



# London Shared Space for Social Innovation

Business and Financial Plan

**Matter to the world.**



## OBJECTIVE

This document outlines a plan to create a physical co-working location (a “shared space” or “hub”) that concentrates several social change organizations and individuals in one building.

## WHY A SHARED SPACE FOR SOCIAL INNOVATION IN LONDON?

- Mission enhancement and a shared vision for London
- Greater stability and sustainability of nonprofits, social enterprises, social entrepreneurs and social purpose businesses
- Creation of a cluster of talent that models new ways of collaboration, innovation and entrepreneurship
- Shared organizational assets of partners to get more done with less
- Strengthened connections for innovation and transformational change for London

Pillar Nonprofit Network in partnership with Emerging Leaders recognized an overwhelming community interest in creating a shared space to spark social innovation among nonprofits, social enterprises, social purpose businesses and entrepreneurs. A shared space will create a place for co-location, co-working, incubating new ideas and fostering social innovation and community change. The learning, networking and animation opportunities inherent in a shared space environment create the conditions for intentional social innovation and cross-sector collaboration. A commitment to diversity of people, ideas, and partners is the cornerstone of shared spaces and has been and will continue to be embedded in the process and space.

We believe London is facing unprecedented economic, environmental, social and cultural challenges. We also believe new innovations and cross-sector collaboration among nonprofits, social enterprises, and social purpose businesses and entrepreneurs are key to turning these challenges into opportunities to enhance our community.

This shared space will provide an environment where individuals and organizations from across sectors, as tenants, will come together to deal with issues like (but not limited to) poverty reduction, job creation, environmental stewardship, inclusion of newcomers, and accessibility of the arts. By sharing assets and increasing operational efficiency, we can cut costs and increase the stability and sustainability of nonprofits, social enterprises, social entrepreneurs and social purpose businesses. We can concentrate talent modeled around new ways of collaboration, innovation and entrepreneurship. Finally, by weaving a more tightly knit community of transformational organizations, we can cultivate a powerful will for advancing progress.

## **HISTORY AS A TEACHER**

Considerable community dialogue about a shared space model has been underway for several years. The learning to date from these discussions has been of critical importance in understanding the need for a feasibility and business plan to assess community need and viability and to create a framework for action. Any game-changing idea worth pursuing must embrace the possibility of failure as a part of its scope. Therefore, it is critical to document the failure and learning from past attempts to create shared space, integrating this into the proposed feasibility and business planning process. Here are some of the key insights from past attempts:

- The feasibility and business planning process lacked sufficient funding
- A lack of volunteer leadership resulted in inconsistent commitment in the first iteration
- The second iteration failed to produce a robust feasibility assessment and business plan
- Locations were chosen before financial, business and partnership models were determined
- The process lacked an outside facilitator to shepherd it along
- Partner organizations lacked a clear lead organization, thus requiring the consensus of multiple boards
- The size of the chosen space did not achieve the critical mass to demonstrate a viable investment

With these lessons in hand, we are determined to complete a more effective and streamlined planning process that seeks first to prove the level of demand and then to develop a financial and operational model built upon validated assumptions, while deeply engaging the community throughout the process.

## **OVER TO YOU**

The hub has been co-designed as part of a broad community engagement process. This started with three public design jams, followed by a pre-application survey, a site visit to the Centre for Social Innovation and Artscape in Toronto and the identification of a closely engaged group of potential founding tenants. This process was documented via video, and findings were shared frequently and in real time through social media channels. In addition, there were 30 hours of meetings for the development of this plan and with interested stakeholders from January to June 2013.

In the design jams, it became clear that while collaboration could happen across several media, there was overwhelming interest in the creation of a physical space. Many members noted that this could be complemented by an online element for connecting the community but emphasized the need for a physical location to concentrate activity. Further, several participants suggested that the site selection should include a focus on neighbourhood revitalization, with the expectation that the hub would integrate with its surrounding neighbourhood community. Having the shared space offer a social good and fill community needs in a neighbourhood and going beyond the traditional community centre model was a core value expressed by participants.

After a first set of financial forecasts, two findings came into focus. First, in the scenario in which the co-working organization secures a lease for the shared space, annual rent payments would almost certainly comprise the largest expense line for the organization. Sensitivity analyses show that unless a major discount on lease rates is secured, the co-working organization would operate on dangerously thin margins, so that one unanticipated tenant defection (or slower than expected occupancy growth) could seriously harm financial prospects. Second, even in the event that a major discount on lease rates was secured, the organization would still be paying a much larger annual sum in the form of rent, compared to what it might pay in mortgage payments if buildings were purchased (also dependent on purchase price and mortgage terms). It has thus become clear that the organization should thoroughly consider the merits of purchasing a building.

As of this writing, Pillar Nonprofit Network and Emerging Leaders have begun exploratory discussions with potential allies, partners and advisors to gauge the viability of a purchase. This leads to two key decision points: the legal model and operating model of the shared space entity. Assessments of the options for each are laid out in the tables below:

Legal Model	Description	Pros	Cons
<b>Corporation</b>	<ul style="list-style-type: none"> <li>- A corporation is a legal entity that separates the business from their owner/operator. You can choose to incorporate federally or provincially and each option comes with own advantages and disadvantages.</li> </ul>	<ul style="list-style-type: none"> <li>- Generate interest from community investors, private companies, nonprofits</li> <li>- Aligns with values of project</li> <li>- Reduces risk to one organization</li> <li>- Provides return to investors</li> <li>- New ground and model</li> </ul>	<ul style="list-style-type: none"> <li>- Funders' view of nonprofits investing in a for profit</li> <li>- Tax issues and tax advantages</li> <li>- Governance structure more complex</li> <li>- More administrative costs to set up new structure</li> <li>- Will take time to set up</li> </ul>
<b>Nonprofit</b>	<ul style="list-style-type: none"> <li>- A corporation mandated with a social purpose, which cannot, by law, disburse profits or generate significant commercial gain to its board members.</li> </ul>	<ul style="list-style-type: none"> <li>- Simple model, easy to incorporate, easy to manage</li> <li>- Also aligned with the values of the project</li> </ul>	<ul style="list-style-type: none"> <li>- May make it difficult to lend to for some private investors because collecting collateral may bring reputational risk for the lender in the event of failure</li> <li>- While disallowing the disbursement of profits, a nonprofit also would not be able to provide charitable receipts unless incorporated</li> </ul>



			strictly as a charity
<b>Co-op</b>	<ul style="list-style-type: none"> <li>- Co-operatives (or "co-ops") are legally incorporated organizations owned by their members who use their services or purchase their products. Co-ops can provide virtually any product or service, and can be either nonprofit or for-profit enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>- Membership driven</li> <li>- Consensus driven decision making</li> </ul>	<ul style="list-style-type: none"> <li>- Governance structure in co-op and consensus can be time consuming and cumbersome</li> <li>- Accountable to all members of co-op</li> </ul>

Operating Model	Description	Pros	Cons
<b>Lease – Option 1</b>	<ul style="list-style-type: none"> <li>- The tenants lease from a sole landlord.</li> </ul>	<ul style="list-style-type: none"> <li>- Less risk</li> <li>- Less capital outlay if landlord covers leasehold improvements</li> </ul>	<ul style="list-style-type: none"> <li>- More expensive option in long term</li> <li>- Takes longer before breaking even</li> <li>- Funders may not want to invest in leasehold improvements that a for profit landlord will benefit from</li> </ul>
<b>Lease – Option 2</b>	<ul style="list-style-type: none"> <li>- The tenants occupying larger space lease from the landlord and the lead nonprofit holds the lease for the common areas in the shared space with the landlord.</li> </ul>	<ul style="list-style-type: none"> <li>- Even less risk than Lease Option 1 and other options</li> <li>- Less capital outlay if landlord covers leasehold improvements</li> </ul>	<ul style="list-style-type: none"> <li>- More expensive option in long term</li> <li>- Takes longer before breaking even</li> <li>- Funders may not want to invest in leasehold improvements that a for profit landlord will benefit from</li> </ul>
<b>Purchase</b>	<ul style="list-style-type: none"> <li>- A nonprofit or business legally owns the building and leases the space to tenants.</li> </ul>	<ul style="list-style-type: none"> <li>- Long term aspect could be profitable for nonprofit or owner of building</li> <li>- One governance structure for decision making</li> <li>- Asset for a nonprofit</li> </ul>	<ul style="list-style-type: none"> <li>- If are not at capacity for tenants creates liability for owner of building</li> <li>- Operating expenses and potential unexpected costs</li> <li>- Mission of nonprofit is not likely to be a landlord or property manager</li> </ul>



## MARKET OPPORTUNITY

There is a strong and growing demand for a co-working hub for social innovation in London, Ontario. This is consistent with international trends that show an explosion of co-working, with 1320 hubs globally in 2012, up 88% from the year before. Domestically, the success of the Centre for Social Innovation in scaling up from an initial 5000 sq ft in 2005 to around 100,000 sq ft today also sets an encouraging precedent and provides detailed insights for this initiative.

Specifically, our market research focused on the models of the Centre for Social Innovation (CSI), the Hub, Artscape and 10 Carden. Together, these groups point to leading edge best practices and a diversity of growth strategies, from organic (CSI), to franchising (Hub), to single building entities.

## **DEMAND IN LONDON**

Over the past 5 years, there have been three major efforts organized by consortia of leading groups to research and gauge the feasibility of a hub within London's city limits. There has been a steady expansion of interest amongst the city's nonprofits, social enterprises, social purpose businesses and entrepreneurs, and artistic communities. These organizations and groups tend to be scattered across the city, with no clear geographic clustering occurring organically. This historic pattern shows the resilience of demand for this opportunity over a prolonged time period.

This demand was on display in early 2013, during which time Pillar Nonprofit Network and Emerging Leaders hosted three design jams whose purpose was to gather input from London collaborators for a collective vision of the potential hub. In all, more than 110 people attended, representing a cross-section of nonprofit, social enterprise, public sector, social purpose business, start-up entrepreneurs, cooperatives and individuals.

In order to further validate demand for a shared space, an online pre-application survey (see Appendix A) was issued, and is still available, to the London community, inviting individuals and organizations to submit notice of interest in either becoming a tenant in a space or becoming a member to access workshops and events held in a space. More than 100 responses have been received, with approximately 50% verifying an interest in securing specific space. Of those interested in tenancy 40% requested dedicated or enclosed office space, while the remainder requested open concept "flex desk" space. More specifically, 30 organizations/entities advised on floor space needs ranging from 200 sq ft to 3500 sq ft. In total, this select group represents approximately 30,000 sq ft of interest.

Against the backdrop of both international tailwinds and locally specific traction, these facts build an encouraging case for a calculated investment into the development of a co-working hub for social innovation in London.



## CUSTOMER SEGMENTS

Based on feedback from an extensive community consultation program, as well as pre-applications and ongoing lease negotiations with potential tenants, we have made significant strides in identifying precisely who the primary customer segments are for this hub. It is also noteworthy that members representing a wide variety of stakeholders expressed interest in green options for the space (bike racks, photovoltaic installations, rooftop gardens, energy efficient windows, etc.) as a reflection of their values.

**Mid-size and Large Organizations:** A significant portion of the leasable space will be targeted toward large, London-based organizations with five to 20 staff. These groups are typically charitable/nonprofit, but may be for-profit as well, with consistent and predictable cash flows, and in interest in multi-year leases. Many of them have already expressed interest in securing a space at the hub for either a head office or satellite office. These expressions of interest range from 500 to 3500 sq ft. This customer type will be most important in the launch phase of the hub, since securing their tenancy prior to the opening day will significantly mitigate the risk of launch. As such, we intend to form a strong relationship with an emerging cohort of about 20 such interested organizations, framed as “launch partners,” rather than merely tenants.

**Small Organizations:** These organizations tend to be nonprofits and young businesses with annual revenues of \$100,000 to \$200,000 and one to three staff. We expect these types of organizations to secure permanent desks and constellations of desks, which are more affordable than private offices and whose arrangements can scale up or down along with the organization's growth.

**Entrepreneurs & Freelancers:** The space will provide fitting accommodation for single individuals and idea phase start-ups seeking to work in an energizing environment. These individuals often lack many other options for work settings (home, cafes, libraries, etc.). In the experience of the Centre for Social Innovation, they tend to be some of the most committed and active members of co-working communities because of their need for growing social capital. At the hub, they will be most drawn to flex desk packages, which are low-cost and easily tailored to unconventional and sporadic work schedules. The flex desk packages require significant administrative support and therefore this needs to be considered in the staffing costs.



General Assembly

“Shared workspaces are themselves a social innovation... The nature of work is changing – and with it the workplace. These changes offer incredible potential for economic, social, cultural, and environmental progress in the coming years.”

*PROOF: How Shared Spaces are Changing the World, Centre for Social Innovation (2010)*



## PRODUCT

In order to serve strong local demand, we will build and manage a co-working space (a “hub”) in the vicinity of downtown London (Core Downtown, Old East or Soho). This hub will occupy 20,000 to 30,000 sq ft of leasable floor space, split into private workspace and common facilities. While adapted to serve the London market, our business and operational model will be loosely based on the model of the Centre for Social Innovation (consultants to this feasibility process), which successfully manages more than 300 tenant members. The CSI model has a percentage breakdown of Offices 35%; Permanent Desk & Clusters 20%; Hot Desks 15%; Meeting Rooms 15% and Common Space 15%.

## SPACE PACKAGES

Tenants will self-select into a tiered leasing model that accommodates different organization sizes and allows organizations to scale up without having to move out. This type of co-habitation is also expected to increase the quality of the work environment – allowing young organizations to access networks of established operators, and exposing large organizations to innovation from upstarts. All packages will include a combination of both private space and access to shared facilities.

Packages are showcased here:

Package Type	Monthly Cost	Private Amenities	Shared Amenities
Flex Desk 20	\$125	20 hours of desk space monthly	3 hours of board room time + access to kitchen facilities, printers, office supplies, listserve and events
Flex Desk 60	\$200	60 hours of desk space monthly	6 hours of board room time + access to kitchen facilities, printers, office supplies, listserve and events
Flex Desk 100	\$250	100 hours of desk space monthly	8 hours of board room time + access to kitchen facilities, printers, office supplies, listserve and events
Permanent Desk (not enclosed)	\$400	Private desk, cabinet and chair	10 hours of board room time + access to kitchen facilities, printers, office supplies, listserve and events

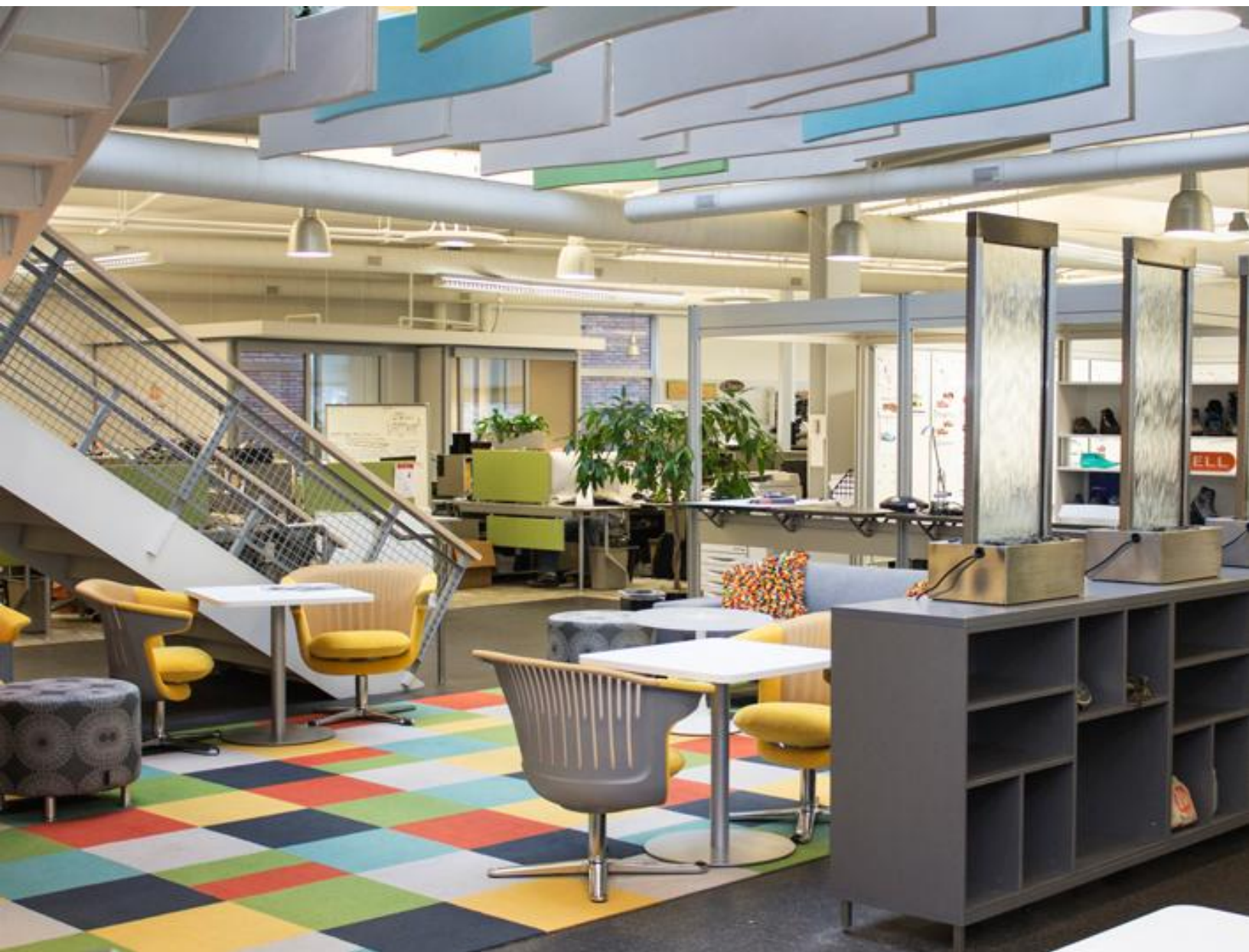
Package Type	Monthly Cost	Private Amenities	Shared Amenities
Constellation of Desks (not enclosed)	\$400 x number required	A cluster of private desks as required. Each comes with cabinet and chair	Variable board room time + access to kitchen facilities, printers, office supplies, listserve and events
Private Office	Variable by sq ft requirements	An enclosed office space, with desks, chairs and cabinets included.	Variable board room time + access to kitchen facilities, printers, office supplies, listserve and events

**Flex Desks:** Catered to freelancers and start-ups, flexible desk options allow individuals to secure monthly packages, which vary month to month to accommodate varying cash flows. Flex desks are common tables, which can seat four to six individuals at one time. Their primary value is to connect individuals to a co-working environment at low cost and without long term commitment. Since attendance can be sporadic, the Centre for Social Innovation has found over eight years in operation that seats can be oversubscribed by a factor of up to 4 to 1, optimizing the earning potential of the flex desk infrastructure.

**Permanent Desks:** For small organizations with only one full-time staff and consistent cash flow, permanent desks are a fitting solution. Permanent desks are outfitted with additional furniture, such as comfortable office chairs and a lockable cabinet. They provide a relatively low cost base from which to run the organization, while also delivering a basic level of privacy and ownership.

**Constellations of Desks:** As organizations scale, they require additional permanent desks and a spatial cluster. By combining two to four permanent desks, we can easily create a constellation. Constellations cost less than private office space while preserving the look and feel of a team-oriented environment.

**Private Offices:** Larger organizations (4+ staff) with predictable cash flows will likely opt for a private, enclosed office space. These will vary in size as required by the first cohort of tenants, but can be adjusted by erecting light drywall for new layout options. Private offices will include a starting package of desks, chairs and cabinets. Additional furniture and fixtures will be up to tenants to purchase and manage separately. Private offices will be constructed for noise reduction but will employ glass and other elements to ensure good light flow across the larger floor space.



## SHARED FACILITIES

A prominent feature of the space will be access to shared facilities and common space. This represents a significant differentiator between co-working facilities and conventional office space, and within the co-working market has become known to make a large impact on establishing a building culture, which is central to tenant satisfaction. Shared facilities will be professionally managed by hub staff, with periodic maintenance required by outside technicians.

**Printer:** The hub will include one commercial printer/photocopier/scanner station per floor, with access granted to tenants through key codes. This will require periodic maintenance.

**Wireless Internet:** The hub will establish high-end wireless networks – secured, for tenants, and unsecured, for guests. The network must be sufficiently capable of dealing with large bandwidth demand, and must have some type of contingency system in the event that the primary network malfunctions. The hub will secure the services of technicians but will also train staff as first responders.

**Boardrooms:** Each floor will feature one large boardroom and one smaller boardroom, available for bookings on a first-come first-served basis, likely via an online booking system. Boardrooms will likely include large tables, several simple chairs, and a projector screen. Some will include white boards and flip charts, with supplies stocked by the building. Boardroom hours will be included in tenant packages, but will also be available for rental by the wider London community.

**Event Space:** The hub will include large/flexible layout event space, available for rental by both tenants and non-tenants for a multitude of social functions. The event rooms will need to be large enough to accommodate 80+ attendants, with their own stock of chairs, tables and projectors. The hub will maintain a preferred vendor list of catering services, accessible by customers.

**Kitchenettes:** At least one floor will have a kitchenette area, with a sink, fridge, microwave and other basic kitchen amenities. It will be stocked with dishes and cutlery and tea and coffee. The area may also include a couple of basic dining tables and couches to create a comfortable setting for social interactions.

**Recreational Space:** The hub may include a couple of small arrangements of couches, chairs, or beanbag chairs to create comfortable meeting, reading and conversation spaces.

## COMMUNITY ANIMATION

According to feedback from the design jam and community consultation processes, part of the value of being a tenant in the space will stem from active participation in community socials. To meet this requirement, the hub will have staff dedicated to “community animation.” Community animation is the ongoing process of curating, provoking or supporting activities involving members that build fun, familiarity and social capital into the network. It will be undertaken through events and initiatives like group lunches and speaker series.



## MARKETING CONSIDERATIONS

**Social Capital:** Pillar Nonprofit Network and Emerging Leaders occupy central positions within London's social innovation community and have displayed a consistent ability to leverage our marketing infrastructure to great effect. When an invitation was issued to attend design jams for the proposed space, high demand led to the need for an additional design jam. In total, over 115 community members attended. Likewise, when a pre-application form was issued there were over 100 respondents, representing more than 30,000 sq ft in expressions of interest. Furthermore, when a bus tour went to Toronto to explore social innovation shared spaces there were 40 attendees, demonstrating a commitment of exploration and interest. From this effort, a leading group of approximately 20 organizations has emerged to discuss potential tenancy and founding partnership in launching the space including rtraction, Goodwill, mindyourmind, Parkinson Society, King's University College, Meals on Wheels, London Arts Council, London Heritage Council, London Link Magazine.

We expect that leveraging Pillar's and Emerging Leaders' social capital will be the most effective way to spread market awareness and secure referrals to potential tenants. The organizations' staff, executives and boards maintain several high level relationships within other organizations.

**Digital Media Distribution:** Both Pillar Nonprofit Network and Emerging Leaders are heavy users of popular social media channels such as Twitter (with over 6300 followers between them). This channel was effectively used to spread the pre-application form in spring of 2013. Pillar Nonprofit Network also maintains an email listserve of over 5000 contacts.

Social media strategies will be employed to spread initial market awareness of the opportunity and to announce noteworthy partners, supporters and tenants.

**Media Relations:** Executives of Pillar Nonprofit Network have developed key relationships with local news media. Their work has already been featured in profiles of other initiatives, such as The London Free Press, Metro News, The Londoner, Phil McLeod's Blog, London Link Magazine, Rogers TV, Snap London, etc., which demonstrates that the hub's launch would be of high interest to local news media.

Approaching the launch date, Pillar Nonprofit Network will work to ensure coverage in multiple media outlets, targeting both mainstream and niche readers.

**Specific Campaigns:** The hub may launch campaigns from time to time to generate additional interest, such as contests for desk/work space. The Centre for Social Innovation has administered Agents of Change contests, in which winners are given desk space in exchange for six-month durations as volunteers and interns. This proved to be an excellent way to generate interest, while saving personnel costs early in the life of the venture.

## COMPETITIVE LANDSCAPE

### COMPETITIVE ALTERNATIVES

There are a number of alternative options for London-based organizations. The table below covers four of the most directly competitive locations. However, none of the options below include the full complement of tiered space, intentional community animation, and downtown real estate.

We expect the greatest threat will emerge from competitors who may offer specially discounted rates to nonprofits, such as those offered by Western Research Park. However, historical data from the CSI suggests that, while the target customers are sensitive to price, they place a premium on the value of a co-working environment that could provide opportunities to build their social and financial capital.

Company	Monthly Rent	Amenities	Boardroom rental included?	Parking Costs	Other costs
<b>Western Research Park</b>  <b>Contact:</b> <b>Paul Paolatto</b> <b>519-858-5198</b>  <b>200,000 sq ft of office space, lab space and industrial grade space</b>	<b>Based on these criteria:</b> <ul style="list-style-type: none"> <li>- 5 people</li> <li>- office space or general common area</li> <li>- nonprofit organization</li> <li>- cost = \$19 per sq ft</li> </ul> <b>Types of spaces:</b> <ul style="list-style-type: none"> <li>- Mogenson (1989) - 50,000 sq ft; general purpose office space</li> <li>- Stiller Centre (2002) - 45,000 sq ft; general purpose office and lab space</li> <li>- Convergence Centre (2010) - 55,000 sq ft; general purpose office space</li> <li>- National Research Council (1999) - 78,000 sq ft; general purpose office, lab space, industrial grade space</li> <li>- Windermere Manor (1991) - full service restaurant, conference centre and 48 room hotel</li> </ul>	<b>Municipal Services:</b> Sanitary and storm sewers, hydro, water, natural gas <b>HVAC:</b> Forced air, roof mounted air conditioning units <b>Security System:</b> Full card lock entry through the Park <b>Grounds:</b> Mix of professionally landscaped and natural habitat	Included (no extra charge)	Free	<ul style="list-style-type: none"> <li>- <b>Cabling:</b> Full Wi-Fi and cable systems throughout, on-site subscription service available</li> <li>- Cost at \$100/month</li> </ul>

Company	Monthly Rent	Amenities	Boardroom rental included?	Parking Costs	Other costs
<b>Kowork</b>  <b>Contact:</b> <b>Yohan</b> <b>519-433-3366</b> <b>519-518-2346</b>  <b>Note:</b> <b>Offers desks space</b>	<b>\$19 daily</b> <ul style="list-style-type: none"> <li>- use of desk daily</li> <li>- wireless internet</li> <li>- conference room for</li> <li>- coffee, tea, soda &amp; snacks</li> <li>- discounted business services (15% off printing)</li> <li>- member &amp; networking events</li> </ul> <b>\$199 monthly</b> <ul style="list-style-type: none"> <li>- use of desk Monday to Friday during regular business hours</li> <li>- wireless internet</li> <li>- community workspace</li> <li>- conference room access</li> <li>- coffee, tea, soda &amp; snacks</li> <li>- member &amp; networking events</li> <li>- discounted business services (15% of printing)</li> </ul> <b>\$249 monthly</b> <ul style="list-style-type: none"> <li>- 24 / 7 access</li> <li>- wireless internet</li> <li>- dedicated workstation</li> <li>- locker storage (1/desk space)</li> <li>- unlimited local faxing</li> <li>- 250 prints/month</li> <li>- conference room access</li> <li>- coffee, tea, soda &amp; snacks</li> <li>- discounted business services</li> <li>- member &amp; networking guests</li> </ul>	<b>Kitchenette</b> <ul style="list-style-type: none"> <li>- no extra fee</li> </ul> <b>\$249 monthly has additional amenities they may add</b> <ul style="list-style-type: none"> <li>- Mail sorting \$10</li> <li>- Use as address</li> </ul> 15% off all printing service (only black and white)	<b>Conference room</b> <ul style="list-style-type: none"> <li>- \$9 hourly</li> <li>- wireless Internet included</li> <li>- multi-media equipment: \$5/hr. extra (for daily users)</li> </ul> <b>Present space</b> <ul style="list-style-type: none"> <li>- must be staffed</li> <li>- \$90/hour</li> <li>- includes use of AV equipment</li> <li>- laptop</li> <li>- touch screen smart board</li> <li>- PA system</li> <li>- seats 40</li> </ul>	<ul style="list-style-type: none"> <li>- Self serve park</li> </ul>	<b>Common event space</b> <ul style="list-style-type: none"> <li>- used only after regular business hours</li> <li>- no extra charge if key holder (desk) is present at the event</li> <li>- (may include clean up charge)</li> </ul>

Company	Monthly Rent	Amenities	Boardroom rental included?	Parking Costs	Other costs
<b>Regus</b>  <b>Contact:</b> <b>Lorraine Landgren</b> <b>519-964-2700</b>	<ul style="list-style-type: none"> <li>- 13,000 ft 6 floors, 62 office spaces</li> <li>- Offices start at \$300/month; smallest office start at 60 sq ft</li> <li>- Largest office estimated price \$2000/month; 200 sq ft</li> <li>- Includes housekeeping, property taxes, insurance and reception</li> </ul>	<ul style="list-style-type: none"> <li>- Phone and internet package \$189/month</li> <li>- Use of kitchen is \$35/month; includes fridge, microwave, water, tea and coffee</li> </ul>	<ul style="list-style-type: none"> <li>- Small \$30/hour (6 people)</li> <li>- Large \$50/hour (12 people)</li> <li>- Include use of projector, screen, internet (free)</li> <li>- Include water tea and coffee (free)</li> </ul>		
<b>London Social Innovation Centre</b>  <b>Contact:</b> <b>Chris Kirwin</b> <b>519-438-8945</b>	<ul style="list-style-type: none"> <li>- Office space ranges from 2000 sq ft to 30,000 sq ft</li> <li>- Smaller office vary from \$150-\$500/month</li> <li>- Larger office spaces are cost per sq ft and range based on the following criteria: <ul style="list-style-type: none"> <li>o How strong (financially) the tenant is</li> <li>o How long their lease is</li> <li>o How much changes will need to be made to the existing office space</li> </ul> </li> </ul>	<p>No extra cost</p> <ul style="list-style-type: none"> <li>- Heat</li> <li>- Hydro</li> <li>- Air conditioning</li> <li>- Internet</li> <li>- Computers</li> <li>- Reception</li> <li>- Use of kitchen</li> </ul>	<ul style="list-style-type: none"> <li>- No cost for boardroom</li> </ul>	<ul style="list-style-type: none"> <li>- Self serve</li> </ul>	<ul style="list-style-type: none"> <li>- Printing \$0.10/page</li> </ul>



## **DIFFERENTIATION**

In comparison with the alternatives noted in the table above, the shared space will be different with respect to two important factors. First, the shared space will be intentionally geared toward convening social change organizations and to serving as a platform for social innovation. This will entail a unique tenant composition, brand position and marketing plan. Second, the shared space will make considerable efforts to animate the culture of the building, fostering connections between tenants, and running events and campaigns suited to its community.

In its view of the market, CSI has repeatedly noted that community animation is an important value-added feature and has proven to be an important contributor to overall business performance of co-working locations.

## **COMPETITIVE ADVANTAGE**

Ultimately, the greatest competitive advantage to the hub will be a network effect, whereby each additional tenant in the network increases the value of the network to all tenants.

Deep knowledge of the target customers suggests that tenancy decisions will not be merely economic in nature. Additionally, these target customers will place a high value on being in the “right place” amongst peers and groups with whom relationships could have significant business and social capital value. In its report, *Proof*, the Centre for Social Innovation showed that 92% of its members credited tenancy with increasing their professional networks. The report also demonstrated that 70% of CSI members had undertaken at least one joint initiative with other members. This level of collaboration will be a powerful mechanism not just for recruitment but also for retention of tenants, which may lead to lower turnover than conventional office properties.

Finally, given the history of the shared space concept within the London community, there is palpable enthusiasm from the target customer base for joining a shared space for social innovation. This is expected to provide a running start for recruitment efforts.

## MAJOR RESOURCE REQUIREMENTS

**Location:** The major concern prior to launch is securing a building or an affordable, long-term lease in a desirable location. This will require 20,000-30,000 sq ft of leasable space with the potential for additional space should demand warrant expansion in later years. Once secured, the location will likely need to undergo significant leasehold improvements tailored to the needs of the target demographics, which will require the services of a general contractor. There are a number of location options currently under review, but none has been selected. A desirable location will be in the vicinity of downtown London (Core Downtown, Old East or Soho), accessible by multiple modes of transit, with parking options nearby. The organization has not yet determined whether to lease or purchase space although, at the time of the writing of this document, a purchase seemed more financially viable.

**Floor Plan:** Upon securing a space, design services will be procured to create a compelling floor plan that allows for multiple organizational sizes and for flexible space arrangements.

**Furniture, Fixtures and Equipment:** The space will need to be properly furnished, which will require significant capital expenditure at the outset (details can be found in the financial plan). Some of the initial capital expenditure can be tempered by procuring second-hand and antique furniture, which can help to create the intended ambience.

**Personnel:** The hub's initial management will have to be secured prior to launch. These personnel include a general manager, space manager, and maintenance technician. They will require training, professional development, and general ramp-up time to properly receive tenants.

**Funds for Capital Expenditures & Leasehold Improvements:** Capital expenditures and leasehold improvements will require significant funding prior to launch and throughout the first year of operation. Ideally, the hub will secure philanthropic capital and/or a low-interest loan with patient terms for repayment. This must be in place in order to move forward with the initiative. Further detail is available in the financial plan.

**Funds for an Operating Deficit:** Prior to launch and throughout the first two to three years, it is expected that the hub may require funds to address an operating deficit resulting from a ramp-up period for occupancy and from start-up expenses such as marketing. In the ideal case, these funds will be provided in the form of philanthropic capital or as low-interest loans with patient terms. Further details are available in the financial plan about the precise needs.

**IT Infrastructure:** In addition to a main website, email hosting and, potentially, a member list-serve, a high capacity wireless network will need to be established along with physical infrastructure to enable access.

**Brand Identity:** To prepare for a full marketing campaign, the hub will likely require one-time services to create brand identity and associated items.

**Leasing Documentation:** The hub will require the development of a full suite of documents for leases (or subleases, depending on the property management structure) and other managerial considerations.

**Incorporation:** The hub may require incorporation as either a nonprofit or charitable organization – among other options for proceeding, which may not require incorporation of a separate entity - in order to secure funding and to appeal lease rates (unless the site is purchased), unless an existing organization leads its formation.



*ING Direct Cafe*

## RISKS

**Overestimating Demand:** Without a clear precedent in London, the hub may overestimate the true level of sustained demand present in the market. While there may be an outpouring of interest in the design stage, this may not materialize into leases.

To mitigate this, Pillar Nonprofit Network will expend significant effort to secure multi-year lease commitments from founding partners prior to launch. Successfully doing so will provide consistent, predictable cash flows for the first few years of operation and may also function as social proof for customers who are undecided. If a founding cohort of leaseholders cannot be secured prior to launch, Pillar Nonprofit Network will reconsider further investment in the development of the space.

**Operational Inexperience:** The co-working model demands a different form of coordination that is part property management, part community animation. Striking this balance will be key to delivering on the full vision of the product experience. Management inexperience may also lead to a less than efficient use of funds and to complaints from tenants.

To mitigate this, Pillar Nonprofit Network will aim to hire founding management with some level of experience in both property management and community animation. Additionally, the founding management may retain the consulting services of the Centre for Social Innovation, a world leader in co-working, with over 8 years of experience and 100,000 sq ft under its management. The management will also communicate transparently with tenants and engage them in implementing fitting solutions to problems that arise.

**Tenant Cash Flow Volatility:** A large proportion of the target customers are organizations for whom cash flow may be unpredictable year to year, and who may be dependent on the decisions of funders. This may require tenants to break their leases or choose not to renew them for purely economic reasons.

While a considerable proportion of the customers may be subject to cash flow volatility, the lion's share of floor space (and, by extension, the lion's share of the revenue) will be leased to large organizations that should be in a more stable condition. This should help contain the economic risk. The hub will also aim to maintain a waiting list of interested applicants who can be signed to leases quickly if they fit with the values of the culture and space.

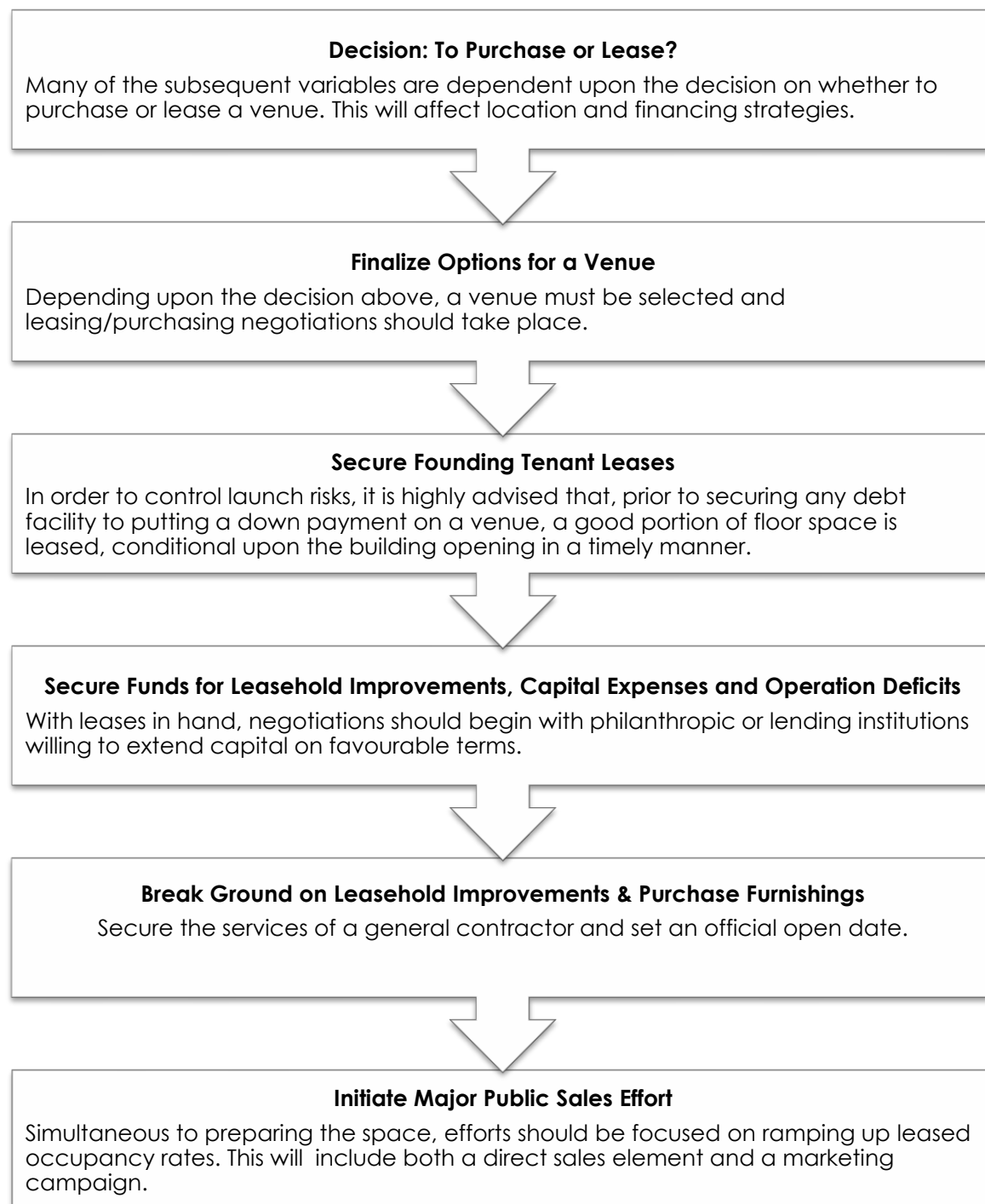
## FINANCIALS

*(Available in adjoining documents)*



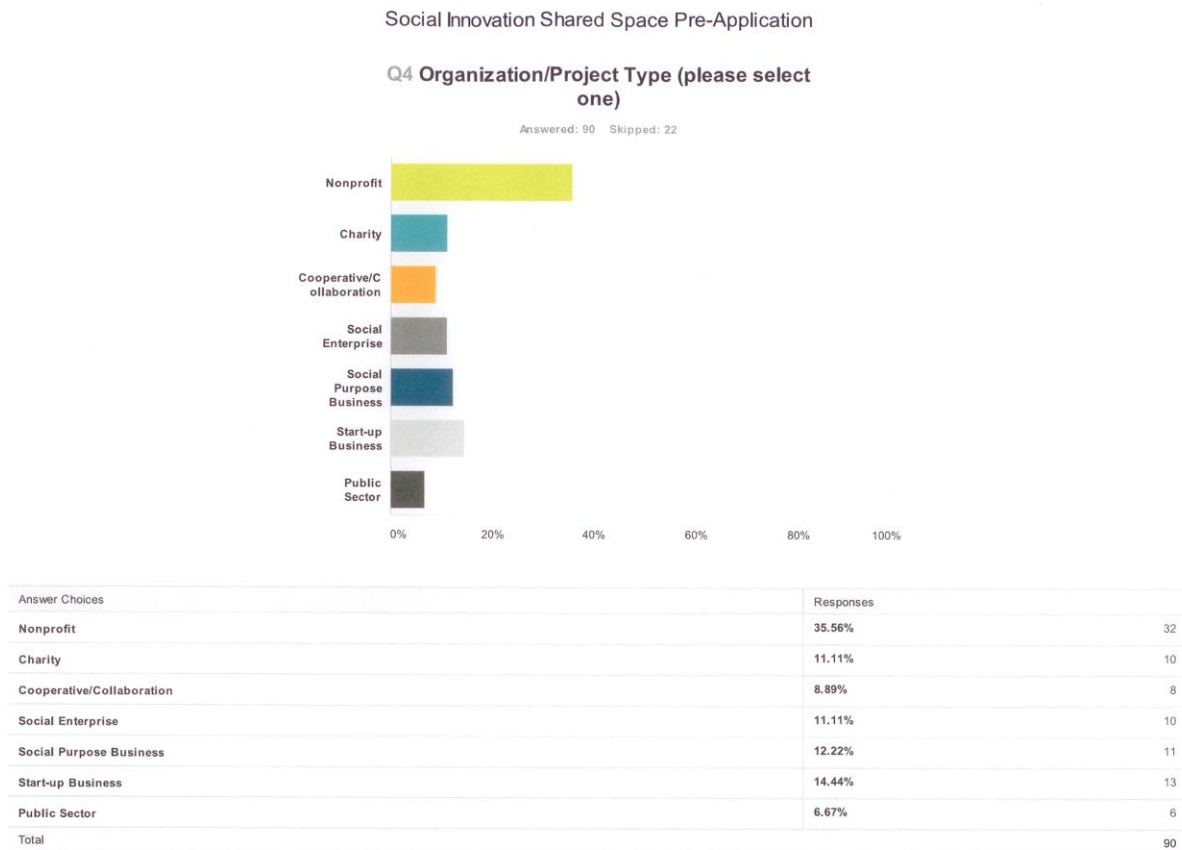
## NEXT STEPS

Pillar Nonprofit Network is now entering an exciting period in which many of the major steps towards the launch of a social innovation hub should be taken. Over the summer of 2013, the organization should address these major items:



## APPENDIX A

### Social Innovation Shared Space Pre-Application by Organization Type



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