individuals from the wider community and a diversity of sectors. Governance is not limited to the tenants on site but includes other interested individuals with skills. The sole purpose of the non-profit is to assist with site governance and community animation.

The scale of the non profit could increase as other social purpose real estate developments came into being, with the existing governance non profit providing those services for a variety of sites and buildings. The community animation activities would connect several projects.

3.2.4 Community Association

Where the owner subdivides and sells the subdivided parcels to individual organizations or groups of organizations, community association made up of owners and tenants of the owners can coordinate community animation activities.

3.2.5 Strata Corporation

The purchasers of strata units automatically become members of the strata corporation, as per the *Strata Corporation Act*, and accept all the responsibilities and rights attached to strata ownership. As a bare land strata there may be several buildings owned by different organizations, each of whom is a member of the strata corporation as the site-wide governing entity. The *Strata Corporation Act* dictates how governance and decision-making occurs, to which additional functions, such as community animation can be added.

Resources

NonprofitCenters Network http://www.nonprofitcenters.org/

The Network is a clearing house of information for non profit organization sharing space as multi-tenant centres and developing land. Their website provides access to a many tools and resources on developing and managing non profit facilities. The Centre holds events across the U.S. and Canada. Comprehensive reports and toolkits include for:

- Making the case for shared space;
- Planning and feasibility;
- Ownership and governance;
- Financing and fundraising;
- Real estate; and
- Building operations.

The Center's online resource centre also hosts model leases, pro formas, fact sheets and a variety of other publications.

Centre for Social Innovation www.socialinnovation.ca

The Centre has numerous publications on their approach to land development, including financing, and building operations and governance. See: http://socialinnovation.ca/sssi

- Emergence: The Story of the Centre for Social Innovation
- Rigour: How to Create World-Changing Spaces
- Proof: How Shared Spaces are Changing the World
- The Community Bond: An Innovation in Social Finance http://socialinnovation.ca/communitybonds