

why is
PROFIT

important to non-profits



by Keith Gordon

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Masatoshi Ito, the Japanese billionaire responsible for turning 7-11 into a global success, died from old age on March 10, 2023. He was ninety-eight.

For many years my grandson and I have had the habit of sneaking out at 11:00 pm on school nights to go to 7-11. We buy junk food and take in the night life at a time when all the good grandfathers in Canada have their grandsons safely tucked away in their beds.

We often talk philosophy and cosmology and indigenous issues on the way to our favorite convenience store, our innocuous rebellion hidden in the darkness of a Vancouver night. Just two people united in an ageless revolt against the way

some humans think other humans are supposed to behave.

I guess I cannot really call it sneaking out. I have lived alone for many years, except for the regular visits of my grandson and sometimes his sister.

I am Dutch and my grandson is Inuit, but we don't seem to be overly concerned about our cultural differences, except for sometimes pondering the different behavior of "our people," meaning Europeans and Indigenous North Americans. Early on, we established that my people did bad things to his people and that was not a good thing. Somehow, we allow that historical narrative to live in the background while we do good things for each other in the here and now.

I am also old, and my grandson is young. He will turn sixteen soon and start denting my car in parking lots and losing my keys in remote places. But the age difference doesn't seem to matter to us either. As a dinosaur, I explain to him how a group-focused culture lived before the daily use of computers, and as a Gen Z human, he helps me to learn how to navigate in an individualistic and impersonal world and stay one step ahead of depression.

Neither of us know how our ancestors really overcame the tendency to succumb to the meaninglessness of life, but I enjoy talking about the radical views of the 16th century Dutch philosopher Spinoza and he enjoys talking about living off the

land, away from the endless rules of a conformist society.

My grandson isn't one to accept that his first job was going to be to work for minimum wage at 7-11, McDonalds or any other of the typical first-job teenage experiences. Lately I have been suggesting that I would pay him to study the twenty-five hamlets in Nunavut online. Nunavut is the northern Canadian territory where his birth mother and father first lived.

I have supported privately funded non-profits and community-based organizations in Canada and Sub-Saharan Africa for my entire adult life and wanted my grandson to understand more about his people. I wondered if he would be able to help his peers in Nunavut somehow if he had a basic understanding of their northern environment. He does not know that his people have the highest rate of suicide in the world.

My grandson was polite and didn't want to hurt my feelings, but he didn't take me up on the offer for impersonal online work to study Nunavut. Instead, he agreed to set up beds in person, in the early evenings, for a local shelter with a youth volunteer program, before the participants arrived each night. He has a vague understanding that his grandfather moved into the Jubilee Rooms on Main, a rooming house in Vancouver's Downtown Eastside, in 2002 to understand why people from all cultures, but

especially indigenous cultures, suffer in urban settings.

He is also starting to understand that the place where I met his birth parents, the Downtown Eastside, is a Canadian neighborhood with a disproportionate number of indigenous persons ravaged by past colonial policies and practices.

My grandson is a quick study and can excel in anything that captures his interest. He doesn't know that Masatoshi Ito was not only known as the person who expanded 7-11, but also as a philanthropist. He would absorb the information if I told him. He often talks about finding independence and freedom of choice by operating his own business and has heard me talk about the business altruists who purchased two of the aging rooming houses I lived in when he was born. It is not lost on my grandson that they eventually donated their equity value to the non-profit I worked with since I was in my 20s.

I no longer live in rooming houses in the Downtown Eastside. A few years ago, I decided I needed to live closer to my grandson and his family in a southeastern, quiet neighborhood of Vancouver. He no longer visits me in the small confines of single room occupancy buildings (SROs). Instead, we continue our unusual partnership in my nondescript two-bedroom apartment near his home and school.

Some would insist that it is wrong to keep children away from their place of beginning. Others would

argue keeping a child away from a neighborhood like the Downtown Eastside is the safe and responsible thing to do. I did both as long as I could. My grandson was allowed to visit me in the Downtown Eastside from time to time before greater safety threats in the community became commonplace.

I will never forget the image of my grandson, at five years old, running up the steps of the three-story Jubilee Rooms walk-up, which was my first home in the Downtown Eastside. At the time, it was a positive congregate living SRO. Safe for any visitor. After our non-profit allowed the Downtown Community Court to house participants of their program in our Jubilee SRO, under the supervision of the head of Psychiatry at St. Paul's Hospital, the environment of the rooming house changed irrevocably.

In his earlier years, my grandson was aware that Grandpa liked to live in small rooms. He remarked one day during a sleepover, "Grandpa, you like small things, and I am small." The meaning of the link he had just made was unmistakable for both of us.

Truth be told, it is no longer necessary for me to live like an anthropologist to understand why the universal powers of self-organization in marginalized communities are thwarted by top-down systems, the reigning model of community development for both government and business. I now have a theory that I can work out while I provide a safe environment for a growing teenager and his sister. I

can take the train any time I want to continue my work in the Downtown Eastside. It is only 20 minutes away.



When I first moved to Vancouver's Downtown Eastside in 2002, I was on a quest to understand why well-intentioned systems do bad things to people in cycles of poverty. After I randomly met philanthropic investors who were also present in the neighborhood looking for ways to help, we developed a friendship and a routine of meeting for coffee. In our leisurely chats in edgy cafes in an edgy neighborhood, we discussed how their assets could be donated to Vancouver citizens at risk of homelessness. We also worked out how they could benefit from the tax advantages allowed by the Canadian government, which rewards the altruism. I learned early on that even in an altruistic action, the rich seek ways to maximize their transactions.

The Dodson Rooms on Hastings was the second SRO purchased by my social impact coffee mates when they were fully acquainted with my plight to understand Canadian poverty issues by living side by side with tenants in rooming houses. In 2004, they paid \$1.5M for the Dodson SRO, featuring 71 rooms and main floor pub, with the hope that I could set

up a team of kind-hearted people to renovate the building and care for the tenants.

I moved into the Dodson as soon as it was under the new ownership and stayed there for three years to help with renovations and the formation of a team of tenant elders to assist the many tenants suffering from mental illness and related addictions. I was married at the time and my health authority executive wife somehow agreed to join me in the experiment. It meant the end of our marriage. Hindsight is a haunting teacher.

The Dodson pub was eventually converted into a community center, and efforts were made to offer management services to other SROs in the Downtown Eastside and establish social employment enterprises. Through the small world expansion properties associated with complex adaptive systems, the innovation that originated in Downtown Eastside rooming houses began to spread across Canada and to international locations such as Haiti and Sub-Saharan African countries. Local offshoots of our self-sufficient networks were also gaining ground and eventually added major contributions to supportive housing and social enterprise in the Downtown Eastside and other areas of British Columbia.

In 2013, two of the rooming houses purchased by the impact investors were partially donated to the network of non-profits I had created with the help of a youthful team of university graduates looking

more for meaning and purpose than a steep climb up the corporate ladder. The aging SROs were each appraised at \$4M, and our non-profits assumed mortgages of \$2M each.

In 2018, we realized that the first SRO we inherited needed more capital investments than our cash-strapped, self-sufficient charity could afford. In addition, our well-meaning agreement with the Downtown Community Court and St. Paul's Hospital Psychiatry Department to utilize the Jubilee Rooms as an experiment for their "doctor in the house program" meant that the positive community spirit of the SRO was lost. An extreme harm reduction trial that was part of some government programs in the Downtown Eastside meant that organized crime had taken root in the Jubilee. Dangers and financial losses were ubiquitous.

To survive both on financial and operational levels, we moved the 80 Jubilee tenants to other rooming houses we were operating in Vancouver that had not been impacted by extreme harm reduction programs. Our plan was to keep the tenants safe and to use the proceeds of the sale to build new micro suites for those who were relocated.

We sold the Jubilee Rooms on Main empty for \$8M in 2018 to a commercial buyer who then resold it to the provincial government within one year for \$12.5M. When we heard the news of the deal the provincial government made with a for-profit company rather than our fledgling non-profit, we

learned that life is more about who you know than what you know. Our non-profits knew philanthropists, which was helpful, but we didn't know high-level decision-makers in senior levels of government.

Nonetheless, after paying off a \$3M mortgage, which we had to increase since acquiring the Jubilee in 2013 to pay for capital expenses, we began to develop affordable housing in Canada.

Approximately \$1M of the proceeds from the sale of the Jubilee was donated to strengthen the 200 self-sufficient community-based organizations our network had helped to create in Africa. Another \$1M was used to strengthen SRO and social employment development in British Columbia. The remaining \$3M was used to purchase vacant land in various cities in British Columbia and Ontario and incorporate non-profit affordable housing development entities in all 13 Canadian provinces and territories. Our network made a bold goal to produce 20,000 new affordable and supportive homes.

There is no doubt in my mind that the impact of the philanthropists I met randomly and had coffee with for 11 years in Vancouver cafes produced positive past outcomes for a non-profit not directly dependent on the government. The philosophy of a triple bottom line, namely people, place, and profit, combined with a determination to use a self-sufficiency model connected to emergent science,

expanded our nonlinear efforts globally, but there were still major obstacles to overcome.

There is also no doubt that future positive outcomes await the network of 30 non-profits and community contribution companies we launched in Canada. However, I should have anticipated the challenges that awaited our network when we tried to launch a \$22M supportive and affordable micro suite development in the heart of the Downtown Eastside to replace the Jubilee Rooms. But of course, hindsight is fodder for the I-told-you-so community and of little use to adventurers and pioneers.

Our Canadian expansion plan started with great aplomb after our successful completion of 40 affordable apartments in Hope, BC for \$8M in 2020. That project was financed by our own funds, CMHC, Vancity Foundation, and our impact investors.

Hundreds more affordable apartments were scheduled for development on vacant land recently purchased or contracted by our non-profits, including a second two-acre plot of vacant land in Hope, five acres in Merritt, 10 acres in Kenora, Ontario, two acres in Morden, Manitoba, and 10 sites in five provinces selected by our team for a rapid housing initiative.



In the Downtown Eastside, the \$22M development project we imagined was 69 micro suites on the

vacant land we purchased at 162 Main Street. We designed the project to be self-sufficient, mixed-income affordable housing to replace the Jubilee Rooms. Our team reasoned that if one non-profit could launch the development of this level of affordable housing without first requiring permission from government, big business, or benefactors, many others could follow in Canada.

There is always a fly in the ointment. The 162 Main Street development was almost an inspiring story about how a Canadian non-profit figured out how to directly develop affordable housing. Almost.

In 2018, one of our non-profits paid \$4.5M for the vacant land at 162 Main Street. The development site was close to the Jubilee. In our minds, the effort was an SRO replacement initiative. We wanted to replace the 80 rooms we sold to market interests, even though the rooms were still functioning as supportive housing for low-income persons after being resold to the government by the for-profit purchaser of the Jubilee.

Our non-profit contributed \$1.5M to the 162 Main Street vacant land purchase, and we financed the remaining \$3M amount through a credit union. We then began the process of looking for funds to develop 69 affordable micro suites in a six-story building with a roof garden and bike lockers.

It took two years to satisfy the endless, and what sometimes seemed like arbitrary, demands for a building permit in a large city, but during that period

construction financing was arranged. It was an expensive waiting game given the rising soft costs of the project. Nevertheless, in early 2020, we had a building permit in hand, and the \$22M project was fully financed, or so we thought.

The breakdown of the financing we arranged involved a \$2M donation by our non-profit, a \$2M impact investment loan from the foundation linked to the credit union, a \$3M forgivable loan from the provincial government, and most significantly, a \$13M low-interest loan from the federal government. And by low interest, I mean a 50-year amortization construction loan with an initial 10-year term at less than 2%, that then rolls into a long-term mortgage at market rates, still guaranteed by the federal government for 50 years. The federal government stipulated that affordable housing had to be guaranteed for more than 20 years, but as a non-profit we had a lifetime commitment to keeping the rents affordable.

Projected revenue from the 162 Main Street affordable housing project would produce healthy cash surpluses year-over-year, just the way CMHC likes it. The CMHC financing we opted for, namely, the Rental Construction Financial Initiative (RCFI), was designed to inject low-cost federal money into Canada's acute need for affordable housing.

In the reasoning of the federal government, RCFI was a win-win. Developers could make a profit creating housing, and low-income Canadians would

have a place to live with no operating subsidies that would otherwise weigh down provincial social program budgets.

So, believing all the funding was in place and knowing the 162 Main Street project would produce a positive cash flow just like the RCFI-funded project we had just completed in Hope, BC, in February 2021, our team signed off on the construction contract. At long last, the actual building of bricks and mortar in the Downtown Eastside was underway by a fledgling non-profit developer.

There was only one significant potentiality we failed to consider. In our minds, two years of careful, step-by-step due diligence with CMHC's underwriter, CMLS, meant the biggest piece of the construction financing was assured. We thought we had passed every test of the underwriter and only awaited the final signature from CMHC. We believed it would be signed at any time.

We were wrong.

Unbeknownst to us, the underwriter, whose opinion is what CMHC uses to give final approval to RCFI financing, was looking closely at the operating and capital upgrade losses we were incurring at the Dodson Rooms on Hastings. We were using cash reserves to start construction at 162 Main Street, but those reserves had a short runway because of operating losses at our Dodson SRO.

Construction was fully underway at 162 Main Street as we awaited final approval from CMHC. Days of waiting turned into weeks, which turned into months. We were getting very worried. We couldn't delay construction because the inflationary impact of the government's Covid-19 period cash infusion was being felt. All phases of construction were under time-sensitive contracts. We couldn't go backward, and the only way to go forward was to take a major risk.

We had spent \$10M on the 162 Main Street project by the time the basement was completed, most of it borrowed, and we still had no agreement with CMHC. We were facing bankruptcy if CMHC didn't give their final approval after two years of an incredibly detailed underwriting process, which never produced a red flag in our view.

The approval never happened.

CMHC declined financing. The Globe and Mail, Canada's leading national written media source, immediately picked up on the story and asked the question why this project was denied when the country has such a desperate need for affordable housing.

CMHC responded to the pressure and professed that the only way they would reverse their decision was if our non-profit could guarantee the entire \$13M loan. It was impossible, akin to saying if you have a lot of money, I will give you a lot of money. Now what?

To avoid bankruptcy, our non-profit sold the partially completed development at 162 Main Street to the City of Vancouver at cost. CMHC offered financing to the city, and our plans, architect, engineers, builders, and every community favor we achieved to get the project partially built, were absorbed by a larger fish.

We learned that the rich get richer.

In defense of CMHC, they were only following their rules. Jenny Kwan is a local NDP MP with a longstanding and mature ability to critique the ruling parties. Her office called our team with the information that they obtained under the Freedom of Information Act. As it turns out, 90% of the funds distributed under the RCFI program went to for-profit developers. It makes sense. RCFI financing is vetted by underwriters who use a market-based due diligence approach. Some of the reader comments connected to the Globe and Mail articles on the 162 Main Street funding refusal by CMHC stated that we got what we deserved for starting construction before the final signature on the financing.

Fair enough, but Canada would do well to change the way underwriters view non-profit developers in the years to come. The true financial viability of non-profits is connected to intrinsic value not measured only by balance sheets and income statements, but sure, lesson learned.

Not ones to lick our own wounds for too long, after our near-death experience because of the 162 Main

Street project, our group of non-profits decided to restructure our network by liquidating all our assets and focusing more on development than ownership.

But who was going to get the assets?

We reasoned that even though our affordable housing assets had covenants that lower their market value, they were valuable to other non-profits that do not have the capacity to develop housing. In our minds, changing our approach from non-profit owner to non-profit developer was a strong move. Our network could use the capacity we achieved to develop affordable housing, wiser now in the process, to benefit other non-profits in Canada at scale. We were still committed to developing 20,000 new affordable homes for Canadians; we just didn't need to be the owner of every development at the end of the day.

I am still convinced that the largesse of my impact investor partners in Vancouver seeded self-sufficient non-profits that expanded virally and exponentially. I am a first-hand witness to those outcomes, and there is no doubt that those non-profits still have much more to learn about producing balance sheets on par with for-profit entities. But was this a zero-sum game? Who was the real winner at the end of the day?



The term 'zero-sum' is commonly used in game theory, which is a field of study that analyzes how agents interact in strategic situations, including both zero-sum and non-zero-sum games. In a zero-sum game, the gains of one player equal the losses of the other player, leading to a purely competitive outcome. Team sporting events are examples of zero-sum games, where there is always a winner and a loser.

Non-zero-sum games are those where the outcomes are not purely competitive, which can lead to both cooperative and competitive behavior among the agents. Non-zero-sum game theory focuses on analyzing how self-organizing cooperative behavior can emerge at the macro level, but it also considers other outcomes, such as mixed outcomes where both cooperation and competition are present. Cooperative game theory has gained interest in various fields such as economics, systems, software design, and sociology, particularly in the latter half of the 20th century.

Altruism has been a focus of game theory that has puzzled evolutionary biologists since Darwin first proposed that biology was a survival of the fittest game. The unmistakable evidence of altruism in biology and sociology was a challenge for zero-sum thinking. How could a species benefit from agents sacrificing themselves? Why would an agent in a

system do such a thing? Human altruism can be viewed as non-rational at a micro level but rational for the system at the macro level.

Before the cooperative aspects of game theory were understood at the macro level, kin-based genetics were used to explain biological altruism. The oft-repeated joke of British biologist JBS Haldane is, "I would lay down my life for two brothers or eight cousins." Haldane was cleverly illustrating the game theory realization that one individual's sacrifice would be balanced with two different kin selection groups because on average we all share 50% of our genes with our siblings and 12.5% with our cousins. To express Haldane's joke as an equation we would write, $100\% \times 2 = (50\% \times 2) + (12.5\% \times 8)$.

Voluntary altruism among the wealthy differs from localized zero-sum exchanges, where only extrinsic values are at play. In extrinsic exchanges, the transaction is governed solely by the rational self-interest of the individuals involved. However, in the case of wealthy altruists, there seems to be something beyond genetics or self-interest at play. These individuals intuitively understand that their actions can benefit not only their own kin but also unrelated individuals and society as a whole. They are able to see the big picture and act accordingly, instead of hoarding their wealth. This altruistic behavior is likely influenced by various social and cultural factors that shape the individual's values and beliefs.

The ancient Greek philosophers thought the accumulation of wealth by the rich needed to be evaluated. Socrates said, "If a rich man is proud of his wealth, he should not be praised until it is known how he employs it."

Confucius said, "Wealth and rank are what men desire, but unless they are obtained in the right way, they may not be possessed. Poverty and obscurity are what men detest, but unless prosperity is brought about in the right way, they are not to be abandoned."

The earliest Christian church took the caution on wealth one step further. Jesus is quoted by Luke, the Greek doctor, as saying, "It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God." The listener knew that camels were large, and the eye of a needle was small, and the kingdom of God was a desirable place to be. They couldn't miss the meaning of the imagery.

Fast forward a couple of thousand years, and the Western world created plenty of proud and wealthy individuals, despite the wisdom of the ages. In the 19th century, the term "robber baron" was used to describe industrialists who were allowed to adopt ruthless business practices in a democratic era where kings, queens, and popes could no longer enforce ethics on the population by decree.

Andrew Carnegie was one of those robber barons who took great strides to reverse that negative

stereotype and established himself as a philanthropist in the latter portions of the 19th century.

In this century, Masatoshi Ito, our friendly neighborhood 7-11 philanthropist, is in good company. He would be grouped with the likes of Bill Gates and my Vancouver-based altruistic friends – profit people performing non-profit actions. Are they trying to find forgiveness for past sins? That is not for me to judge.

The isolated act of hoarding wealth for a lifetime and then giving it back just prior to an entrance exam at the Pearly Gates is a zero-sum game. However, when altruism becomes a self-regulating system feature of a social structure, such as a national housing strategy, the benefits can be more than zero-sum.

Affordable housing construction requires energy, and this energy must come from somewhere. The first law of thermodynamics states that energy cannot be created or destroyed; it can only be transformed or transferred. The second law of thermodynamics states that the entropy or disorder of a closed system will always increase over time. Given these two laws of physics, we cannot expect much. Energy cannot increase, and the useful energy we have only depreciates.

But wait, why is the earth so full of life and seems to create new energy if the laws of thermodynamics are true? Is the second law of thermodynamics

being temporarily cheated on our closed-system planet by borrowing energy from the sun and making something useful out of it?

In fact, the earth is not a closed system because it absorbs useful energy from the sun and then disperses it when it is used up. In the process, emergent properties can create a sort of energy whole that is greater than the sum of the entropic parts. The emergent process does not increase the energy on the planet, but neither is there a rapid loss of energy usefulness when transfers take place.

The wealth of the industrialist robber barons came from the stored energy of ancient sunlight in fossil fuels. They unlocked the energy of coal and oil and got rich. Andrew Carnegie became the richest man in the world because he created and owned Standard Oil.

But is a non-zero-sum game possible for non-profits with no access to fossil fuel wealth or the wealth associated with the technology of the information age?

The answer is yes.

Emergence is the scientific concept used to describe the whole of a system that is greater than the sum of its parts. Emergent systems are non-zero-sum. The earth seems to produce more energy from the sun than it receives, and this imagined profit is embedded not only in fossil fuels but also in the biological systems that emerge from cities, ant hills,

and the human body. Emergent systems can be thought of as the process of making profit from the interaction of the parts of a system.

The non-profits I am connected to are proponents of emergence. One of the properties of emergence, namely, heuristic behavior, involves discovering through trial and error. The need for our non-profits to try again to build 69 micro suites in Vancouver, and to deal with the financial losses at an aging rooming house that caused CMHC to stop financing, and the ability to create temporary housing for SRO tenants in transition to better housing, are all parts of a system that can produce more than their sum.

Just as industrialists found a way to unlock the energy of the sun stored deep underground, so too must our non-profits find a way to unlock the illiquid equity needed to bring renewal to old rooming houses and new construction replacements. My philanthropic associates donated the equity, but various covenants and conditions have locked in the energy. Underwriters focus on cash flow, and illiquid equity doesn't mean much to them.

So, an emergent SRO renewal and replacement discovery awaits. The Dodson has an appraised value of \$9.3M as is and \$11.5M empty. Yes, sadly, from a humanitarian view, the value goes up if the tenants are not present because there are rent covenants associated with their tenancy, not the building.

The Dodson is currently financed with a conventional mortgage of \$2.8M, and even though there are no special covenants on the property or on the financing, the City of Vancouver controls the rents in the neighborhood through by-laws. If an attempt is made to develop micro suites in the Dodson, the city will add a new covenant on the property and control all future rents.

If the Dodson were sold empty, as we sold the Jubilee, no rental restrictions would await the new market owner if no renewal was contemplated. There is little incentive for for-profits to restore SROs through a micro suite conversion because empty rooming houses, which are rare, are quickly filled at high rental rates and thus gentrified in Vancouver. In a for-profit environment, the rents at the Dodson, with no bathroom or kitchen, would soar from the current shelter rates of \$375 to as high as \$1,000 per month.

Our non-profits have a triple bottom line. We would never gentrify an SRO to make a profit. But the Dodson is hopelessly leaking money to this day, and change is needed.

What to do?

The answer lies in an emergent and nonlinear understanding of SROs, their need for renewal, and the dynamics of SRO replacement. We have already discussed SRO replacement at length with a focus on 162 Main Street, but SRO renewal is equally important to the discussion.



SRO renewal is a specialized focus that involves structural improvements that could potentially add many years to the lifespan of the Dodson, provided the initiatives are combined with careful management of tenant alternative housing while SRO renewal is taking place.

In the boom years of Vancouver at the turn of the previous century, more than 300 SROs were built as both inexpensive rooming houses and hotels. The rooming houses and some of the lower priced hotels housed male transient workers who supported the logging, fishing, and mining industry in British Columbia.

The Dodson was built in 1908 as a luxury hotel to serve middle class tourists and was made to last. It was designed with huge wooden beams cut down from nearby old growth forests, and strong horizontal steel girders. Floors were made from side-by-side 2x6 timber. The hotel featured large rooms, big windows, wide hallways and staircases, and a main floor pub for men and ladies with escorts. Vancouver was growing rapidly and bustling with activity. The Dodson was at the center of the action, and profitable for Mr. Dodson, one of the earlier private owners.

The glory years of the Dodson did not continue into the middle years of the last century. Multiple factors contributed to challenges of living in an SRO for the thousands of people who were permanently housed in the small rooms. The factors included changes in zoning regulations and public opinion of the use of the hotels and rooming houses as low income rental spaces after Vancouver's downtown core moved away from the Main and Hastings area to a new uptown core centered on Georgia and Granville Streets.

After those changes, the Dodson continued to serve as low rent single room accommodation, but with even more changes in urban planning policies, increased gentrification, the influx of persons with mental health needs after the closing of the Riverview institution, and increasing collective drug and alcohol issues, the Downtown Eastside experienced a state of deterioration. In the 21st century, the opioid crisis, increases in organized crime added to daily challenges for operators and residents of SROs.

In the last 100 years the SRO housing stock in Vancouver has only gone in one direction. According to the PhD thesis of Mercedes Antolin, *Single room occupancy housing, two case studies: Vancouver and Toronto. (University of British Columbia School of Community and Regional Planning, 1989)*, in 1978 the City of Vancouver listed 278 SROs with 11,321 living units.

In 2017, the City of Vancouver produced a *Single Room Occupancy Revitalization Plan* and listed 166 SROs and 7,199 remaining SRO rooms, 47% owned by governments and non-profits, and 53% privately owned. Between 1978 and 2017 Vancouver lost 112 SROs containing 4,122 rooms, which represents 40% of the SRO buildings and 57% of the rooms.

This means more larger SROs were lost in the process. In Vancouver an SRO of 25 rooms is considered small and an SRO of more than 100 rooms is considered large. The big trees always get cut down first.

More SROs have been lost since 2017. The City of Vancouver and BC Housing face a difficult situation. Thousands of people are homeless in Vancouver. The SROs house thousands more who would be homeless if this housing stock was not available. The SRO buildings are more than 100 years old and need restoration. Replacement of SROs by building new micro suites is an expensive and slow proposition.

The situation is getting worse.

Canada has overcome many major hurdles since its inception in 1867. Canadians can come together and both renew and replace SROs. The issue is most pronounced in Vancouver but is evident in other Canadian cities as well and representative of homelessness and substandard housing in smaller Canadian municipalities. Success will come with the cooperation of the tenants living in SROs, community activists, support workers and

community consultants, academics, all levels of governments and philanthropists. The process has to leave rhetoric and a polarized dialectic behind and move into cooperative realms. At every level understanding the plight of the tenants and the SRO buildings is paramount.

Many of the Dodson tenants are aging and some have lived in the building for more than 20 years. One tenant moved in during Vancouver's Expo 86. Many tenants have drug addictions and undertreated, or non treated mental illnesses. Only 25% of the tenants turn over each year and SRO renewal plans require careful planning and consultation with tenants. At the same time, it is true that many tenants in SROs require some form of other housing. More than 15 of the Dodson tenants are over age 65 and would be better served in a seniors' facility. More than 25 tenant are over age 50 and will require some sort of seniors housing soon. Other tenants need to be housed in care facilities because of mental and physical health needs.

The City of Vancouver has a process to allow conversion of SRO rooms to micro suites. One of our non-profits, which owns the Dodson has submitted formal architectural drawings with an application that outlines tenant relocation plans and rent structures once the micro conversion is completed. The 71 Dodson rooms will accommodate 50 micro suites which range between 250 and 350 square feet. The new studio suites have self-contained

kitchens and bathrooms. the conversion requires an empty building for a period of up to 18 months. The conversion will add many years to the self-life of the Dodson after new plumbing, electrical and basement infrastructure upgrades are completed.

The City of Vancouver requires a relocation plan for the tenants during the micro suite renovation phase. Our non-profit proposes the private provision of temporary modular housing on leased land. Other associated non-profits in our network plan to manufacture the modules at cost and provide operational management for the tenants. Modular manufacturing is superior in many aspects as the construction takes place indoors and an airspace between modules provides advanced acoustical separation and fire protection.

The current Dodson revenue produced and appraised value created a undesirable capitalization rate of 3.7. A micro suite conversion for the Dodson is estimated to cost approximately \$4M. Mixed rent revenue allowed by the City of Vancouver under a municipality-imposed life-time covenant after the 50 micro suites are completed will be approximately \$700,000 per year, including revenue from the commercial space.

Assuming an increased appraised post-micro suite value of \$12M the cap rate will remain an unfavorable less than 4. The solution is to request federal, provincial, and municipal assistance for the micro conversion, under existing programs and

reduce the selling price to non-profit accordingly. A micro conversion and sale to a non-profit allows the SRO renewal initiative to be scaled for publicly and privately owned interested parties.

Our non-profits are determined to learn from past challenges with 162 Main Street and again attempt SRO replacement, this time at scale and by serving as the facilitator, not the owner, of new micro suites. In future attempts instead of selling aging SROs on the market and causing hardships to tenants, we plan to carefully combine SRO renewal with SRO replacement and make sure a housing continuum is not interrupted.

If SRO renewal and replacement becomes a collective effort in the spirit of a public-private collaborative, wide-spread success could be achieved. Most governments in North America agree that SRO renewal and replacement is necessary, and some regions have achieved a degree of success. Negative energy will draw attention to the SRO issues, but shared positive energy and practical success stories will create amplifying feedback loops to fuel SRO renewal and replacement.



My grandson does not like team sports with a winner and a loser. He favours individual activities like skateboarding that can be practiced in a group.

He doesn't know that his grandfather is a recovering team-sports-aholic who now admires all things that are not competitive, even though it is hard for me to erase a childhood addiction to the adrenaline of winners and losers in competitive sports.

In the game of evolutionary fitness, voluntary and cooperative macro altruism offers benefits not only to kin but also to those who are not directly related to the altruist.

An outgrowth of group selection theory is called multi level selection theory. This theory argues that in human populations something beyond the selfish gene is operational. Edward Osborne Wilson was a lead researcher in multi level selection theory. He was an American biologist and naturalist known for developing the field of sociobiology. Wilson believed that in some cases group altruism was more effective than the selfish gene. Wilson stated, "In a group, selfish individuals beat altruistic individuals. But groups of altruistic individuals beat groups of selfish individuals."

A small group of philanthropists and partnered non-profits can work with Canadian governments to increase the fitness of a marginalized community beyond kin selection and form a replication model that may be adopted by the larger community as an effective and more direct means of social benefit.

In Canada, 100,000 people have a net worth of more than \$5M and 10,000 Canadians have a net worth of more than \$30M. Canadians who share their wealth

voluntarily with non-profits can expand a dollar-for-dollar outcome metric through non-profit business practices with a triple bottom line.

Non-zero-sum outcomes expand the effectiveness for non-profits by the multiplication of assets that operate without the need for subsidies. The beneficiaries of non-profit asset distribution make for a stronger country and in a full cycle manner strengthen the national wealth of everyone. A win-win-win.

When wealth transfer moves beyond the micro, zero-sum realm of a limited number of rational decision makers, and is given freedom to be regulated by the macro mind of natural systems, a whole is created beyond the sum of its parts.

Profit is important to non-profits in the same way that seeds are important to trees. Get the tree started and it will keep going on its own, fed by sunshine, rain and the endless creatures of the forest that make their home in and around their elders, towering so high in their midst.