

MOTION

5. **Developing a City Framework for the Leveraging and Nurturing of a Social Impact Investment Community to Amplify Social and Environmental Outcomes (Member's Motion B.4)**

At the Council meeting on February 23, 2021, Council referred the following motion to the Standing Committee on City Finances and Services meeting on February 24, 2021, in order to hear from speakers.

Submitted by: Councillor Bligh

WHEREAS

1. The City of Vancouver faces growing needs and funding pressures related to social services, affordability and housing, public health, environmental sustainability, amongst other areas;¹
2. Large Canadian cities need access to additional revenue and diversity of funding sources, like their U.S. and European counterparts, if they are to meet their growing funding requirements;²
3. Traditional municipal funding tools (i.e., the combination of property tax and user fees) are not the most equitable or strategic approach to funding many types of services currently provided by local governments, which has been echoed by UBCM which highlights its failure to respond to economic growth;³⁴
4. Relative to senior levels of government, Canadian cities have limited debt capacity to finance significant investment in maintaining and renewing public works, utilities, affordable housing, social and community facilities, etc. while also addressing climate resilience and other emerging needs;
5. There is a pattern of government underinvestment in preventative services with a longer-term "payback period", which may in part be related to short-term budgeting pressures;⁵

¹ <https://council.vancouver.ca/20200708/documents/cfsc2.pdf>

² https://munkschool.utoronto.ca/imfg/uploads/348/imfgpaper_no27_taxrevenues_slack_kitchen_june_27_2016_updated.pdf

³ https://munkschool.utoronto.ca/imfg/uploads/173/enidslack_imfg_no.2_online.pdf

⁴ https://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Finance/LocalGovernmentFinance_Report_Web_Final.pdf

⁵ <https://www.canada.ca/en/public-health/services/health-promotion/population-health/investing-prevention-economic-perspective.html>

6. Nascent social initiatives with limited empirical evidence available to-date, yet high potential for social and economic benefits, often struggle to secure the required seed funding;⁶
7. Several global jurisdictions are leveraging innovative “social impact funding” strategies, combining charitable, private, and government capital to fund services not well supported by traditional funding mechanisms;⁷
8. Social impact funding strategies have been used in London in a variety of areas, such as the London Energy Efficiency Fund which leveraged capital investments and external financing towards low carbon innovation projects that reduced carbon emissions by 40K tons and grew into the more expansive Mayor of London’s Energy Efficiency Fund;⁸
9. There have been growing interests in social impact investment opportunities with a focus on environmental, social, governance (ESG) from private and institutional investors, and philanthropic and charitable organizations in Canada that seek both financial and social return on their investment;
10. Social Impact Bonds have been utilized in Canada by organizations like the Heart and Stroke Foundation, which has worked with MaRS Impact Investing to create a ‘pay-for-success’ model that funds their ‘Activate’ program and generates returns tied to reduced blood pressure;⁹
11. Social Impact Bonds have also been used by provincial governments, such as in Manitoba, where they are funding the ‘Restoring the Sacred Bond’ program that matches indigenous doulas with at-risk mothers to support them through pregnancy and childbirth, aiming to reduce the number of days children spend in provincial care;¹⁰
12. Social impact funding can be utilized by the City of Vancouver to leverage additional funding from social impact investors to fund services the City is already paying for, or may plan to procure, for social outcomes;
13. The City of Vancouver, from time to time, awards grants to, and procures services from, certain not-for-profit organizations in order to achieve outcomes that have social and environmental benefits in the city and beyond; and

⁶ <https://www.brookings.edu/wp-content/uploads/2016/07/impact-bondsweb.pdf>

⁷ https://socialfinance.org/wp-content/uploads/2016/07/SIBs-Early-Years_Social-Finance_2016_Final.pdf

⁸ <https://www.amberinfrastructure.com/our-funds/the-mayor-of-londons-energy-efficiency-fund/>

⁹ <https://www.heartandstroke.ca/activate/chpi>

¹⁰ <https://www.cbc.ca/news/canada/manitoba/manitoba-social-impact-bond-doula-1.4968716>

14. The City may be able to leverage its relationships with these organizations and bridge them with third party social impact investors to amplify the social and environmental benefits that may be achieved. This can potentially minimize the need for more City debt, higher property taxes or further budget pressure in order to achieve these benefits and helping nurture a local social impact investment community.

THEREFORE BE IT RESOLVED THAT Council direct staff to develop a framework as part of the Municipal Finance Reform work to identify and expand the set of City tools (which may include specific fiscal tools and ability to leverage the City's relationships) that may be used to achieve and potentially amplify, our social and environmental policy goals and outcomes by leveraging the resources and expertise of third party social impact investors while enabling them to earn a reasonable return. The framework and plan should address the following criteria:

- (a) encourage collaboration and partnerships between organizations that need funding and third-party social impact investors;
- (b) foster the growth and maturity of social impact investing in Vancouver;
- (c) identify criteria, challenges, success factors, and innovative ways (e.g. special purpose vehicles) that enable social impact investing to have the most significant impact in terms of achieving policy outcomes and potential reduction in future costs for the City, while achieving reasonable returns for the social impact investor community; and
- (d) identify service areas that have potential for delivering reasonable investment and social return that could attract social impact investments.

* * * * *