

Building Local Assets

Community Investment in Canada, 2008



Canadian Community Investment Network Co-operative
www.communityinvestment.ca

Community Development and Partnerships Directorate
Human Resources and Skills Development Canada
www.hrsdc.gc.ca

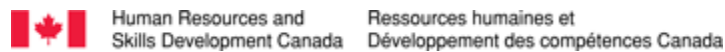
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Dog Groomer – Saint John Community Loan Fund
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Painter – Saint John Community Loan Fund
Clothing Shop - Vancity
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New potatoes – Saint John River Valley
Towing fishing supplies – Ecotrust Canada
Organic Planet – Assiniboine Credit Union
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Acronyms

ACEM	Association Communautaire d'emprunt de Montréal
AFI	Aboriginal Financial Institutions
CCINC	Canadian Community Investment Network Co-operative
CDPD	Community Development and Partnerships Directorate (of the HRSDC)
CEDIF	Community Economic Development Investment Fund (of Nova Scotia)
CEDTAP	Community Economic Development Technical Assistance Program
CF	Community Futures, which include; Community Futures Development Corporations (CFDC); Community Business Development Corporations (CBDC); Business Development Centres (BDC); and, Société d'aide au développement des collectivités (SADC) or Centre d'aide aux entreprises (CAE)
CLF	Community loan fund
HRSDC	Human Resources and Skills Development Canada
PRI	Program Related Investments
SIO	Social Investment Organization
SJCLF	Saint John Community Loan Fund
SOLIDEQ	sociétés locales d'investissement dans le développement de l'emploi
SRI	Socially Responsible Investment

Executive Summary



In Canada, community investment is a relatively young financial sector with an evolving definition. At its simplest, community investment is financing that targets underserved communities to develop opportunities for income generation, housing and community renewal. These communities have development needs that are not being met fully by the mainstream financial sector. This financing can be in the form of debt, loan guarantees and equity.

Using this broad definition, in 2008 there was a minimum¹ of \$1.4 billion devoted to community investment in Canada. This represents money that is invested and receivable. This number was derived by a survey conducted by the Canadian Community Investment Network Co-operative (CCINC) in the fall of 2008 and winter of 2009. Eight networks provided aggregate data representing over four hundred separate organizations, while another forty three organizations answered the survey directly.

Quick Facts:

- 487 organizations reported having an aggregate of \$1.4 billion
- Managed assets varies greatly by organization – from \$7,000 to \$280 million
- Organizations that reported in 2006 and 2008 have increased their assets by 11%
- Most community investment is debt – over \$1.35 billion
- Nova Scotia has bucked the trend raising \$30 million in equity with tax incentives
- Federally capitalized development corporations represent 66% of the sector
- Most organizations are placing a large percentage of their capital; over 60%
- A conservative demand for capital required in the next 2 years is \$750 million²

¹ This report states a minimum because we have only surveyed those groups we know and who self-identified.

² Conservative because one respondent said that in the conservation economy there is hundreds of millions of dollars in financing opportunity; for example in community owned wind power.

Growth opportunities:

Survey respondents identified the following growth opportunities::

- Business succession; high percentage of family businesses do not have successors
- Diversification of investments; tourism; manufacturing; resources
- Social enterprise development, buyouts and conversions to cooperatives
- Community owned energy
- Housing development
- Community renewal

Two important principles that were mentioned given the current mortgage crisis included:

- Lead and take risks while lending tightens in banks
- Incorporate blended value; de-emphasizing the race for profit alone

Common barriers to placing this capital included:

- Lack of operational resources to enable the deal flows
- The need for training and capacity as much as capital
- A further tightening of resources due to the economic downturn
- Rising cost of construction and real estate making it hard to build affordable housing

Recommendations to help grow community investment:

Improve research of the sector itself:

- Improve the community investment scan; Mirror the Co-op Secretariat's annual scan
- Track growth and development; identify sources of capital
- Produce a digital catalogue of community investment organizations
- Improve response rates; especially from credit union sector

Get better at attracting capital and placing capital effectively

- Get better at identifying blended return, ie. the Demonstrating Value Initiative
- Promote it as a public agenda; and provide incentives to keep capital local
- Look to the NS CEDIF³ program as a model to get private capital into communities
- Create the processes needed to activate Program Related Investments (PRI) ⁴

Invest in housing development:

- Review housing trusts and models for housing development in North America
- Document best practices of non-profit organizations building affordable housing and incorporating their offices as a means of asset development and sustainability

Invest in business succession and social enterprise:

- Marry the issue of business succession with social enterprise
- Look into best practice and the potential demand for these conversions
- Convene Community Futures Organizations (CFs)⁵ and the Canadian Worker Coop Fed to discuss mutual benefit

Merge models and create seamless partnerships

- Investigate the potential of the CFs concept for urban based loan funds
- Credit unions are in over 1700 Canadian communities and CFs in 269, we need to work more directly with credit union centrals to build local partnerships and opportunities between the sector leaders
- Push loans up the ladder, good loans at the community loan fund level should be purchased in the credit unions, so money is freed up for more lending
- share the practices of the leaders in the field
- CEDTAP was a wonderful resource, we need to be able to share knowledge at a better pace with a similar vehicle⁶

³ Nova Scotia Community Investment Fund

⁴ A PRI is the legal term for a debt or equity investment made by a private foundation to a non-profit or for-profit organization with the purpose of advancing a social mission

⁵ Community Futures organizations include: CFDCs, the Atlantic CBDCs, Quebec SADC's and CAEs, and Nunavut's BRCs

⁶ CEDTAP or Community Economic Development Technical Assistance Program provided funding to enable mentoring to occur between organizations. It lasted 10 years and was a great boost to many innovations across Canada.

Develop a national community investment framework

- enable gatherings and roundtables to build direction
- enable research, profiling the sector, gathering best practice
- put forth a concise forward looking document that identifies opportunities for growth
- develop partnerships to insure key sector leaders are working together

This scan shows that the community investment sector has continued to grow since 2006. With better research and development, greater collaboration and a forward looking community investment framework, this sector can provide answers for building and retaining local assets in Canadian communities.

Community investment focuses on unmet financing needs and is highly transparent with the majority of capital recruitment and financing deals overseen by community based boards. It is capital held locally, managed by people accountable to its placement. It is based on long term investment, and blended returns. It is not based on purely the profit motive. Given the current financial crisis⁷, community based investment and building locally controlled capital is possibly one of the wisest investment decisions governments and private investors can make.

⁷ The sub-prime mortgage crisis resulted when governments, the banking industry and the stock market were too focused on a quick return on capital. Capital was pushed into mortgages; mortgages that were often backed by hypothetical future values. Those values did not materialize, which forced foreclosures, and a downward spiral of value. Hundreds of thousands of people suffered, neighbourhoods closed down, and the government is now printing money to save thousands of jobs.

Introduction

Community investment defined



Community investment is financing and technical assistance that targets underserved individuals, communities and community enterprises to develop opportunities for income generation, housing, community renewal, and environmental sustainability. These individuals and communities have financing needs that are not being fully met by the mainstream financial sector. Examples of community investment include:

- a community loan fund that uses invested capital to make loans to individuals who cannot get loans elsewhere to become self-employed or employed
- a community organization that makes loans to immigrants to re-train
- a regional fund that invests in enterprises that maintain jobs in a region and that focuses on businesses that strike a balance with environmental protection
- a local trust fund that invests in affordable housing

This financing can be in the form of debt, loan guarantees and equity and is provided with technical assistance for the applicant/borrower. Sources of capital for community investment funds are diverse. They include loans, loan guarantees, equity and donations from private citizens, private and non profit associations, the government, and other mainstream financial institutions. Important to this definition is that community investment funds operate independently from government and there is a goal for a blended (financial and social/environmental) return on investment. Community investment sector refers to the entirety of the organizations and activities involved in community investment.⁸

⁸ Grants can be part of the mix of financing, but cannot be the only financing by an organization in the sector. Foundations provide non-repayable grants, and as such are not involved in community investment as defined here.

Background

Building Local Assets: Community Investment in Canada is a production of the Canadian Community Investment Network Co-operative (CCINC) with funding support from the Community Development and Partnerships Directorate of Human Resources and Skills Development Canada (HRSDC). **Building Local Assets** is a by-product of research conducted in the fall of 2008 and winter 2009. This research was conducted to estimate the approximate size of the community investment sector in Canada in part for the Social Investment Organization's (SIO) 4th bi-annual "Canadian Socially Responsible Investment Review" (SRI Review).

The surveying of and research writing on the community investment sector in Canada is limited. The SRI Review is the only ongoing attempt to scan the sector. It started in 2002 and is itself a work in progress with only a small number of organizations surveyed and an 'evolving' community investment definition. Some other research of note includes the following:

In September 2000, prior to the 1st SRI Review, Marguerite Mendell led a research project that profiled different organizations in the social economy financing sector in "New Forms of Financing Social Economy Enterprises and Organizations in Quebec". It provided a thorough scan of Quebec but is now dated. **Building Local Assets** includes most of the organizations surveyed by Mendell, and certainly those we identify as community investment organizations.

In 2003, the SIO and the Riverdale Community Development Corporation collaborated to survey the community investment sector with the purpose of determining whether organizations in the sector wanted/needed a national network to help them and the sector grow. The conclusion was yes, and was the precursor to the start-up of the Canadian Community Investment Network Cooperative. The study provided a good summary of the types of financial products and services in the sector, emerging trends and major challenges. This study highlighted pieces of the sector and quoted the SIO study for sector size, at \$69 million. It also provided some insight into the USA (\$7.6 billion in size) and UK.

In 2004, Coro Strandberg and Brenda Plant wrote a “Scan of community investment in Canada”. This scan again quoted the 2004 SRI Review number for community investment which did not include CFs. This ‘Scan’ was a high level comparison of the Canadian community investment sector and the US community investment sector, with a few organizational examples provided from each country. It concluded that Canada is lagging and identified some reasons for this.

Trying to compare the Canadian community investment sector to that of other countries is difficult to do, as the definition of community investment used in each survey may differ and directly affects what organizations are being included or not included in a given scan. Scans are also done periodically, versus regularly and so tend not to be up to date. In the US a January 2009 working paper produced at the Community Development Investment Center uses numbers from 2005. It states that 500 community development loan funds had \$4.9 billion in assets outstanding⁹. On the Community Development Venture Capital Alliance website, it is stated that in 2006 there was \$1.2 billion in community development venture capital outstanding. The UK’s most recent report, *Inside Out 2007*, is a scan of community development finance institutions and identifies US\$434 million in assets outstanding.

It is clear that determining the size and scope of the community investment sector has been a patchwork quilt and while this current Canadian scan continues to improve our knowledge we need to develop a better tool and process in order to be consistent in our work.

⁹ From the Federal Reserve Bank of San Francisco’s, “Shifting ground: can community development loan funds continue to serve the neediest borrowers?” by Julia Sass Rubin, January 2009

Partners

The **Canadian Community Investment Network Co-operative (CCINC)** is a national co-operative of community loan funds, social enterprise funds, co-op funds, micro-loan funds and financial institutions with community financing programs. CCINC works to strengthen the capacity of its members to expand access to capital and support services for social economy enterprises and economically and socially excluded individuals and communities across Canada.

The **Community Development & Partnerships Directorate (CDPD)** is a part of Human Resources and Skills Development Canada (HRSDC) and works to advance the social priorities of the Government of Canada by working with voluntary/not-for-profit sector organizations through strategic investments that build knowledge, facilitate information sharing, and support effective practices. CDPD is the focal point within HRSDC for communities and community sector organizations.

The **Social Investment Organization (SIO)** is a national membership-based organization that includes financial institutions, investment firms, financial advisors and investors. The SIO's mandate is to promote the practice of socially responsible investment (SRI), sometimes known as responsible investment, which is the integration of environmental, social and governance factors in the selection and management of investments.

Objectives

Building Local Assets has three objectives; to identify the approximate size of the sector, which is the value of assets under management in the sector; to provide some profile of the different organizations working within the sector; and, to understand the main opportunities and challenges for community investment in Canada, as identified by the sector itself.

Methodology

Research included an eleven question survey (Appendix A), follow-up telephone interviews, and document search (annual reports, recent publications). Respondents

could use a link to a Survey Monkey questionnaire or use a Word document. The questionnaire was in large part the same used in 2006 to maintain comparability. Three additional questions were asked; what opportunities do you see for financing? What value do you assign to this need over the next three years? And what are the challenges to meeting the needs? Forty four surveys were completed, more than doubling the number in 2006 (16). The completion rate for individual organizations not captured within a network was 50%. To get the gross assets under management for a network of organizations we went to the network; for instance for the Community Futures organizations of which there are 269, requests were made to each regional network or regional development association; for Aboriginal Financial Institutions the National Aboriginal Capital Corporation provided numbers for their 59 institutions; for the micro loan funds in Quebec we went to the Réseau québécois du crédit communautaire representing 18 organizations; SOLIDEQ represented 80 community funds in Quebec; and the CEDIFS total represented 44 funds in Nova Scotia. Some aggregate numbers included assets reported by individual organizations. To ensure we did not count twice, these values were subtracted out. The individual organization responses to other questions were used to provide context around segregation of funds, growth areas, and barriers.

Limitations

There was a marked improvement in collection from 2006; however, it should still be made clear that this research is **not a census**. Most of the organizations surveyed are easily identifiable; the 'tip of the iceberg'. Many organizations simply have not been discovered. Credit unions are one group that needs more attention. With their history in community and co-operative philosophy it is assumed there are many more credit unions involved in community investment. Credit unions do not necessarily segregate their lending and are not obligated to report things separately to any group. On the other hand, government founded and funded community investment organizations are mandated to report on these specific activities, for example the Community Futures and the Aboriginal Financial Institutions (AFI). As a result the value used to denote the size of the sector is heavily influenced by these organizations. Even with the heavy weight of these government founded and funded community investment organizations; the sector

is very diverse. This diversity in size, structure and mandate is also reflected in the internal financial reporting methods used by different organizations. They vary widely which makes it difficult for them to answer many of the questions in the survey; especially when asked to segment their financing (women, immigrants, youth, etc.). Though small loan funds may do this, larger organizations like credit unions do not; even the Community Futures and AFIs might do creative things with capital, but they still call it business. The other factor is that the person doing the valuation or counting of assets may have changed from one survey year to the other and what is being counted sometimes changes with them. In light of these issues, it is critical as we try to build community investment in Canada; we develop a better tool and consistent method to measure it. This tool should be developed by a sector committee, be easy to use, and be comparable from year to year. It needs to be promoted early and adopted as the standard in the sector.





Profile

Types of community investment organizations

All organizations in the community investment sector attempt to improve a community through their investment activity. They may target a neighbourhood, a region, or a particular underfinanced and disadvantaged group. Almost all are organized in the form of a non-profit entity with a local board of directors who gain no monetary compensation through their directorship. Some key types of community investment organizations are described below.

The Community Futures Development Program was formed in the mid-1980s by the federal government to support community based initiatives in low-income rural regions across Canada. There are 269 individual Community Futures organizations across Canada that go by various names depending on the region¹⁰: in Ontario, Northwest Territories and Western Canada they are referred to as Community Futures Development Corporations (CFDC); in Québec, they are Société d'aide au développement des collectivités (SADC) or Centre d'aide aux entreprises (CAE); in Atlantic Canada, they are Community Business Development Corporations (CBDC); and in Nunavut they are Business Development Centres (BDC). Collectively they are referred to as the Community Futures. They are financed by the federal government but operate at arm's length. Each CF has a local investment fund for the start-up, expansion, and / or stabilization of local business. The Federal Government can contribute up to \$3.05 million capital or in some cases up to \$6 million towards the Investment Fund. Local CF volunteer boards and professional staff assess and approve or reject applications for financing up to \$150,000.¹¹ The second priority for CFs is strategic planning with communities. In the year 2000 the average operating cost of a Quebec based

¹⁰ There are no CFs in the Yukon

¹¹ From Industry Canada [Final Evaluation of Ontario CFs, 2003](#)

community futures (SADCs) was \$230,000.¹² The Trenval CF announced in December 2008 its contract with the government was renewed for three years at \$300,000/year.

Aboriginal Financial Institutions (AFIs) were formed by Federal Government and Aboriginal leaders in the 1980s and 1990s under the Canadian Aboriginal Economic Development Strategy to respond to barriers associated with Aboriginal small business entry into the Canadian economy. The original Federal capital investment of \$167 million, coupled with the Regional Agencies investment in the AFI network, was at the time viewed by many government and Aboriginal leaders as simply another five year program. Today, twenty some years later, there are a total of 59 independent Aboriginal owned and controlled AFIs – with 20 CFs and 39 Aboriginal Capital Corporations or Aboriginal Development Lenders. AFIs are providing in the range of \$80 million to \$90 million in loans each year. Since inception AFIs have provided in excess of 32,000 loans totaling more than \$1.3 billion. Historical AFI write offs are 6.29%. A full 60% of AFI employees are of Aboriginal descent.¹³

In the early 1900s, many working Canadians had little access to the banks. **Credit Unions**, organized locally according to cooperative models, were born in this country as a result. The first credit union was created in Levis, Quebec in 1900 when 80 people banded together as a *caisse populaire*. By the early 1940s, credit unions had been established across Canada, primarily by groups of Canadians with common work or life interests. The system now employs over 24,000 people, serves 4.9 million members and manages assets of over \$91 billion.¹⁴ Credit Unions were in large part community investment organizations, serving at the outset the underserved. Today they service the same clientele as any bank and offer the same range of services. As credit unions have grown in size through amalgamation, profits have risen and co-operative social responsibility has started a comeback. There are some notable examples such as **Vancity, Coast Capital, Assiniboine, Alterna** and even smaller ones like **iNova** that are leading the way. They have carved out pieces of their assets to devote to investing in the underserved once again. The NS Cooperative Development Council has also been

¹² From Mendell, M. [New forms of financing social enterprises and organizations in Quebec, 2000](#)

¹³ From NACCA's 2008 'draft' Annual Report entitled [Aboriginal Financial Institutions: Payback \\$1 Billion](#)

¹⁴ Information from Credit Union Central of Canada at www.cucentral.ca/historyandphilosophy

developing various programs; a micro-lending pilot, small business loans, equity, and a fund targeted at individuals with disabilities.¹⁵

There are now 44 **Community Economic Development Investment Funds** in Nova Scotia that have successfully closed at least one offering. These Funds, through a total of 77 offerings, now manage over \$30 million in assets. The capital of these Funds has been invested by 3,697 individual Nova Scotians (some repeat investors will reduce this number) to be invested in their communities. Interest in the program continues to grow, as evidenced by the growth of new Funds, additional offerings by existing Funds and the amount of capital which has flowed into these entities, especially over the past two years. CEDIFs can be organized as blind pools to which entrepreneurs apply, or they can be set-up to invest in a specific industry or company through share offerings. CEDIFS grew rapidly through a 30% equity tax credit and 20% guarantee program developed by the Nova Scotia government.

The Canadian Alternative Investment Co-operative is a **national pool** of money built from the investments of various churches, and sits at \$7 million. It provides loans to social enterprises, mortgages for community based projects, and loans for social and affordable housing. **Tenacity Works** is a smaller national pool (< \$1 million) managed by the Canadian Worker Co-operative Federation. It focuses exclusively on financing worker cooperatives, with an average investment of \$65,000. Its capital was provided through a grant from the Federal government.

The Montreal Community Loan Association or ACEM is the oldest **community loan fund** in Canada making loans since 1990. Its capital of roughly \$500,000 is built on investments from private citizens and groups. It focuses its lending on business development with immigrants, visible minorities and women. Most loans are around \$15,000. ACEM in the late 1990s held a series of national forums that cemented it as a mentor for other start-ups, such as the Saint John Community Loan Fund, Ottawa Community Loan Fund and Access Riverdale in Toronto. It has also been at the centre of social economy development in Quebec, and is a member of the 21 member réseau

¹⁵ At time of final editing we could not confirm the value of outstanding assets. More information on their progress can be found in Perry, S. 'What's so special about Nova Scotia' [Making Waves](#) vol,19, no 4

du credit communautaire. Closely related are urban based **community economic development organizations** that run diverse loan and training programs like Momentum of Calgary and Quint in Saskatoon.

Many of the members of the réseau du credit communautaire use **peer lending circles** as a means to disburse loans. Women come together into groups of 5-7, are given training on developing and analyzing business plans and are the ones to critique any business plans that any of the members bring forward. They make the decision on the loan. Loans start small, maybe \$500 and if repaid may graduate to larger loans. Peer support and pressure insures that most borrowers repay. PARO Centre for Women's Enterprise in Thunder Bay is another organization using this model and has a repayment rate close to 100%. In both of these cases, most of the capital is provided by government.

Community investment deals

Financing the conservation economy¹⁶

Linda Minihan took over the 15-year-old Port McNeil Shake and Shingle Company in 2007 after receiving an offer to sell from the previous owner Don Orr. Business was hardly booming at the time and the possibility was real that if she didn't take over the business it would close down. Minihan had been working at the Company for a number of years, first as its bookkeeper then manager. "I was concerned for my own job, but also for all the other jobs. Some people have been here from the very beginning," she says. Minihan decided to buy the mill with the help of a loan from Ecotrust Canada Capital. Conventional banks weren't interested in the loan given the company's recent sales figures, and the amount of capital needed was higher than Community Futures' limit of \$150,000. "Ecotrust Canada Capital liked what we were doing for two reasons: cedar is an environmentally friendly material that can go on roofs and exterior walls without painting or staining or any chemicals," she says, "and we are salvaging our raw materials from forests that we logged up to 50 years ago, or from lower grade logs not used for lumber."¹⁷

¹⁶ Financing the conservation economy is a phrase used by Ecotrust Canada.

¹⁷ This profile is taken from the CCINC November 2008 newsletter.



Housing development

There are five priority neighbourhoods in Saint John, NB where the poverty rates are 30% to 50% and the home ownership rates are less than 2%. A consortium of non-profit organizations called ONE Home decided to do address the issue by piloting a home ownership project consisting of three semi-detached units. The Saint John Community Loan Fund (SJCLF) extended a three year loan of \$35,000 to the \$400,000 project. This was critical in leveraging the local credit union's financing which was restricted by a loan to value ratio lower than the project needed. In addition to the loan the SJCLF developed a home ownership training program to provide to the prospective owners which helped the participants and helped minimize the risk for the lenders. The units are built and future home owners are moving in.

Loans to assist newcomers return to work

Vancity's Back to Work loans of \$2,000-\$5,000 are designed to support individuals who, for lack of upgrading or certification, are not able to work in fields in which they already have some training. Primarily supporting newcomers, these loans are provided on the strength of the past employment experience of these individuals (in their countries of origin) and Vancity's assessment of the labour market. Recently a small loan was disbursed to a woman from East Africa who needed to take a North American horticulture training class to get back to work in her chosen field. Vancity also provided a small loan to a former judge from South East Asia who couldn't practice law in Canada but wanted to take immigration counselor training.¹⁸

Growing business through equity

Just Us! Coffee Roasters was founded in the fall of 1995 as Canada's first fair trade coffee roaster. In March 1996, it was formally incorporated as a worker-owned co-operative - to import, roast and market organic coffee on a fair trade basis. Just Us! Fair Trade Investment Co-operative Ltd. is a



¹⁸ This excerpt is taken from www.vancity.com/MyBusiness/BusinessFinancing/JustStarting/BackToWork/

Community Economic Development Investment Fund which was formed using the provincial government's Equity Tax Credit program which gave tax breaks to investors in Nova Scotia businesses. It raised over \$1.6 million through five offerings which enabled the co-operative to expand operations and take on new projects. The company has steadily grown to become the premier Fair Trade coffee, tea and chocolate merchant in the Atlantic Canada region.¹⁹



Social enterprise

Recognizing that social and family problems contribute to a child's ability to succeed in school and beyond, the Manitoba community of Lac du Bonnet came up with the idea of a community resource centre that would provide unemployed youth with an opportunity to learn practical skills. The CF of Winnipeg River Brokenhead worked with the local school district and social service agencies to develop a facility that would offer work experience and on-the job training as well as life skills and academic upgrading. Mrs. Lucci's Secondhand Store and Community Resource Centre was born. The secondhand store sells items donated by the community while providing students and unemployed youth with training in the areas of retail sales, customer service and inventory control. At Mrs. Lucci's, participants work in the store for one day a week, volunteer at the elementary school for one day, and participate in educational seminars and workshops. The centre's programs also include an after school club to help children with their homework; academic upgrading and life skills for young mothers; and an early childhood education program. In June 2004, Mrs. Lucci's moved from its original 2,000 square foot location into a new, 4,300 square foot building that they had built, thanks to the support of the CF of Winnipeg River Brokenhead and a strong network of community partnerships.²⁰

¹⁹ From www.justuscoffee.com/investment

²⁰ An excerpt from the 2004 Pan Canadian Futures Network Annual Report



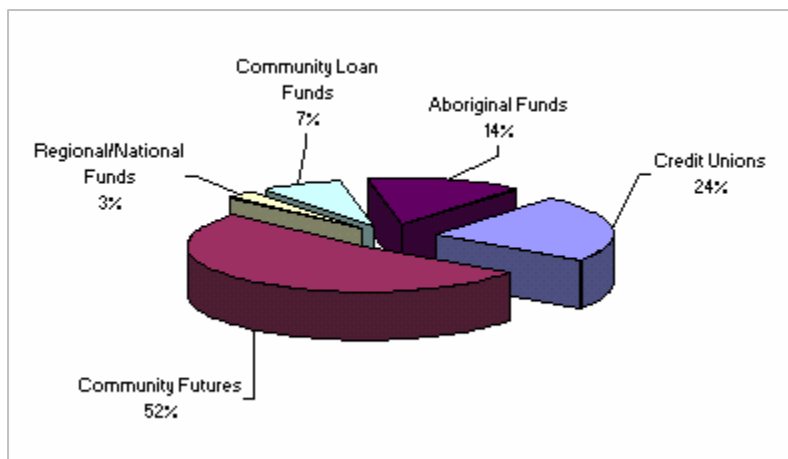
Assets

Estimated total assets

Building Local Assets is a report on the size of the community investment sector in Canada, in 2008. Size in this case refers to financing outstanding and receivable at the time of reporting. This can be loans, loan guarantees and equity. There are two reasons why this is an 'estimated' number: one, individual organizations have different reporting periods (one reported June 2008, another September 2008); and two, there are a number of organizations that are not included in the survey, that did not respond. In effect we know there are more assets, how much more is unclear; it may be upwards of \$200 million, but that is still a rough estimate.

The response rate improved between 2006 and 2008, and based on this improved scan, in 2008 there was **at least \$1.4 billion** in community investment financing that was working in communities across Canada. Of that total, Community Futures represented the largest single piece of the community investment pie in Canada as seen in Figure 1 below.

Figure 1 - How the \$1.4 billion is broken up

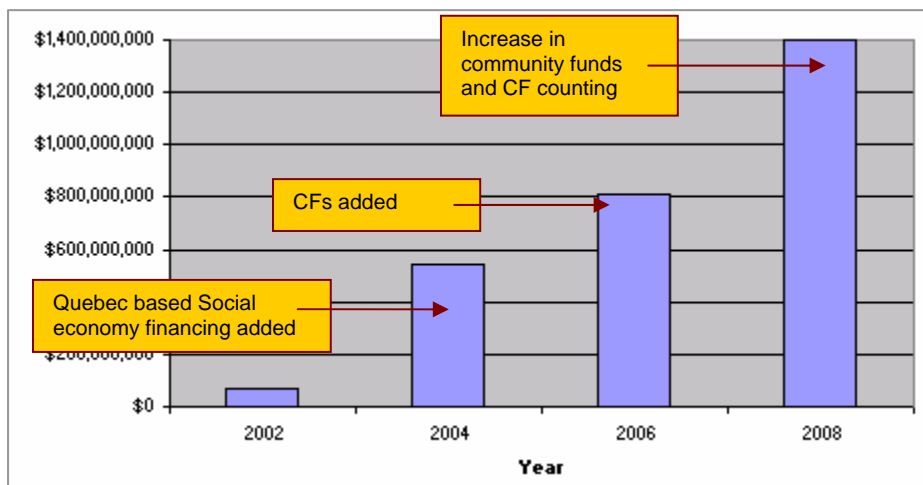


Government capitalized and funded organizations (Aboriginal Funds and the Community Futures organizations) when combined, encompass 66% of the value of community investment assets in Canada.

Perceived or real growth

\$1.4 billion dollars in community investment continues a trend of growth based on scans conducted since 2002 and reported in the SRI Review; as seen in Figure 2. This is a factor of natural increase and of counting better and more organizations. From 2002 to 2004 there was a jump with the addition of Quebec social economy financing. From 2004 to 2006 there was a jump with the addition of the CFs.

Figure 2 – Counting community investment over time



The chart suggests significant growth again between 2006 and 2008. However, a large part of this jump is a correction in counting. CFs were part of the 2006 study, but the assets reported reflected only the loans disbursed that year (\$211 million), not total loans outstanding (\$690 million) which is what the survey asks for. The difference is close to \$480 million. Regardless of this error, CFs did increase their total assets between 2006 and 2008, as did seventy percent of organizations that reported in both the 2006 and 2008 survey. Community funds as a group increased by 21%, largely as a result of an increase by Momentum of Calgary of 184% and continued growth in SOLIDE Q funds in Québec. Momentum started a new loan program in 2004 called the

Immigrant Access Loan which has grown to over \$400,000 doubling their current entrepreneur loan portfolio's asset size. Regional funds decreased marginally, by less than 1%. In fact one of these organizations, Social Capital Partners had considerable growth (255%) which appears to be a result of their aggressive investment in Active Green & Ross Complete Tire and Auto Service, which began in 2006 and led to the establishment of six franchises that have a social hiring and retention framework in place. There were also a number of new funds added in 2008, as listed in the table below.²¹ Unfortunately there were a few funds that did not complete the survey in 2008 that had in 2006. This represented a minimum of \$32 million that was not counted.

Table 1 – New funds reporting in 2008

Chantier Trust	\$4,500,000
Ecotrust	\$4,000,000
Jubilee Fund	\$516,000
Ottawa CLF	\$376,000
Nova Scotia CEDIFs (44 funds)	\$30,000,000
Réseau du crédit communautaire (18 funds)	\$1,008,000
Saint John CLF	\$85,000
Social Enterprise Fund of Edmonton	\$300,000

Getting their capital to work

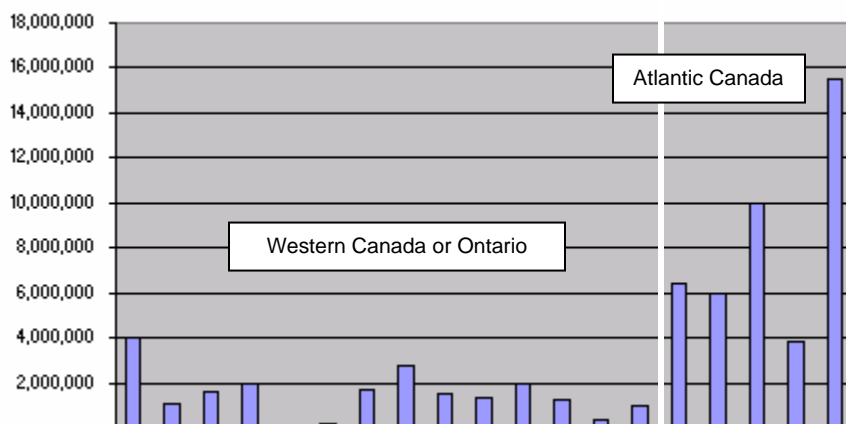
As major financial institutions, large credit unions can direct the greatest amount of money into community investment, witnessed by Desjardins reporting \$280 million in community based investing assets. The closest colleague is Assiniboine at \$34 million.²² Certainly very few credit unions can invest at this level, however, given the fact that there are 1,763 credit unions locations in Canada; the potential is there for greater impact. Community Futures organizations are also found across Canada with 269 locations and most have between \$2 and \$3 million invested. The CF with the most invested is in New Brunswick at \$16 million. Interestingly enough, based on the individual CF responses to

²¹ At the time of final editing of this document we found some other significant activity that we could not confirm for total assets, however, it is worth stating that the NS Cooperative Council has a number of programs

²² It is important to note that each credit union tags their loan activity differently. This may cause some of the discrepancy in numbers, In fact, tagging is can be labour intensive and some may just not do it.

the survey, Atlantic Canadian CFs are apparently investing more, illustrated in Figure 3 below.

Figure 3 - Invested assets by Individual CFs



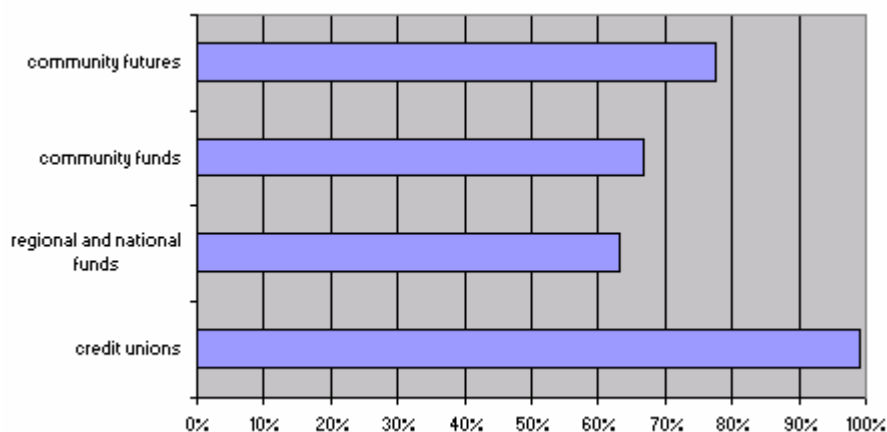
This regional variation may be coincidental or a response to different political and economic realities, which have meant more money being directed to Atlantic Canadian CFs by the Atlantic Canada Opportunities Agency.

Still in Atlantic Canada, Nova Scotia's 44 CEDIFs on average have \$650,000 in each fund, with a couple being over \$2 million. Community funds are the smallest, but still have an average of \$350,000, with Momentum leading the pack with over \$700,000 invested. And finally looking at organizations that distribute financing regionally and even nationally, the average is \$7 million invested; however, there is a big gap between the smallest and the largest, with Arctic Coops at \$24 million and Tenacity Works at roughly \$300,000.

An indication of the efficiency of community finance organizations is the percentage of their capital out working and not sitting dormant. Most organizations are placing a good percentage of their capital that has been donated or invested with them. Credit unions have the highest placement rates at close to 100%, with CFs, community funds and regional/national funds hovering between 65% and 75%. There may be a couple of reasons for this difference; credit unions get capital from their deposits on an as

required basis, so they are not sitting on unused loan capital; most other funds do not have a bank of deposits they can draw from, they must recruit investments which sometimes grows faster than the ability to use it. In smaller organizations sometimes getting money out the door is simply a factor of insufficient human resources.

Figure 4 - Asset use



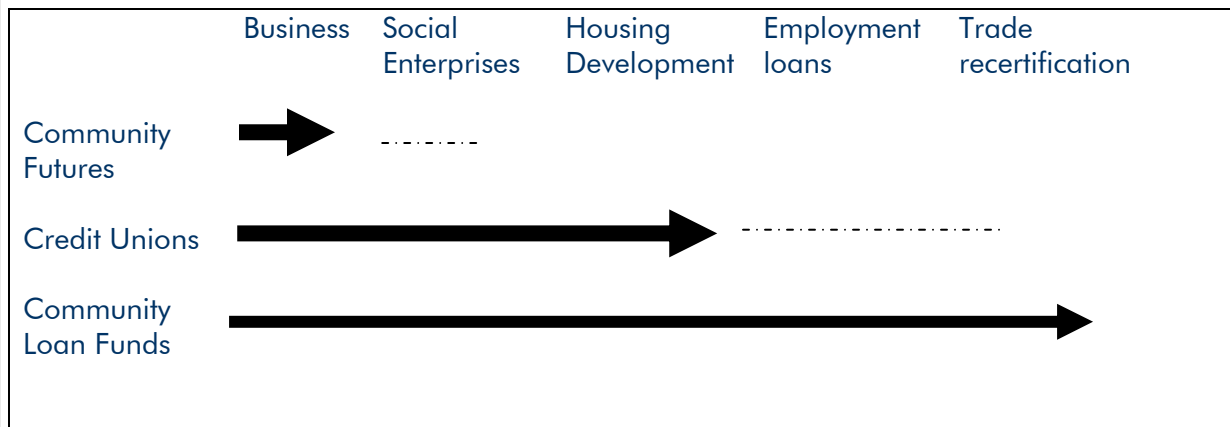
Product mix

When asked to segregate their community investment into categories including business; women and immigrants; housing development; and other areas; every CF surveyed marked business. This may simply mean they do not spend time segregating their loans, but it can also mean they do not target their community investment. Community funds do on purpose, it is their mission. So it is not surprising that 90% of the non CF organizations segregated their assets. In fact 50% of their investments were made in categories other than business.

Figure 5 on page 22, illustrates broadly what areas the different funds are involved with. Community funds are delivering the most diverse product mix, followed closely behind by credit unions. There is a reason for this. Community loan funds are nimble, and can adapt quickly to opportunities and demands in communities when they have the operating resources to do so. They are not restricted by loan to value ratios the same way credit unions are and they are not bound by fiduciary requirements and government business development constraints that CFs are bound by. In both Ottawa

and Calgary community loan funds have grown their immigrant access loans considerably in two years. It is a growing need and they quickly developed a program and began delivering the service. Community funds also add on many other training components such as financial literacy training and social enterprise training.

Figure 5 – Product mix by type of fund



Marrying the nimble abilities of the small community loan fund with the operational resources of a CF or credit union could generate much more activity in community investment. Some of this is happening through partnerships between credit unions and community loan funds. For example, Alterna Savings in Ottawa and the Ottawa Community Loan Fund have partnered in developing a housing trust fund, and on a micro lending program.



The Future

Future opportunities for financing

When asked; what do you see as opportunities for community investment in the next three years? A number of CFs listed the following:

- Business succession; high percentage of family businesses do not have successors
- Diversification of investments; tourism; manufacturing; resources
- Lead and take risks while lending tightens in banks

For community funds, credit unions and regional funds opportunities tended to be more socially minded:

- Social enterprise development, buyouts and conversions to cooperatives
- Housing development
- Community renewal
- Incorporate blended value in lending and business development

There may be some real opportunities to marry the CFs' business succession opportunity and the expertise and desire in the non-CF world to create social enterprises; collective ownership options such as co-operatives. It is also interesting to see the CFs desire to take more risks, perhaps moving closer to the community loan fund model of meeting demands.

Putting a monetary value on opportunity

To meet the needs of the near future (2 years) the average CF request was an additional \$1.5 million, and if projected over the entire network is approximately \$400 million. For the non-CF organizations, the monetary value varied. For value added

environmental resource conversion on the West Coast, a projection of hundreds of millions! For two of the community loan funds that identified housing and social enterprise as key growth areas, the sum was \$2 million in either case. If this were projected over the roughly 25 active community loan funds in Canada, this amounts to \$50 million. The manager of the CEDIF program in Nova Scotia saw a demand for another \$50 million, much of it going to alternative energy projects like wind energy. Pulling these numbers together, even without considering many other parts of the sector, the projected demand for financing is easily \$750 million.

Barriers to growth

After identifying future growth opportunities and the required financing to meet this demand, survey responders were asked what would be the barriers to making it happen. A number of CFs identified the following barriers:

- the low risk tolerance of their funders and the economic downturn which might frighten them further
- the need for training as much as capital and the need for more operational resources to deliver that training

For non CF organizations barriers to meeting needs in the community included:

- Ever more tightening of resources due to the economic downturn; foundations are cutting back on support due to losses in the market; governments are cutting due to taxation losses
- Rising cost of construction and real-estate values making it harder to build affordable housing
- Need operational resources to enable the deal flows; to promote, to train, to support; to help borrowers who do not have the skills and sophistication to present good business, social enterprise, or housing cases

Both CF and non-CF organizations see operational funding as key to keep deal flows going, to train individuals and prepare them for financing and managing enterprises.

As infrastructure projects are activated across Canada, there may be opportunities to move people into work. One of the industries that could be positively affected is the trucking industry. At the Ottawa Community Loan Fund they have developed a loan product specifically for getting individuals trained in trucking.

Implications for future research and development

It is worth restating that this report, based on a survey in the fall of 2008 and winter 2009, has brought in more organizations under the community investment tent, but there are more organizations out there that need to be counted.

Improving research of the sector itself:

- Improve the community investment scan; develop a template with a sector advisory committee, role it out early, educate the sector and get better information; the UK 's Inside Out report is one to emulate
- Can Statistics Canada be persuaded to track the sector?²³
- As part of this effort, a digital catalogue of community investment organizations should be developed, using a simple template; this will help the count and provide opportunities for fund managers to learn from each other
- It will be key to bring in organizations that are perceived to be involved in community investment but are not being counted; like many credit unions
- Mirror the Co-op Secretariat's annual scan of co-ops

Attracting capital and placing capital effectively

- To move capital you need adequate staff resources; is there a way to marry the CF concept with urban based loan funds? One option is to combine CF operational resources and the support of a national network with the community funds' ability to raise private capital and flexibility to finance more diverse activities. More broadly it might be useful to review the capitalization of funds by government. Can that money be better used to leverage private capital with tax incentives? Or can it have greater impact by providing operational resources to community funds?

²³ Stats Canada has a formal Survey of Deposit Accepting Intermediaries, which includes chartered banks, trust companies and credit unions. This could provide information from this more formal segment.

- Look to the NS CEDIF program as a model to get private capital flowing into communities
- Get better at identifying blended return, ie. Vancity's 'Demonstrating Value Initiative'²⁴
- Promote it as a public agenda, it is a good time given the ethical beating of mainstream investments
- Be ready with consistent offering statements
- Explore Program Related Investments (PRI) ²⁵ and develop necessary paperwork and reassurance that foundations need to start placing capital in community funds

Housing development:

- Review housing trusts and models for housing development in North America especially in real estate markets that are heating up. Are there opportunities to grow assets or do the rising costs preclude entry?
- Research and document best practices in the trend of non-profit organizations to build affordable housing that incorporates their offices as a means of asset development and sustainability

Business succession and Social Enterprise:

- Succession planning is a huge issue in rural communities. Is this an opportunity for social enterprise development and particularly worker cooperative conversion?
- Convene stakeholders to identify mutual opportunities; CFs, Tenacity Works, the CCA
- Look into best practice and the potential demand for these conversions
- Develop a strategy to meet demand

Develop a national community investment framework

- enable gatherings and roundtables to build direction
- enable research, profiling the sector, gathering best practice
- put forth a concise forward looking document that identifies opportunities for growth and the real returns to the families, to communities, and to the Canadian government

²⁴ The Demonstrating Value Initiative is a research project aimed at understanding financial performance, organizational sustainability and mission-related impacts of social enterprises. For more information see, "The Demonstrating Value Initiative: Performance Assessment that Puts Practitioners in the Driver's Seat," *Making Waves*, Vol. 7, No. 4: 11-14.

²⁵ A PRI is the legal term for a debt or equity investment made by a private foundation to a non-profit or for-profit organization with the purpose of advancing a social mission

- Develop partnerships and MOUs to insure key sector leaders are working together to develop community finance; groups like CCINC, SIO, Community Foundations of Canada, the Causeway Initiative

Credit unions provide a great opportunity for expansion

- Credit unions are in over 1700 Canadian communities and CFs in 269. We need to work more directly with credit union centrals to build local partnerships and opportunities between the sector leaders
- Push loans up the ladder, good loans at the community loan fund level should be purchased in the credit unions, so money is freed up for more lending

Get behind the leaders and facilitate sharing and development

- We need to share the practices of the leaders in the field, like Momentum, like the CEDIFs, Assiniboine, and more
- CEDTAP was a wonderful resource, we need to be able to share knowledge at a better pace with a similar vehicle²⁶

End note

In 2008, in Canada, there was a minimum of \$1.4 billion in community investment assets receivable managed by 487 organizations. This is an increase from 2006, acknowledging that there are a number of funds that did not report and others that are just emerging. The need for financing over the next two years as estimated by the sector is a minimum of \$750 million. With enhanced private investment incentives, the deliberate sharing of practices, merging of structures, and provision of an appropriate level of operational resources, the sector could generate even more investment in Canadian communities. In an economic downturn that many people see as being caused by the excess of the marketplace, there is a big opportunity to educate the public on community based investing, to promote investing for blended returns. In fact, it is a great time to build and retain local assets in Canada.

²⁶ CEDTAP or Community Economic Development Technical Assistance Program provided funding to enable mentoring to occur between organizations. It lasted 10 years and was a great boost to many innovations across Canada.



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"Voices of Community Investment", CCINC, November 2008 newsletter

Welcome to the 2008 Community Investment Survey
Please try to complete all questions

1. Please enter your name, title and organization.

Name	
Title	
Institution	

2. Please provide a brief description of your organization's mission.

3. The Canadian Community Investment Network describes community investing as ["using investor capital to provide finance and technical assistance to underserved communities. The financing may take the form of a loan, a loan guarantee, or an equity investment."](#) Under this definition, please indicate the total value of community investment assets loaned or otherwise invested (receivable) by your organization as of June 30th, 2008.

\$

4. In addition to the figure above, what was the total value of assets available to your organization for community investment BUT NOT loaned or otherwise invested as of June 30th, 2008?

\$

5. **If you can**, please indicate the value of investments made in each of the following five markets. This classification was taken from the Canadian Community Investment Network. For definitions, see <http://www.communityinvestment.ca/cominv.html>. The total dollar value in this table should equal the total dollar value provided in Question 3.

Market	Value
Entrepreneurs	\$
Women, recent immigrants, refugees and minorities	\$
Environment	\$
Underserved neighborhoods and communities	\$
Individuals who need housing	\$
Other	\$

6. Please indicate the value of investments made in each of the following categories. The total dollar value in this table should equal the total dollar value provided in Question 3.

Investment Tool	Value
Loans with fixed payments	\$
Line of Credit	\$
Equity financing/Near Equity	\$
Mortgages	\$
Other	\$

7. What is the greatest community financing need to be met by your organization in the next three years?

8. What value would you assign to this need?

9. What do you believe is the greatest barrier to meeting these needs in your community?

10. Please identify any other community investment organizations in your region that we could forward this survey to.

Name	E-mail

11. Individual responses are confidential and only general findings will be released. However the SIO would like to list the names of organizations participating in the survey in an appendix of the report. Do you give the SIO permission to list your organization's name as a participant in the study?

Yes _____
No _____

**Thank you for completing the survey.
Your name will be entered into our raffle. Good Luck!**

Please fax completed surveys to 506-652-5603
or type in boxes, save and send by email to loanfund@nbnet.nb.ca

If you have any questions please call Seth Asimakos at
506-652-5600 or 506-651-6839

Appendix B

	2008-09 Survey Respondents	Province
	Individual Community Futures	
1	Annapolis Ventures	NS
2	CBDC Kent	NB
3	CBDC Northumberland	NB
4	CBDC Peninsule Acadienne	NB
5	Community Futures East Central	SK
6	Community Futures Meridian Region	SK
7	Community Futures NewSask	SK
8	Community Futures Sunrise	SK
9	Community Futures Treaty Seven	AB
10	Community Futures Visions North	SK
11	Community Futures West Yellowhead	AB
12	Corporation de developement de l'est	QC
13	Digby Clare Community Business Decvelopment Corporations	NS
14	East Sudbury West Nipissing Community Futures	ON
15	Nattawasaga Futures	ON
16	Rainy River Community Futures	ON
17	Sagehill Community Economic Development Corporation	SK
18	Saugeen Economic Development Corporation	ON
19	Wellington Waterloo Community Futures	ON
20	Westmorland Albert, NB	NB
	Credit Unions	
21	Alternia	ON
22	Assiniboine	MB
23	Desjardins	QC
24	Vancity	BC
	Community Funds	
25	ACEM	QC
26	ACERS (la river sud)	QC
27	Compagnie F	QC
28	Jubilee Fund	MB
29	Les Circles D'emprunt de Chharlevoix	QC
30	Les Circles D'emprunt de Montreal	QC
31	Momentum	AB
32	Ottawa Community Loan Fund (OCLF)	ON
33	PARO Centre for Women's Enterprise	ON
34	Pro Gestion	QC
35	Saint John Community Loan Fund	NB
36	Social Enterprise Fund of Edmonton	AB
	Regional or National Headquartered Funds	
37	Arctic Co-operatives Limited	MB
38	Canadian Alternative Investment Co-operative	ON
39	Canadian Worker Co-operative Federation (Tenacity Works)	ON
40	Ecotrust Capital	BC
41	Fiducie du Chantier de l'economie sociale	QC
42	Newfoundland and Labrador Federation of Cooperatives	NL
43	Social Capital Partners	ON
	Umbrella Groups Providing Aggregate Data	
44	Atlantic Canada Opportunities Agency	NB, PE, NS, NL
45	National Aboriginal Capital Corporation Association	Canada wide
46	Nova Scotia Cooperative Council	NS
47	Nova Scotia Economic and Rural Development (for CEDIFs)	NS
48	Ontario Association of Community Futures Development Corporations	ON
49	Reseau des SADC du Quebec	QC
50	Reseau du credit comunautaire	QC
51	SOLIDE Q	QC
52	Western Economic Diversification	SK, MB, AB, BC