

Eigen haard is Goud waard

De zoektocht naar passende financiering voor de aankoop van vastgoed door bewonersbedrijven



Home is where the heart is

The search for suitable financing for the purchase of real estate by community based social enterprises



Disclaimer

Disclaimer

The content of this report represents the views of the author only and is his/her sole responsibility; it cannot be considered to reflect the views of the European Commission and/or the European Innovation Council and Small and Medium-sized Enterprises Executive Agency (EISMEA) or any other body of the European Union. The European Commission and the Agency do not accept any responsibility for use that may be made of the information it contains.

Partners:

The logo for social enterprise.nl, featuring the text "social enterprise.nl" in white on a red triangular background.

TABLE OF CONTENTS

5	THE WORLD OF COMMUNITY BASED SOCIAL ENTERPRISES
6	Why is real estate financing so important?
8	THE SEARCH FOR FINANCING: 4 PHASES
10	THE RESEARCH PHASE
10	Community based social enterprises
11	Financing options for community based social enterprises
12	Real estate, key function for a successful community based social enterprise, but ...
16	THE DESIGN PHASE
16	Prototyping process
17	Results: 2 prototypes
22	THE TRAINING PHASE
23	Insights from pitching for impact
26	THE FUTURE PHASE
26	Round tables
27	Memorandum of Understanding
27	Completion and a new beginning
30	Acknowledgements
31	ATTACHMENTS

Contact:

Social Enterprise NL

Cabralstraat 1 - 1057 CD Amsterdam

welkom



THE WORLD OF COMMUNITY BASED SOCIAL ENTERPRISES

An abandoned school converted into a meeting place where everyone from the neighbourhood can learn, do business and meet. An old church transformed into a multifunctional centre in order to retain facilities in the neighbourhood. Or an urban neighbourhood farm where residents get to meet, learn about nature and where people in a reintegration programme work as volunteers. Perhaps you know of such a place in your neighbourhood. Or you may have a neighbour committed to improving the neighbourhood? How can we describe this phenomenon?

These are called community based social enterprises: organisations where neighbourhood residents unite to address social issues based on the wishes and needs of the local community. Community based social enterprises focus on areas such as strengthening social cohesion in the neighbourhood, facilitating meetings between residents or improving the quality of life by building more greenery in the neighbourhood.

Community based social enterprises make up an entire world. A world where a lot is happening, where friction and frustration with traditional public and social organisations and the market may exist. But above all, it is a world where wonderful things happen.

We, a project team of LSA bewoners (National Active Residents' Partnership), DOEN Foundation, KNHM Foundation and Social Enterprise NL, invite you to immerse yourself in this world and let us tell you all about our project 'Social finance for community based social enterprises'.

We will describe our search for an important aspect of a thriving sector of community based social enterprises: appropriate financing for an enterprise to purchase its own real estate or lease it on a long-term basis. Our journey lasted two years and mainly provides insights into the success factors and obstacles to such financing. We hope others can build on our insights and together with anyone willing to commit to it, we can improve the accessibility of financing. This makes the project a starting point rather than an end point. Enjoy the read and we hope it will open up a new world for you.

DOEN Foundation

LSA bewoners (National Active Residents' Partnership)

KNHM foundation

Social Enterprise NL

Why is real estate financing so important?

The idea of joining forces to strengthen community based social businesses had been on our minds as project partners for some time. It gained momentum when we were given the opportunity to use European funding to investigate how to improve access to real estate financing for community based social businesses. One of the pillars of the European Commission's drive towards a social economy is the strengthening of underdeveloped financing markets for social enterprises.¹

We seized this opportunity together and focused on the financing market for community based social enterprises. This market is relatively underdeveloped in the Netherlands compared to the market for 'regular' social entrepreneurs with a more traditional growth model.² We focused specifically on real estate financing because our assumption, which was confirmed along the way, was that having your own building is an important key to successful community based social enterprises. Businesses with a healthy revenue model where income serves a local, social impact.

How important is it to have one's own building, leased or purchased, for achieving one's mission? We asked a number of community based social enterprises. The answers spoke volumes: 91% considers having their own location to be (very) important.

Why is owning one's own building so crucial? Community based social businesses need their own place for everything that happens in and around the business. A permanent place in the neighbourhood allows one to build something; send out a signal to the neighbourhood that you are a serious long-term partner. Moreover, it increases visibility and findability for local residents, fulfils the function of a 'second living room' and allows for a revenue model to be developed and strengthened. You can rent out spaces, run a catering business or set up an events location. But real estate costs money and financing is often difficult to obtain precisely because of the nature of community based social businesses. These businesses have a strong reliance on volunteers, and products and services are often difficult to express in numbers. In short, real estate financing plays a key role in the development of a solid revenue model and in making an impact. At the same time, the possibilities for financing one's own building are insufficient.



¹ Microfinance and Social Entrepreneurship axis of EaSI - Employment, Social Affairs & Inclusion - European Commission (europa.eu)

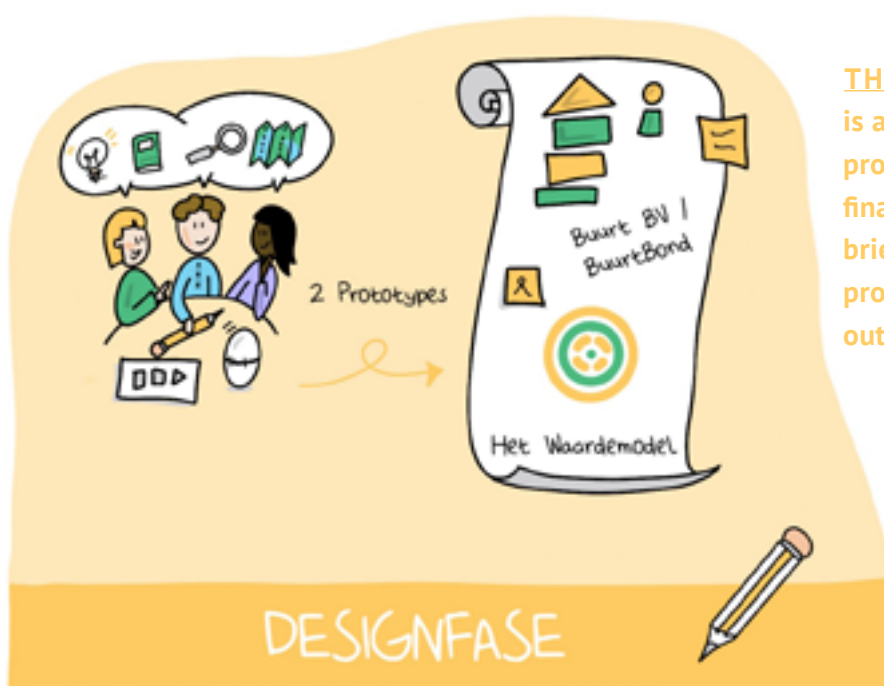
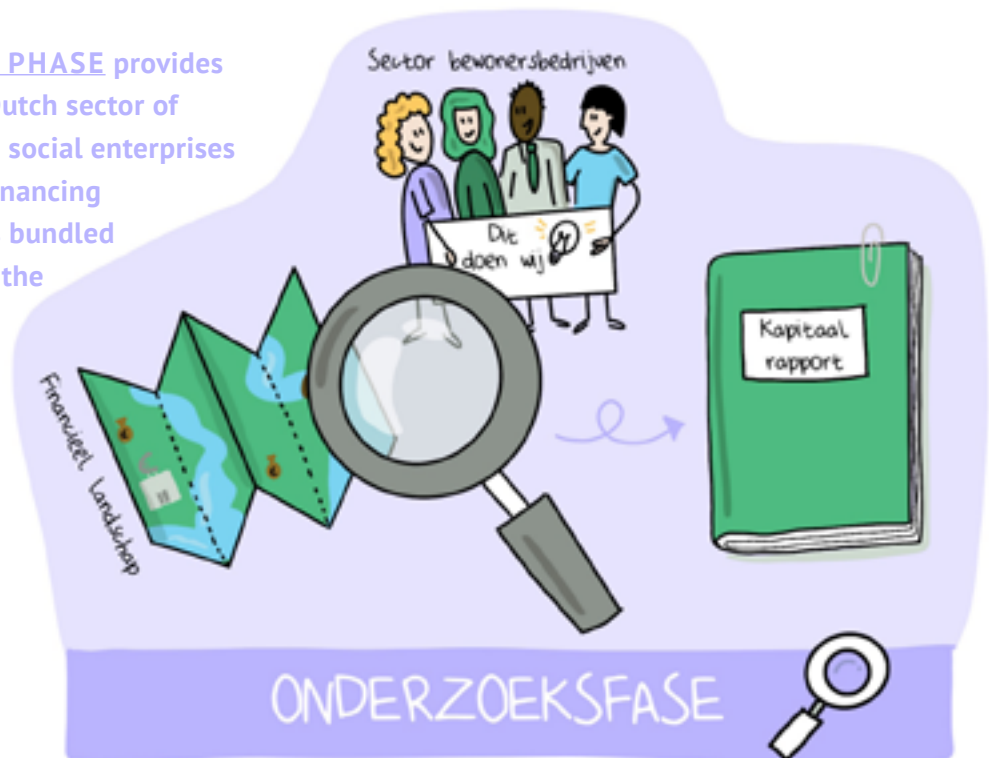
² De Social Enterprise Monitor 2021: https://www.social-enterprise.nl/application/files/4816/4965/6841/SE_Monitor_NL_2021_DEF.pdf



THE SEARCH FOR FINANCING: 4 PHASES

The search for suitable financing to give community based social enterprises a place of their own is a **common thread** in this project. We take it further than analyses and recommendations alone because if we want to improve access to financing, we need to roll up our sleeves. Our motto: do and develop. Four phases form the guiding principle.

THE RESEARCH PHASE provides insight into the Dutch sector of community based social enterprises and the current financing landscape. This is bundled in the Capital for the Neighbourhood report. The management summary of the report can be found in attachment 1. Main findings are depicted in an infographic.



THE DESIGN PHASE is a description of two prototypes for new financing instruments. A brief description of the process with a focus on the outcomes of the process.

THE TRAINING PHASE with insights from 'Pitching for Impact'. A growth programme where we offer 10 community based social enterprises through guidance towards a solid business plan for their financing request.



THE FUTURE PHASE where we conclude and look ahead. We have generated acceptance with regards to the importance of a new form of financing. And we are making strides in discussions with several parties about the roll-out of a new organisation to accommodate these financing instruments.





THE RESEARCH PHASE

The landscape of community based social enterprises and financing in the Netherlands

Community based social enterprises

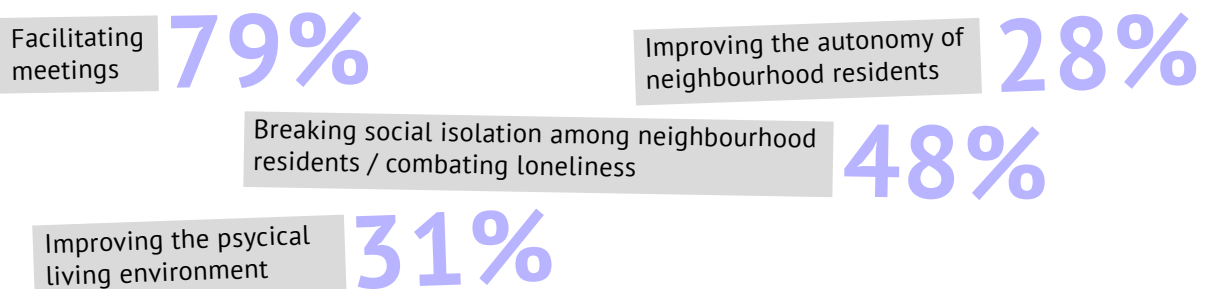
According to a recent tally, there are **around 130 community based social enterprises** in the Netherlands. The sector is on the rise with a strong increase in size in recent years. Financing options do exist but they do not align with the character of community based social enterprises in the context of purchasing their own real estate. There is a clear need for a new form of financing geared towards the character of these enterprises.

Characteristics of community based social enterprises

1. A community based social enterprise is run by people who live or work in a specific **local community**, a certain neighbourhood, town or city.
2. Community based social enterprises have a **revenue model** and distinguish themselves from many other resident initiatives with their collective entrepreneurship. They possess a certain degree of financial autonomy and independence.
3. **Local impact is paramount**. The goals and mission of the enterprise are defined based on the interests and needs of the local community. Any profits flow back to the neighbourhood.
4. Community based social enterprises are **accountable** to the **local community**. There is a clear commitment to the community to allow members to participate or give them a voice in democratic decision-making processes.
5. **Volunteers are a driving force** of the community based social enterprise. 79% of community based social enterprises in the Netherlands work with volunteers with an average of 31 people.

Multifaceted social value

Almost all community based social enterprises focus on **multiple social objectives**. Four such objectives are mentioned most frequently by far, as depicted in the chart below (more answers were not included). 4 out of 5 community based social enterprises focus, among other things, on **facilitating meetings between neighbourhood residents**. This exemplifies the importance of a **physical location** in order to conduct business and work towards the enterprise's objectives. This also applies to the objectives of breaking social isolation and improving the living environment.



The four most frequently mentioned social goals



Hybrid revenue models

86% Of enterprises draw revenue from selling a product or service. Seventy-five percent combine various income streams, a so-called **hybrid revenue model**. This fits the character of community based social enterprises: income is drawn from multiple sources and the social value they add is multifaceted. The top 5 of income generated from sales of a product or service: space rental for activities (50%), (office) space rental (41%), catering (31%), services to the municipality (25%) and sales of a product (23%).

Initiator: ‘Our revenue comes from visitors to our café, associations renting rooms and hall rental. The remainder of our revenue model focuses on maintaining a positive balance and covering the costs of our projects’

Financing options for community based social enterprises

We researched the sector of community based social enterprises in the Netherlands and mapped the financing possibilities. In particular, we looked at the possibilities of financing real estate. Leasing or owning real estate is a key function for a successful community based social enterprise. However, financing possibilities are insufficient in this regard.

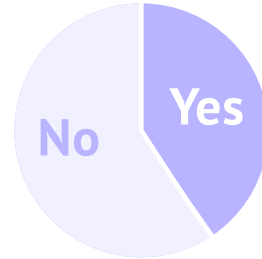
Form	Description
Subsidies	A traditional form of financing is a municipal or province subsidy with a specific goal. Such as improving quality of life, increasing social cohesion or improving employment.
Funds	A frequently used form of financing is a donation or loan from a fund, either nationally, regionally or locally. Community based social enterprises that manage to align their social mission with that of funds have a good opportunity here.
Bank loan	A bank loan is usually granted in relation to real estate, i.e. to community based social enterprises that want to purchase a building. A bank loan for the purchase of a building is the exception rather than the rule; banks consider this too risky. Instead, banks support resident initiatives from their own fund.
Crowdfunding	Crowdfunding is on the rise as a form of financing though most community based social enterprises have not yet caught on to this option. The principle: a large number of donors contribute to the desired total amount.
Alternative forms of financing	Several alternative forms of financing are available, but they are used very sporadically. For example, a social mortgage, a loan for the purchase of a property that is repaid in social value.



94% Of community based social enterprises have sought financing in the past five years. But when asked whether sufficient financiers and financing options exist, the majority says 'no'. This refers to **financing in a broader sense**, e.g. for developing new or scaling up existing activities such as a renovation or covering the start-up costs of a new initiative.



Do you feel that sufficient financiers/ financing options are available to community based social enterprises?



Meanwhile, attracting financing is the most frequently mentioned wish to assure and/or increase the impact of the organisation, as is strengthening the revenue model.



Developing a stronger revenue model **50%**

Attracting capital revenue model **50%**

More room to experiment, fewer rules **36%**

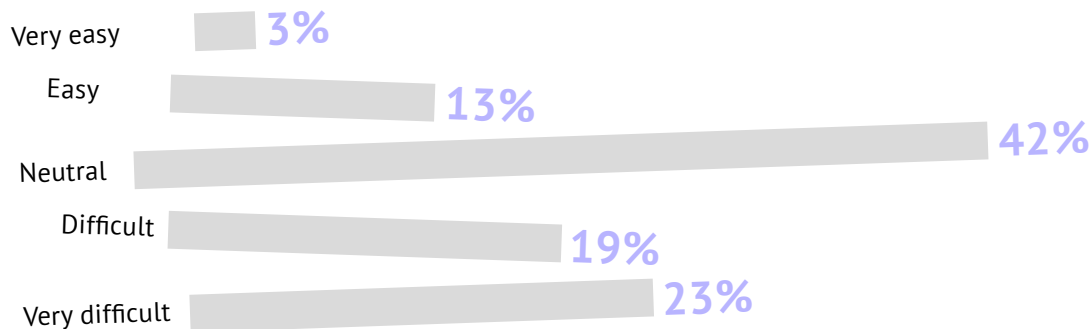
Finding (more) suitable staff and/or volunteers **43%**

Real estate, key function for a successful community based social enterprise, but

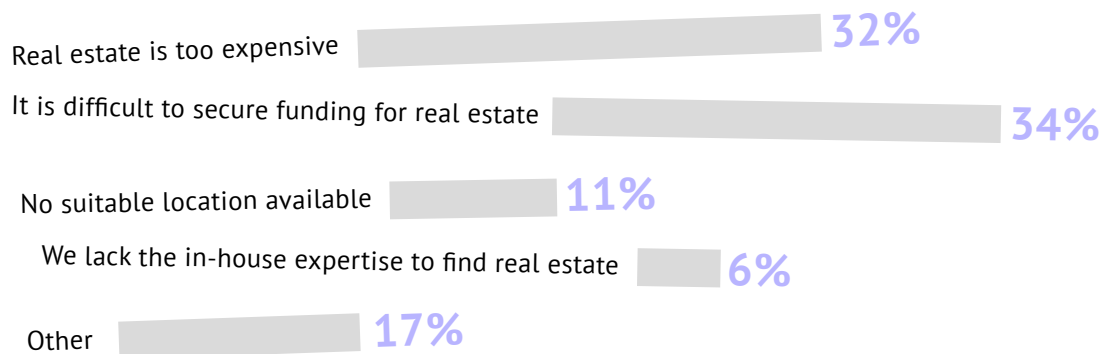
Generally speaking, insufficient financing possibilities exist for community based social enterprises. If we zoom in on real estate financing, the picture is no better. In fact, options are very limited. Only the KNHM foundation, often in combination with Triodos Bank, provides loans for the purchase of a building or plot of land. Institutional financiers almost always regard applying for a bank loan as too risky. This is due to the revenue model of community based social enterprises, the important administrative contribution of volunteers or insufficient contribution of equity capital. Below, a summary of our insights.



1. According to initiators, it would help if **more opportunity** was created for community based social enterprises **to engage with social real estate**, i.e. real estate with a public function. For example, by receiving first notification from the municipality when a building becomes available. Legislation and regulations offering more room to experiment when it comes to social real estate is desirable as well.
2. **On average, the search for a property is experienced as difficult.**
3. Initiators get stuck when they want to transition from lease to purchase because **real estate is expensive**, and **financing is difficult to secure**. Several other reasons are mentioned as well.³
4. Finally, **9 out of 10** community based social enterprises **need a place of their own to achieve their mission**.



If you own your real estate, how did you experience the process of securing financing for that real estate?



If you are currently leasing your real estate but consider buying, what is stopping you from buying real estate at the moment?

Initiator: *'In order to be truly successful, it is very important to have your own central location in the neighbourhood. A vacant building or available plot of land is key.'*



³ Some examples of answers: 'we are in negotiations right now', 'leasing is fine for now', 'didn't do enough research', 'too early on for our organisation'.

CASE: PROCUREMENT BY WIJKPALEIS IN ROTTERDAM

When it comes to the **purchase of a building by a community based social enterprise**, one example stands out: Wijkpaleis in Rotterdam, a vibrant, social and unique location. Wijkpaleis currently lease a former school building of 2,000 m² with an enormous playground. You feel the industriousness the second you walk in.

A lot of tinkering is being done downstairs in the 'Dorpszaal' [town hall]. This is also where residents meet for a meal as well as socially, to learn and to create. **The first floor houses many creative entrepreneurs**, 'creators' such as film and theatre makers and landscape architects. Costs are covered by the rent they pay. The 'makers' have a *social return* obligation in their contract. They organise a Repair Café for local residents, for example. And the local elementary school rents classrooms at Wijkpaleis as well.

The school rents the first and second floor, which is how the basic rent of EUR 100,000 is covered. In addition, Wijkpaleis receive a small budget from the municipality. To secure a solid and long-term foundation, the initiators realised they had to take the building off the market and buy it from the municipality. **"We want to keep this building for the neighbourhood.** Avoid being subject to the whims of a landlord", says one of the initiators. They are currently **working on a solid financing construction** which includes issuing bonds. Over EUR 600,000 has been raised at the time of writing and combined with a commitment from various financiers, the municipality has now officially commenced the sales procedure.





THE DESIGN PHASE

New forms of financing

Findings from the research phase make up the starting point of the design phase. Together with a group of experts, we designed two prototypes for financing instruments that should improve access to real estate financing for community based social enterprises. The prototypes are the result of a comprehensive process. We will briefly walk you through it followed by a presentation of the prototypes.

Prototyping process

To arrive at the prototypes, we went through a design sprint. This is a time-bound process for answering a complex question or generating a new idea in order to take it to market immediately. Our design sprint comprised of:

- Mapping the problem
- Sketching out solutions
- Selecting the best solution
- Prototypes
- Testing with end users

Formulating and developing challenges

What issues do community based social enterprises run into when they seek funding? How do officials from the municipal real estate department view the transfer of social real estate to community based social enterprises? And how do traditional financiers or project developers view the community based social enterprise movement? These are the questions we used in order to formulate the 'challenge' of the design sprint:

1. Can we establish concrete instruments that align with the specific nature of community based social enterprises as well as the needs of community based social enterprises, financiers, funds, market parties, authorities and other stakeholders?
2. Can we capture the multifaceted value of a community based social enterprise in an unambiguous model?

Expert involvement: validation and support

A mixed group of experts was closely involved in the process of sketching, formulating the challenge and testing the prototypes. This was not only important for the quality and validation, but it also generated support and involvement in the project. Contributors included representatives of financiers such as Triodos Bank, ABN AMRO, funds, initiators, experts in community financing, officials from a municipal real estate department, creative thinkers and scientists.⁴

■
⁴ An overview of all design sprint participants is included in attachment 2.



The results: 2 prototypes

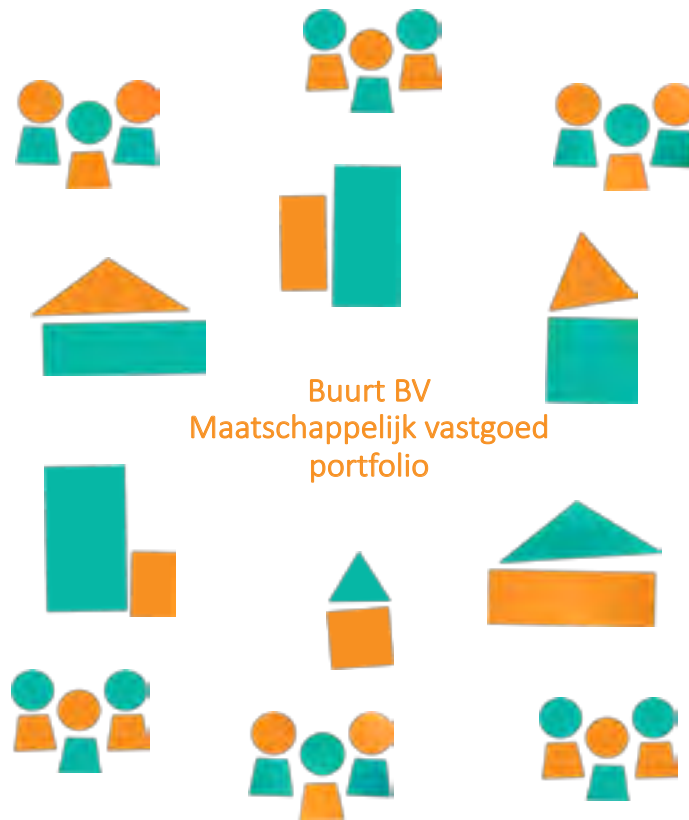
The BuurtBV and the BuurtBond

We arrived at two prototypes: 1. The BuurtBV/BuurtBond and 2. The value Model. The first prototype is a financing instrument with a combination of BuurtBV and BuurtBond. The basic idea is to develop a new, non-existent financing instrument that makes it easier for community based social enterprises to purchase or long-term lease a building. This prototype has two variations, a BuurtBV (focuses on leasing by community based social enterprises) and a BuurtBond (focuses on purchasing by community based social enterprises). The second prototype, the Value Model, is more of a communication instrument. We will start with an explanation of the BuurtBV and the BuurtBond.



What is a BuurtBV?

The BuurtBV is a shared fund that purchases, administers and leases social real estate to community based social enterprises throughout the Netherlands. The BuurtBV unburdens, gives freedom to the initiative and charges an attractive rent.



This image shows the prototype of the BuurtBV portfolio, a social real estate portfolio.

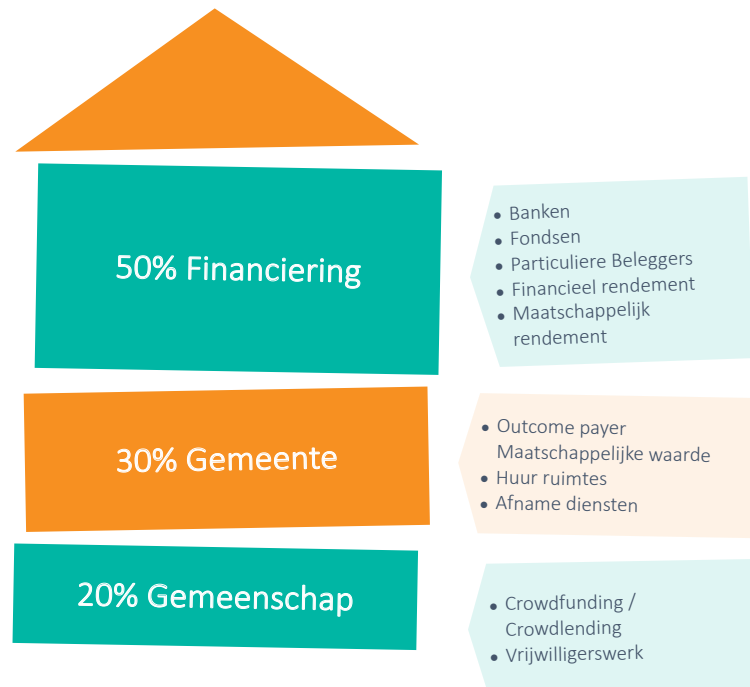
The BuurtBV in practice

- A community based social enterprise wants to purchase a building and contacts the BuurtBV
- The BuurtBV purchases the building and secures partial funding from a bank. Fixed agreements are made with the bank including a social mortgage interest rate
- Community based social enterprises pay rent to the BuurtBV but are completely free to sublet the space on their own accord. They are allowed to charge different rates; an organisation that can afford it may pay more while neighbourhood initiatives can be charged less
- Investors in the fund are a mix of philanthropic organisations, family funds, real estate investors, wealthy individuals, banks and (potentially) governments
- The portfolio of the BuurtBV is a mix of 2 types of community based social enterprises, those with a more mature revenue model and those that cannot afford the same rent
- The BuurtBV has a clear social mission: making available real estate to community based social enterprises
- The BuurtBV has a modest profitability objective aimed at assuring continuity of the fund.



What is a BuurtBond?

The BuurtBond is a mutual fund that offers community based social enterprises financial support for the purchase of social real estate. The fund allows community based social enterprises to purchase real estate of their own.



This image shows the prototype of the BuurtBond, a fund with stacked financing; 50% from private financiers such as banks, funds, private investors, financial return and social return. 30% From the municipality by procuring services, leasing spaces and as outcome payer of social value. 20% From the community via crowdfunding and volunteering.

The BuurtBond in practice

- The BuurtBond is a fund that allows community based social enterprises to purchase real estate of their own
- The financing aspect of the model can be constructed as follows: the community adds 20%, the local government 30% and the BuurtBond 50%
 - The government contribution of 30% can also come in the form of a discount on the purchase price of the real estate if the municipality is selling the real estate
 - Crowdfunding can be based on donations as well as loans (e.g. bonds)
- BuurtBond investors are a mix of philanthropic organisations, family funds, real estate investors, wealthy individuals and banks
- The BuurtBond has a social mission and a limited profitability objective aimed at continuity of the mission
- The interest paid by the community based social enterprise to the BuurtBond is aligned with the social mission
- The BuurtBond acts as a matching fund, which means they first consider the investment plan. If the community based social enterprise is able to obtain the necessary funding from the community and government, the BuurtBond gives its approval. Financing will only take place under this condition.



A growth-based model

When developing the BuurtBV and the BuurtBond, we concluded that both variations are complementary to each other. They may be able to offer the necessary financing solution in different growth phases of a community based social enterprise. One of the elements that we would like to explore further is whether a so-called 'Growth-based model' would be fitting. Hypothetically, a community based social enterprise could purchase a building with financing from the BuurtBond after leasing it from the BuurtBV for five years first.

The BuurtBond and BuurtBV: more than financing alone

This financing instrument with two variations (BuurtBond and BuurtBV) cannot arise on its own. A new organisation is required. The design phase stops here, this phase does not address the details of that new organisation. The final important conclusion drawn during this phase is that a new financing instrument in and of itself is insufficient to improve access to real estate financing. It takes more than money alone. The idea is that the new organisation also focuses on professionalising operations at the community based social enterprises.

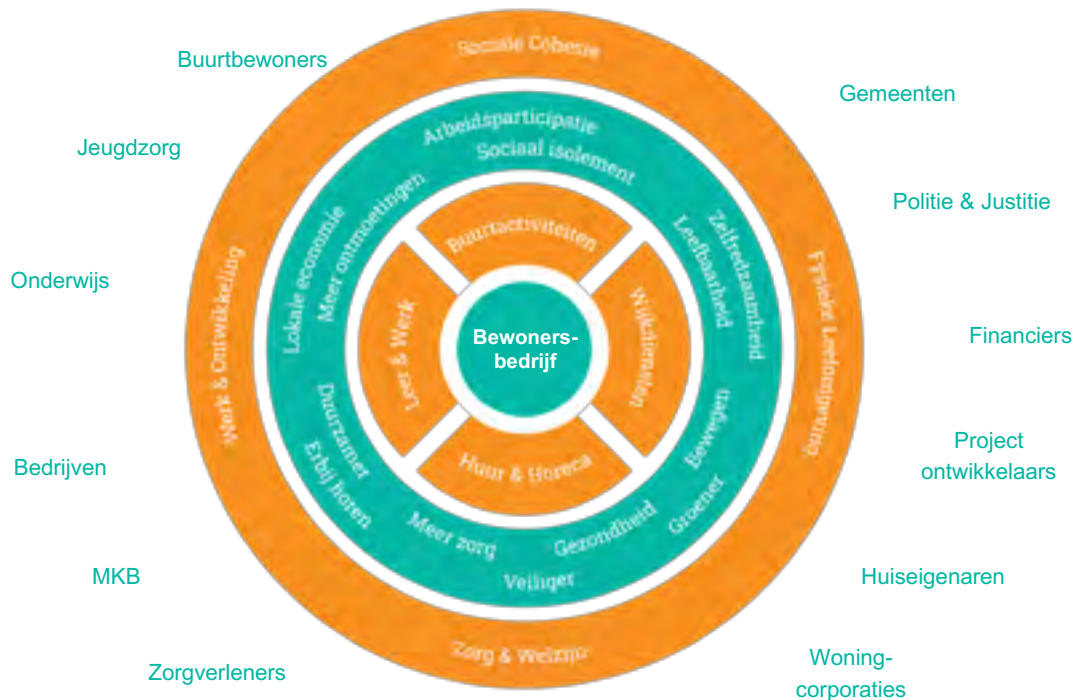
- The new organisation has a small team of experienced professionals in real estate management. They 'unburden' the community based social enterprises in terms of e.g. legal, financial, sustainability and safety issues
- It offers knowledge to the community based social enterprises:
 - How to write an exploitation and investment plan?
 - How to set up a crowdfunding campaign?
 - How to expand the earning capacity?
- With the organisation, a community is formed of community based social enterprises that have purchased or lease a building. The community offers room for:
 - Intervention with other community based social enterprises
 - Sharing best practices
 - Community of financial experts
- The organisation and the people who work for the organisation bring a network to the table for the community based social enterprises to benefit from.

The Value Model

The second prototype, the Value Model, is not a financing model but a communication model for mapping the social value of community based social enterprises. This is important when it comes to securing funding. Community based social enterprises can use the Value Model to map their own activities, themes and output, and connect themes such as social cohesion or work and development to parties that 'benefit' from this: value receivers.



Het Waardemodel



This image shows the Value Model prototype. At the centre, we see the community based social enterprise surrounded by the activities (in the inner orange ring). The green ring shows the output and the orange outer ring the policy themes of the community based social enterprise. Outside the rings, we find value receivers who 'benefit' from the outputs of the community based social enterprise.

The Value Model in practice

The model features several rings that the initiators can complete for their own enterprise. The value is mapped in an unambiguous way. This will generate a 'common language' to ensure that community based social enterprises and financiers are talking about the same thing throughout the whole country. The model features several rings:

- The inner ring contains the community based social enterprise
- In the adjacent rings, we find the activities that the community based social enterprise may develop
- Then the social themes that community based social enterprises contribute to
- Next, the greater policy themes that the social themes are part of
- And finally, the model is surrounded by potential 'value receivers'. Organisations that benefit from the work of the community based social enterprises.

In conclusion

The BuurtBV/BuurtBond and Value Model prototypes are still in an early stage and need to be elaborated further. We kick off this elaboration with roundtables in the chapter 'The Future phase'. We estimate that the financing instrument of the BuurtBV/BuurtBond has the most potential value for strengthening the real estate financing market. As mentioned above, the BuurtBV and BuurtBond are about more than financing alone, they focus on capacity development within community based social enterprises as well. The Value Model is a good communication method to ensure that all stakeholders speak the same language when it comes to the value of community based social enterprises.



THE TRAINING PHASE

Pitching for Impact

In addition to gaining insights and developing new possibilities for financing, the search for appropriate financing options also includes an intensive growth programme for community based social enterprises: Pitching for Impact. An important aspect of the first prototype, the BuurtBV/BuurtBond, is reflected here as well: supporting the professionalisation and strengthening of entrepreneurial skills at community based social enterprises. This so-called *investment readiness programme* focuses on developing competencies among initiators that will help strengthen their business plan and apply for financing. Tending to the 'demand side' with competence development is, after all, equally important as focusing on the 'supply side'.



Insights from the Design phase are reflected in the investment readiness programme, such as guidance with writing an exploitation and investment plan and expanding the earning capacity. As well as raising stakeholder awareness (including value receivers) and learning from each other through intervision. In addition, we organise a pitching event to bring supply and demand together by having initiators pitch their plans to a panel of four funds.

Participant: *'The process gave us more certainty and raised our awareness about things we used to do mostly based on intuition. In addition, we now have a much better picture of the value of our concept. And we learned how to incorporate financial frameworks and social value into our thought process.'*



Insights from Pitching for Impact

Pitching for Impact offered 10 community based social enterprises the opportunity to take a critical look at their own plans and to (re)formulate their activities, revenue model and mission in a solid business plan. They went through four intense training days with the pitching event as a grand finale. We gained several important insights from this process.

1. From dreams to concrete objectives

Community based social enterprise initiators are dreamers. They dream big when it comes to their neighbourhood or district and work hard every day to realise those dreams. But what exactly do these dreams entail when translated to the mission of the organisation? Who should benefit from the mission and who are the clients? Can they pay for your product or service, or would that be someone else? And when adding up the costs and revenues, how much profit is left? Participants formulate answers to these and other questions about their mission, target group, social impact and revenue model. They dissect the various elements of their enterprise in a 'business model canvas'. The elements from the canvas make up the building blocks for an (improved) business plan.

Begin met het waarom <i>Wat drijft jullie?</i>		Impact <i>Hoe willen jullie impact hebben en welke ambities hebben jullie? Hoe meten jullie impact?</i>		
Probleem <i>Welke problemen los je op? Welke behoeften van jullie klant vullen jullie in?</i>	Oplossing <i>Wat is jullie oplossing voor de behoeften van jullie klant?</i>	Unieke waarde propositie <i>Wat maakt jullie initiatief anders of uniek?</i>	Oneerlijk voordeel <i>Wat kan de concurrentie niet makkelijk kopiëren of kopen?</i>	Soorten klanten <i>Aan welke betalende klanten leveren jullie jullie product/dienst? Hebben jullie ook klanten die niet betalen voor producten/diensten?</i>
Bestaande alternatieven <i>Welke oplossingen bestaan al? Is er door jullie plannen sprake van oneerlijke concurrentie?</i>	Wat is nodig? <i>Wat heb je minimaal nodig om te kunnen leveren?</i>		Regels <i>Aan welke regels moet je voldoen om te kunnen starten?</i>	
Kosten <i>Benoem alle kosten om 'de business' te laten werken. Maak onderscheid tussen je bestaande kosten en kosten die je krijgt nadat jullie je plannen hebben doorgevoerd.</i>		Opbrengsten <i>Hoe verdienen jullie je nu geld? Wat zijn de huidige opbrengsten en hoe gaan die veranderen als jullie plannen doorgevoerd worden?</i>		

The canvas consists of several questions about the costs, benefits and proceeds of a company. Such as the problem and the solution offered by the enterprise, the type of client, the value proposition and costs and revenues.

Participant: *'Taking a deep look at our company based on questions proved very useful to us. It really improved and sharpened our business plan'*



2. Getting your story across

Community based social enterprises operate in a landscape with various stakeholders such as welfare institutions, municipalities, the community and sports associations. These parties may (potentially) benefit from the activities of community based social enterprises: so-called value receivers. To persuade them of the value of the enterprise and potentially start a business relationship, it is important to convey the story well. What is it that you do, what does that achieve, who benefits from it and how can the other party help?

Self-evident questions with answers that seem even more self-evident.

Still, the exercise of telling the story of the enterprise to a different audience several times proved useful. Starting with co-initiators, then an expert panel of three that fires critical questions and finally a large audience at the pitching event.

In the final event, initiators pitch to a jury consisting of potential investors such as DOEN foundation, Orange Foundation, VSB foundation and KNHM foundation as well as the rest of the audience consisting of the initiators' entourage; a festive conclusion of an intense process. Two initiatives celebrated a particularly festive conclusion; Graafse Akker won the audience prize of EUR 1,000 and Stichting Delen [Sharing Foundation] won 25 hours' worth of consulting services. Curious about all the initiatives? You will find an overview of all the participants in [attachment 3](#).



Stichting Delen & Meer wins the supporting prize



3. Tailored guidance

Throughout the process, each initiative received guidance from a KNHM foundation advisor. They could, for example, participate in the challenge sessions with experts in between training sessions. Each initiative has its own unique path with unique obstacles. The search for a permanent home may be the main challenge for some while others mostly struggle to generate support. The advisor looks over the shoulder of the initiators and provides tailored guidance. According to the initiators, this is a valuable addition to the general training programme offered to them as a group.

Participant: *'The advisor's efforts were a true goldmine for us. He kept us sharp and asked good, difficult questions. It helped us dig deeper and get extra help and explanations whenever we got stuck'*

On to the next edition

In the next edition of Pitching for Impact, we will continue to provide intensive support to several initiatives. Insights from this year will help us improve the programme. For example, the wish to dig deeper into the legal side of the organisation and applying for subsidies. Subsidies are almost always a fixed part of the income stream for community based social enterprises, and we will be sure to increase our focus on this aspect next year.





THE FUTURE PHASE

A new form of financing for the purchase of real estate

Almost two years of *Social finance for community based social enterprises* has provided us with many insights. Who initiate these enterprises, what motivates them, how do they create social value and why is having a place of their own so important to realise their mission?

The project was also a journey through the financing landscape. What financiers already invest in community based social enterprises and what forms of financing do they offer? What role do more traditional financiers such as banks take, or more accurately, what role can they take when it comes to financing real estate? And what position does the municipality take relative to community based social enterprises?

Our task is to convert this knowledge into ideas for new forms of financing and to outline a new organisation that will harbour the instrument. By reading, interviewing, analysing, writing, thinking and doing, we find our way. Often taking two steps forward and then one step back, as tends to be the case in a quest like this. In the final phase of the project, we undertook a number of actions to increase the involvement of parties and support for the development of a new form of financing. The most important ones were the roundtable discussions and the signing of a Memorandum of Understanding.

Intensive contribution and cooperation

“A new financing instrument is very important as it will enable an ever-growing group of community based enterprises to obtain financing for a new home. KNHM foundation can provide a limited number of loans per year, but the demand exceeds their capacity. That is why we sign the Memorandum of Understanding and want to contribute ideas proactively and cooperate intensively in rolling out the new financing instrument”. - Erik Arkesteijn, programme manager, KNHM foundation

Roundtable discussions

Several people have joined us along the way and have become enthusiastic and passionate about the subject. This was evident, for example, in the first roundtable discussion which was attended by almost 30 people to take discussions about the BuurtBV/BuurtBond further. A wide range of representatives from the banking sector, funds, community based social enterprises, real estate, builders, municipalities, and intermediaries. The discussion gave substance to the prototype of the BuurtBV and BuurtBond. More importantly, a number of parties showed serious interest in contributing to the prototype. This was followed by a second and third roundtable discussion with a smaller group of people with whom we outlined the contours of a new organisation that could implement the financing model. The process to form this new organisation has now started.



Memorandum of Understanding

We reinforce the ambitions from the roundtable discussions with a Memorandum of Understanding (MoU). This is a declaration of understanding and intention by a number of parties who wish to commit to offering community based social enterprises the support they need in leasing and purchasing real estate. A great instrument to take all the enthusiasm to the next level. A Memorandum of Understanding is not a legally binding document but by signing the MoU we express a strong intention to make the combination BuurtBV/BuurtBond viable. The MoU will be festively signed in September 2022.

A society where everyone gets to participate

“DOEN foundation believes in a society where everyone gets to participate and feels involved in their own neighbourhood. Community based social enterprises throughout the Netherlands make an entrepreneurial contribution on a daily basis. DOEN foundation continues to actively commit to the process of strengthening these community based social enterprises. We are pleased to lend our support by signing the MoU.” - Safka Overweel, programme manager, DOEN foundation

A physical place makes the neighbourhood energy permanent

“A physical place keeps the energy in a neighbourhood flowing. It is of great importance that initiators have access to all competencies necessary to maintain that location. This new organisation gives access to competencies that initiators may lack. It unburdens which is exactly what we need.” - Anita Groenink, MidWest initiator

Completion and a new beginning

The *Social finance for community based social enterprises* project is completed but the beauty is that this journey, our quest to establish appropriate financing, is just the beginning. We consider it a preliminary phase where we gained insights that will hopefully prove useful to you, the reader, as well. It is time to move forward. Onwards to a flourishing sector of community based social enterprises in the Netherlands where each worthy enterprise gets a place of its own. Because that will only make the Netherlands better.

Convinced of the social value

“Community based social enterprises deliver social value. They deserve a more professional approach. Our contribution is to elaborate a financial model to improve access to real estate financing. And to ‘think bigger’ in the process. The MoU is more of a kick-off than the end of the process.” - Bart Kruijssen, PwC partner



Good news

'We are not alone': Interest in making social real estate accessible is on the rise' and 'More room for residents to get their hands on social real estate'. This type of comment is sounding more and more from different directions. Which is great news. A lot of parties are involved in the subject and place access to social real estate for resident initiatives on the agenda. For example, [a long plea about why social real estate should not go to the highest bidder](#) but how tenders should be focused on cultural and social collectives instead was published on [gebiedsontwikkeling.nu](#).⁵

In addition, research agency Rebel shows that [the economic value](#) – in addition to the evident social value – of housing social initiatives in municipal real estate is significant: "Incubators have a considerable economic added value."

Over a time span of 15 years, they even add more value than transformation into homes."⁶

Not to mention the media controversy surrounding the purchase of Wijkpaleis with [widespread outrage](#) about how Rotterdam municipality is blocking the purchase.⁷

Community based enterprises strengthen the fabric of society

New financing instruments for the purchase of real estate are of considerable importance to community based social enterprises. They are growing in numbers and the current forms of financing do not suffice. We believe in the social importance of community based social enterprises, they support a society that everyone gets to participate in, be a part of and feel connected. This is how community based social enterprises strengthen the fabric of society. We will continue to commit our efforts to creating the financial preconditions in order to get new forms of financing off the ground.

Getting to work together

Would you like to contribute to the thought process? Or have a one-on-one conversation about how our insights can help you? We would love to be your proactive conversational partner. Please get in touch with Jorien van Lookeren Campagne via email: jorien@social-enterprise.nl.

In the years ahead, we will continue to commit ourselves to the sector of community based social enterprises under a new name: 'Ondernemen met je Buurt' [Doing Business with your Neighbourhood]. Go to ondernemenmetjebuurt.nl for more information.

Creating financial preconditions

"A society revolves around cohesion which is exactly what community based social enterprises create at the local level. The good examples in the Netherlands will hopefully inspire others and accelerate the movement of local impact makers. Our task is to create the financial preconditions they need to focus on their impact." - Mark Hillen, director, Social Enterprise NL

⁵ <https://www.gebiedsontwikkeling.nu/artikelen/waarom-maatschappelijk-vastgoed-niet-naar-de-hoogste-bieder-moet/>

⁶ <https://www.skar-ateliers.nl/app/uploads/2020/06/Meerwaarde-creatieve-bedrijfshuisvesting.pdf>

⁷ <https://www.nrc.nl/nieuws/2021/11/11/wijkpaleis-is-straks-ook-van-de-buurtbewoners-a4065007> & <https://www.versbeton.nl/2022/02/aankoop-wijkpaleis-ondanks-succesvolle-crowdlening-gedwarsboomd/>



Acknowledgements

On behalf of LSA bewoners, DOEN foundation, KNHM foundation and Social Enterprise NL, we would like to express our tremendous gratitude to everyone who has committed their energy, knowledge, and skills to this project in the past two years. People who support this sector and often dedicated their spare time to helping us. We want to thank PwC for their pro bono work in developing the financial model. And in particular, we want to thank all of the initiators who lent us their valuable time by participating in the survey, the interviews, the design sprints and roundtable discussions. They look past the horizon of their own enterprise and try to contribute to the movement as a whole. For that, we thank you.

We are also very grateful that we were able to make this project possible with financing from the European Union and the guidance we received from the programme. Around 20 similar programmes were started in other member states with the same financing. We look forward to exchanging our experiences and insights which will hopefully strengthen the financing market for social entrepreneurs even further.



ATTACHMENTS

Attachment 1 Management summary Capital for the Neighbourhood

Management summary

Community based social enterprises exist all throughout the Netherlands. Some are more visible than others. It is a growing *bottom-up movement* of active residents who take on social challenges with an entrepreneurial mindset. They focus on strengthening the cohesion in the neighbourhood, take care of local greenery or make a joint effort to retain facilities in shrinking villages. Access to financing is an important component in the development of these enterprises and the realisation of their social goals. They need capital to start up and develop projects and activities, to finance a renovation or purchase a piece of land or a building. Especially where larger financing needs are concerned, such as the purchase of assets, community based social enterprises are finding it difficult to obtain such financing. That is why this report focuses on what the financing market looks like for community based social enterprises and where opportunities lie for improving their access to financing.

To that end, we gathered insights in several ways: desk research, 13 interviews with initiators of community based social enterprises, policymakers, financiers and community financing experts, a survey among community based social enterprises (N=102) and in-depth conversations to detail the results of the survey.

Conclusions

Community based social enterprises are an important element in improving the quality of life in districts and neighbourhoods, but their impact remains difficult to map.

Various scientific studies show the importance of community based social enterprises, and the survey reveals the vast number of social challenges that community based social enterprises make a contribution to. However, it remains difficult for community based social enterprises to map their impact. This demands more attention because it will help the community based social enterprise achieve its mission, work with the municipality and obtain financing.

A home base is important to achieve the mission

Almost all community based social enterprises say that having a physical place of their own is important to achieve their mission. Around a third of community based social enterprises owns its own building, around 50% is leasing a building and the other half has another type of (rent) construction.

Governments rarely view community based social enterprises as their partners

A third of community based social enterprises views their relationship with the municipality as an obstacle to increasing their impact. Community based social enterprises have yet to obtain any position of significance in (local) policy. Purchasing social real estate is difficult and governments could be buying from community based social enterprises a lot more than they are today.

Revenue models of community based social enterprises still in development, support infrastructure needs to be strengthened

86% Of community based social enterprises indicate that their revenue comes from selling a product or service. The revenue percentage varies greatly, and various interviews revealed that their revenue models need to be strengthened. Several things are required to achieve this: municipalities need to give community based social enterprises more room and grant them assignments while the business acumen among community based social enterprises needs to improve.

Access to financing is an obstacle for growth, specific instruments are needed

Access to financing is the most frequently stated obstacle to increasing one's impact. Meanwhile, a large portion of community based enterprises sought and found external financing in the past years. The type of financing varies from municipal subsidies to bank mortgages. Despite the relatively large offering of financing that community based social enterprises have access to, there are few schemes or instruments geared specifically to their needs and characteristics (such as the hybrid revenue model).

Practical recommendations

From the above, we can derive a number of recommendations and next steps for the future of community based social enterprises. We distinguish between three groups of stakeholders: community based social enterprises and intermediaries, financiers, and the government.

Community based social enterprises and intermediaries

Community based social enterprises and intermediaries play an important role in improving the financing landscape. We recommend the following:

- **Invest in knowledge and skills.** In order for a community based social enterprise to take the next step and increase its social impact, it is important to invest in knowledge and skills. From legal to financial matters, many initiatives exist for gathering and sharing knowledge, such as at the LSA, the 'Collectieve Kracht' [Collective Strength] platform that is being developed at the time of writing, funds such as KNHM foundation (network of volunteer advisors) and private organisations such as provincial support organisations, 'Nederland Zorgt voor Elkaar' [the Netherlands Takes Care of Each Other] and LVKK [National Association for Small Cores]. Make sure to benefit from these initiatives to the fullest.
- **Match frontrunners and start-ups.** Part of community based social enterprises can be classified as frontrunners. They have made a lot of progress, e.g. in purchasing a building or developing a solid revenue model. Start-up community based social enterprises can benefit from this.
- **Focus on impact measurement.** Community based social enterprises struggle to convey their message when talking to governments and financiers: combining social value creation with a revenue model. By investing in impact measurement, they can demonstrate the positive change they create in their living environment to strengthen their proposition.

Financiers

Despite the fact that community based social enterprises currently get their financing from many different organisations, financiers offering instruments specifically for community based social enterprises barely exist. Furthermore, it is difficult for community based social enterprises to oversee the options and what they can do to capitalise on those successfully.

We recommend the following:

- **Offer support.** Community based social enterprises experience the process of seeking financing as time-consuming and complex. Offer support in this regard, e.g. by organising 'open office hours' where community based social enterprises can ask their questions and 'investment readiness' procedures where community based social enterprises are prepared for a financing application.
- **Create specific instruments that address the needs of community based social enterprises.** Despite the fact that many financiers are open to the social goals that community based social enterprises contribute to, they largely fail to take into account their specific characteristics such as the hybrid revenue model and the demand for real estate. Funds that do, such as KNHM foundation, demonstrate their added value.
- **Seek collaboration with other financiers.** Especially when it comes to obtaining real estate, we find that different financiers can formulate a suitable construction together. One example is subordinated debt combined with a mortgage. This type of partnership does not exist in sufficient capacity and a lot of room for improvement remains for parties to collaborate when financing community based social enterprises.
- **Include social value in assessments.** Community based social enterprises provide a social added value. Contrary to philanthropic financiers, banks barely value this aspect while it is necessary for these parties to recognise social value as well. That is why commercial financiers should include the social value of community based social enterprises in their assessment.

Government

When it comes to governments, they still tend to employ a system perspective and think that the working method of community based social enterprises is not aligned with the system. As a result, community based social enterprises risk missing out on opportunities to develop or are required to make additional efforts to gain recognition. We recommend the following:

- **Include community based social enterprises in the procurement process.** Community based social enterprises can play a major role in tender procedures within the welfare domain, for example. And the same applies to regular procurement such as renting accommodation.
- **Create room for community based social enterprises in the social real estate policy.** Having a place of their own is key for the success of community based social enterprises. Municipalities could deploy social real estate to that end. Both by formulating attractive lease packages and by giving social value its due in the sales process. This will give community based social enterprises the opportunity to buy a building.
- **Create a single point of contact at the municipality for community based social enterprises.** This could be done within the constraints of an existing business counter. At the moment, community based social enterprises are finding it difficult to get in contact with the right department, which makes them feel like they are going from pillar to post.



Attachment 2 Design sprint participants

Design sprint participants

Name	Organisation
Annemieke Lübbert	Utrecht Municipality
Hettie Politiek	Amsterdam Municipality
Ingrid Janssen	Amsterdam Municipality
Peter de Been	Amsterdam Municipality
Anita Groenink	Midwest
Marije van den Berg	Democratie in uitvoering [Democracy in Action]
Charlot Schans	STIPO [Team for Better Cities]
Teun Gautier	StadmakersCoöperatie [Citymaker Cooperative]
Max de Vriend	RSM/Erasmus University, Collectieve Kracht [Collective Strength]
Tine de Moor	RSM/Erasmus University, Collectieve Kracht [Collective Strength]
Sjoerd Luisman	ABN AMRO Bank
Mark Hillen	Social Enterprise NL
Martijn Arnoldus	Social Finance Matters
Björn Vennema	Social Finance NL
Bart Kruijssen	PwC
Marieke Hillen/Floris van Gennep	Het Wijkpaleis
Maurice Bergmans	KNHM foundation/'t Luukske
Maarten de Jong	Oneplanetcrowd
Johan Valster	De Hallen Amsterdam
Nelleke van Olst	Triodos Bank
Simon van Dommelen	LOLA Amsterdam
Egon van Wees	Amsterdam Municipality

Sprint Team Members

Name	Organisation
Marieke Boeije	LSA bewoners
Thijs van Mierlo	LSA bewoners
Erik Arkesteijn	KNHM foundation
Safka Overweel	DOEN foundation
Stefan Panhuijsen	Social Enterprise NL
Jorien van Lookeren Campagne	Social Enterprise NL

The design sprint was guided by Bart Lacroix from Facilitators of Change, he specialises in facilitating impactful design sprints.



Attachment 3 Pitching for Impact Participants

De Graafse Akker

De Graafse Akker is a project by Stichting Transfarmers [Transfarmers foundation]. This initiative has been facilitating a place where people can express and discover their talents since 2013, with a wealth of activities such as making art, painting, cooking, or gardening. People can relax in the flower garden or by the greenhouse on their hidden piece of land surrounded by various types of districts. The land is currently under leasehold, but the owner stated the intention to sell in 2018. With crowdfunding and the help of a large number of people and initiatives, they managed to secure EUR 50,000 to purchase the plot! They hope to gather the remaining EUR 200,000 via Pitching for Impact.

[More on Graafse Akker.](#)

Stichting Buurthuis de Hoven [Community Centre de Hoven Foundation]

Buurthuis de Hoven works with residents, associations, municipalities, and organisation in de Hoven to realise a communal meeting place for activities by and for residents in de Hoven. With a new district having been added to this area, it is full of new and old residents in need of connection. But that does not happen on its own. In 2015, a district development plan was created to realise a community centre and a final design was finalised in 2020. The execution of these plans requires funding and Pitching for Impact is the ultimate opportunity to learn more about creating and exploiting a community centre. [More on Buurthuis de Hoven.](#)

Stichting Schiezicht [Schiezicht foundation]

A district enterprise and meeting place in Rotterdam Delfshaven with community meals, cooking clubs and cultural children's activities, Stichting Schiezicht connects residents and adds fun and liveliness to the district. The lease they concluded five years ago is now coming to an end. They generate income by renting out rooms, but corona considerably stripped the programme. Tenants are leaving and costs are increasingly difficult to cover. A lot of questions arise; can we keep going and how? Do we stay a district enterprise, or should we become an association? They hope to find answers to these questions at Pitching for Impact. [More on Stichting Schiezicht.](#)

Buurtvereniging 't Pöthuiske [Community Association 't Pöthuiske]

The province of Limburg is home to Aalbeek, a village with around 270 residents. Buurtvereniging 't Pöthuiske manages its own communal space since the eighties where they organise courses, activities for all ages and parties for members of the community association. But the association is not as bustling as it was in the past. 't Pöthuiske wants to improve the appeal of the community centre, become more entrepreneurial and create more connectedness. They hope to take away the necessary tools from the Pitching for Impact process. [More on 't Pöthuiske.](#)

Stichting Aminah [Aminah foundation]

Amsterdam-West is home to Aminah, a community centre committed to the emancipation, integration and participation of residents in general and women of all cultural backgrounds in particular. The initiative revolves around health and nine initiators want to set up a health centre based on this passion with a focus on mind, body, soul & spirit. This requires a new location and an investment plan. With the pitching process, they want to explore the best road towards purchasing or leasing a new building.

[More on Stichting Aminah.](#)

Huiskamer voor Vluchtelingen Eindhoven [Living room for refugees Eindhoven]

With a great deal of passion, Huiskamer voor Vluchtelingen in Eindhoven organises activities and courses for around 50 undocumented refugees in collaboration with local residents. They have nine Dutch language teachers in their ranks, they offer warm meals for lunch and offer a bicycle repair course. The enterprise cannot generate an income of its own because the target group is not allowed to work. Income is generated through subsidies and funds which makes for an uncertain situation with lack of stability. In the pitching process, they hope to formulate a plan that will allow them to generate a sustainable income stream. [More on Huiskamer voor Vluchtelingen Eindhoven.](#)

Buurthopper

Buurthopper provides tailored transportation in the neighbourhood with two golf carts. On behalf of the municipality, Erik runs two community centres that provide meals and where people are welcome for bingo sessions and a cup of coffee. They seek independence: “we want to be the ones to decide when the door closes”, says Erik. This initiative joins Pitching for Impact with a real estate matter. They want to explore how they can generate a stable income stream in order to purchase their own building. [More on Buurthopper.](#)

Buurthuis GWL-terrein [GWL site community centre]

The former site of municipal drinking-water company GWL has been home to the Buurtbeheerhuisje for 25 years now which operates under an umbrella association from the neighbourhood. The building is owned by the housing corporation and is currently being used for office space, a shame according to the initiators. The goal is to turn it into a living room by and for the neighbourhood where everyone is welcome. During the pitching process, they want to find out if they could purchase the building or whether it might be better to continue leasing it or potentially sublet part of it to generate an income.

[More on Remake Buurtbeheerhuisje GWL-terrein.](#)

Buurthuis MOES [MOES community centre]

Marloes Tap left her job at PwC to create Buurthuis MOES. Together with local residents in Arnhem, she wants to build a community centre committed to connecting, equality of opportunity and sustainability. A place where everyone helps each other, where people can drink a cup of coffee together and play a game. It is not about serving a specific target group but rather about creating a place where everyone feels welcome and at home and where social initiatives and activities get an accessible place in the neighbourhood. The next step is to find a suitable building. Their pitching process will largely revolve around this topic.

Delen&Meer [Sharing & More]

The city centre of Almere belongs to everyone, but it also houses residents. They noticed that a lot of lonely seniors live above the shopping mall who are unable to reach community centres in other districts. That is why residents founded Stichting Delen&Meer. With over a hundred visitors a week, it has become a popular meeting place for all. It is all about connecting and empowering people with a strong focus on sustainability and recycling of materials. The initiative is housed in vacant shop premises based on anti-squatting. This creates an environment subject to a lot of change, causing confusion among its visitors. Via Pitching for Impact, they hope to learn where and how to generate a stable income stream in order to lease or purchase a permanent base.

[More on Stichting Delen&Meer.](#)



A man with grey hair, wearing a blue polo shirt, is watering plants in a garden. He is holding a yellow hose that loops across the frame. The background shows green foliage and a blurred building.

Imprint

Written by:

Jorien van Lookeren Campagne with special thanks to Stefan Panhuijsen, Safka Overweel, Tatiana van Lier, Marieke Boeije and Thijs van Mierlo for their contributions.

Editor-in-chief:

Astrid van Wijk

Design:

Ilse Radstaat

Illustrations:

Heleanne Rusthoven

Photography:

John Voermans

© 2022 Social Enterprise NL and LSA bewoners

Powered by:

This project was made possible with funding from the European Union

Questions or comments:

For questions or comments about this publication, please contact us at info@social-enterprise.nl

To be quoted as:

Home is where the heart is. *The search for suitable financing for the purchase of real estate by community based social enterprises.* Social Enterprise NL and LSA bewoners, 2022.