

CASE STUDY

STREAT Cromwell Manor Development



Size: \$2.5 million

STREAT is a social enterprise that provides homeless and marginalised youth with a supported pathway from the streets to a sustainable livelihood in the hospitality industry. STREAT's goals are to keep scaling its youth impact, and to reach financial self-sufficiency through growing its business operations. In 2013 Geoff Harris, a key STREAT supporter, purchased a \$2.5 million property in Collingwood, Cromwell Manor, and gifted its use to STREAT for 50 years. The site is to be developed into a flagship site and give STREAT the capacity to train and support more youth. It will contain a new artisan bakery, along with a training academy, café, production kitchen, coffee roastery and STREAT's head office. To develop the site, STREAT needed to secure over \$3.5 million through a combination of philanthropic grants and repayable finance.

THE INITIATIVE

Purpose of capital	To scale up Australia's response to youth homelessness by providing youth with a range of supports including assistance to find stable housing, vocational skills, improved mental health and wellbeing.
Sector	Food and agriculture/Hospitality
Geography	Australia (Melbourne)
Scale of impact	STREAT currently supports 108 homeless people each year. The goal of this transaction is to double the number of young people the organisation supports.
Timeline	Cromwell Manor was purchased by Geoff Harris in 2013. Funding from NAB, SVA and the philanthropists was confirmed in April 2015, and ground was broken on the building site in June 2015, with construction expected to take 12 months.

THE INVESTMENT

Investor/s	Investors: National Australia Bank (NAB), Social Ventures Australia (SVA) Philanthropic contributors: Ian Potter Foundation, TK Foundation, Helen McPherson Smith Trust, Fidelity Foundation, Jack & Ethel Goldin Foundation, Greenlight Foundation, Geoff Harris, Breadsolutions
Investee	STREAT. STREAT is a social enterprise that provides homeless and marginalised youth with a supported pathway from the streets to a sustainable livelihood in the hospitality industry. STREAT runs hospitality businesses that provide on-the-job training for youth and also generate revenue to fund the organisation's work with youth.
Investment structure and terms	<p>Private investment</p> <ul style="list-style-type: none"> • N/A <p>Corporate capital</p> <ul style="list-style-type: none"> • N/A <p>Bank finance</p> <ul style="list-style-type: none"> • Debt (NAB has provided secured debt to STREAT- \$1.25 million) <p>Impact fund Investment</p> <ul style="list-style-type: none"> • Debt (SVA's Social Impact Fund has provided secured debt to STREAT - \$1.25 million) <p>Other</p> <ul style="list-style-type: none"> • Grants (Philanthropic contributors total \$1.3 million) <p><i>Terms</i></p> <p>At a later stage, NAB and SVA debt will be sold dollar for dollar to long term, wholesale impact investors with security behind that of the building owner</p>
Arranger/Lead	Paul Steele, Donkey Wheel Foundation & Benefit Capital
Source of deal	Funding discussions with potential investors began when Cromwell Manor was purchased, but the \$2.5 million required to develop the site was too large an investment for most impact investment funds. In 2014, NAB approached STREAT with an offer to work out an appropriate deal structure, and Geoff offered the property as security on the loan. In August 2014, SVA sought to make an impact investment in the project. Both NAB and SVA agreed to the joint deal.

THE IMPACT

Social, cultural or environmental impact	<ul style="list-style-type: none"> • The goal of the investment is to create flagship site and give STREAT the capacity to train and support 250 youth each year. STREAT's current social impact is significant: among its trainees, who often experience myriad mental-health, family violence, drug & alcohol, health problems, legal issues and homelessness, 90% report improved well-being following involvement with STREAT, and 60% find employment or further training. 95% of trainees maintain or improve their housing during their association with STREAT. • NAB and SVA agreed with STREAT to explore a range of ways to create broader value beyond the initial investment. They have developed a Creating Shared Value Strategy outlining how further social and environmental value will be created alongside the deal, across four areas: people, planet and performance.
Financial impact	Too early to report
Future opportunities	STREAT was a pioneer of impact investing equity when it purchased the Social Roasting Company in 2012 following a \$300,000 deal. This further impact investment-funded venture will be an example to others in Australia and overseas; and is unlikely to be STREAT's last forays into growing through impact investing. STREAT hopes to do bigger deals in the future, building on its experience and track record.

MORE INFORMATION

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