Community Capital and Alternative Financing Resource Guide

Exploring the Methods for
Aggregating and Disseminating Community Capital to
Spur Diversified Economic Development

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***Reconsider** is a center for thought leadership, serving as an information and connectivity hub for implementing community capital strategies in the new economy.*

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Introduction

The Reconsider team has chosen to open source these resources for the benefit of our community – locally, regionally, and nationally – and those who have the inclination and ability to incorporate this information into their strategic plans. By doing this, we hope to exponentially spur innovation as a ripple effect of our efforts.

In an attempt to aggregate new developments in real time, if you incorporate this information into your organization's strategies or offerings, or if you have additional examples of the strategies we have outlined here, please let us know by emailing us at inquire@timetoreconsider.com.

We are based in Southeast Michigan and have worked with key stakeholders here in our region; therefore, you may find references to local initiatives or examples where we were able to cite them. If your organization, business, or local government is interested in operationalizing these ideas and would like to retain our help in your pursuits, please do not hesitate to call us. Our goal is to move the community capital revolution forward.

We thank you for taking an interest in our work and we wish you well in your endeavors.

Sincerely,
The Reconsider Team

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Forms of Capital in a Community

When the subject of capital is brought up people tend to think of financial resources. While financial capital is an essential element of any strategy for economic development and growth, it is also important to consider a broader definition of Community Capital.

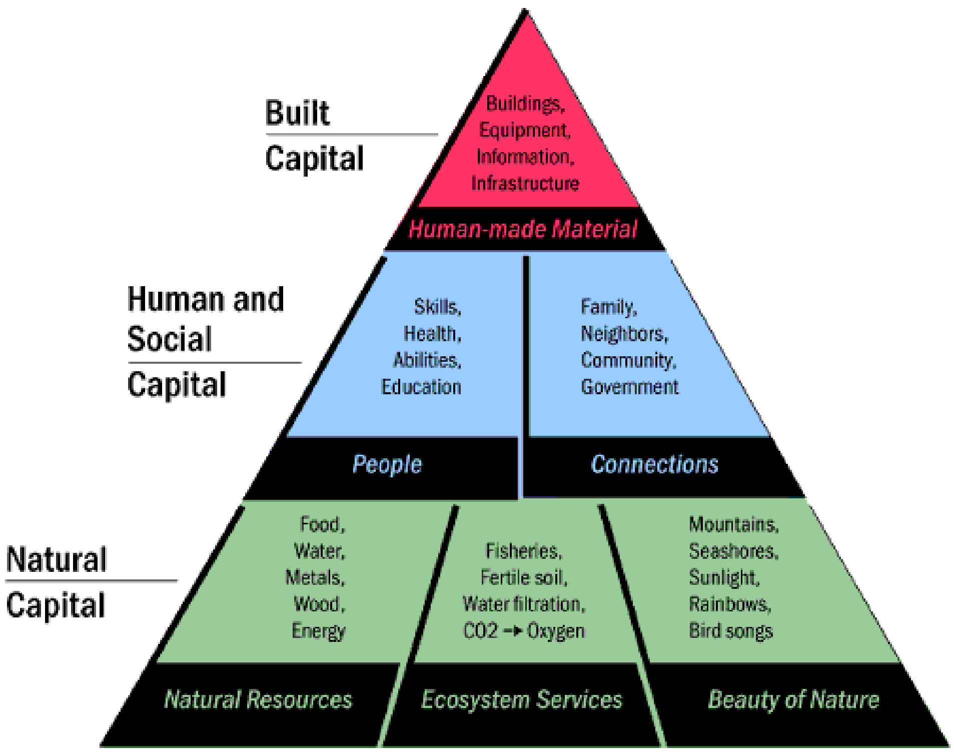
Research for this report uncovered three systems for describing community capital. All three are presented here to provide a broader perspective through each system's unique approach; one through the lens of a sustainability pyramid, another with a system of currency describing how each is exchanged and a third that provides development strategies for each of the various forms of capital.

The following chart compares the various systems in relation to the levels of **the Sustainable Community Capital Pyramid** (with the addition of financial capital) with descriptions of each system's capital categories afterwards. We reference this model to illustrate the foundation of natural capital that combined with human, social and financial capital creates the built capital of our modern world. The pyramid is further explained in the first section below.

	Sustainable Community Capital Pyramid	Permaculture's Eight Forms of Capital	LASER Guide to Community Development	Examples in Washtenaw County
Natural Capital	▪ Natural Resources ▪ Ecosystem Resources ▪ Beauty of Nature	▪ Living Capital	▪ Natural Capital	▪ Huron River ▪ Farm land ▪ Access to nature
Human and Social Capital	▪ People ▪ Connections	▪ Experiential Capital ▪ Intellectual Capital ▪ Spiritual Capital ▪ Social Capital ▪ Cultural Capital	▪ Human Capital ▪ Social Capital ▪ Historic and Cultural Capital	▪ Successful entrepreneurs ▪ Curiosity and determination ▪ Progressive and engaged population ▪ Highly educated ▪ Research knowledge
Financial Capital	▪ (not included in this model)	▪ Financial Capital	▪ Financial Capital ▪ Potential Exchange Capital	▪ Financial resources ▪ Valuable skills and resources for exchange
Built Capital	▪ Human Made Material	▪ Material Capital	▪ Institutional Capital ▪ Entrepreneurial Capital ▪ Built Capital ▪ Technological Capital	▪ Universities ▪ Infrastructure and idle assets

The Sustainable Community Capital Pyramid

The Sustainable Community Capital Pyramid defines community capital as the natural, human, social and built capital from which a community receives benefits and on which the community relies for continued existence. This model purposely ignores financial capital to draw particular attention to the need to value and nurture other forms of capital. To invest this capital is to manage it in a way that improves its value so that the capital provides benefits to the community now and into the future. While the model and pyramid illustrated below do not include financial capital, one can imagine how financial capital is intertwined and integral to each portion of the pyramid.



Natural Capital – At the base of the pyramid there are three blocks of natural capital: natural resources, ecosystem services, and the aesthetics or beauty of nature.

- Natural resources are all of those things that we take out of nature and use: water, plants, animals, and materials from the earth such as fossil fuels, metals and minerals. All of these are things that we use up, either as raw material or as part of a production process. The end result is either a finished product, waste material or both.

- Ecosystem services are natural processes that we rely on in some way. For example, soil in an acre of farmland can produce food that we eat or material for clothes that we wear. Wetlands filter water and soak up flood waters. Estuaries provide habitat for shellfish and other food that we eat. If we are careful not to overuse them, these natural processes will provide us with services indefinitely.

- The third block of natural capital is the aesthetics or beauty of nature. Flowers in a window box, a view of a mountain range or seashore, a park on a warm summer day, the song of a bird, and a sky full of stars on a clear winter night are all parts of the beauty of nature. In addition to contributing to our general quality of life, the beauty of nature is essential to tourism and recreation, which form the basis of some communities' economy.

Social and Human Capital – The next level of the community capital pyramid is social and human capital. This level has two blocks -- people and connections:

- Human capital is each individual's personal skills and abilities, physical and mental health, and education.

- Social capital is the connections in a community -- the ways in which people interact and relate to each other. The simplest connections are connections to family, friends and neighbors. On a larger scale, we form connections through community and volunteer organizations, the ability of groups of people to form governments to deal with common problems, and the ability of people to form companies to create goods and services to satisfy the needs of the community.

Built Capital – The five blocks of natural capital and human and social capital form the base of community capital. With these five blocks, communities create the sixth block, built capital.

- Built capital includes roads, heavy equipment, factory buildings, houses, and apartment buildings. It includes basic necessities like food and clothing as well as cars, telephones and computers.

A Permaculture Approach

Ethan Roland and Gregory Landua in their article for *Permaculture Magazine* present a model with eight forms of capital and the currency associated with each. They do this to expand the concept of wealth to include the resources of personal connections, natural resources, knowledge and experience. In so doing, they provide a structure and language for communicating the value of healthy communities where financial capital is not the only reality.

These eight forms of capital are:

- **Social Capital** – Influence and connections are social capital. A person or entity who has ‘good social capital’ can ask favors, influence decisions, and communicate efficiently. Social capital is of primary importance in politics, business, and community organizing.
- **Material Capital** – Non-living physical objects form material capital. Raw and processed resources like stone, metal, timber, and fossil fuels are ‘complexed’ with each other to create more sophisticated materials or structures. Modern buildings, bridges, and other pieces of infrastructure along with tools, computers, and other technologies are complexed forms of material capital.
- **Financial Capital** – We are most familiar with financial capital: Money, currencies, securities and other instruments of the global financial system.

- **Living Capital** – Living capital is made up of the animals, plants, water and soil of our land—the true basis for life on our planet.
- **Intellectual Capital** – Intellectual capital is best described as a 'knowledge' asset. It is the learning of an individual or group of people. This form of capital provides the intelligence to innovate new ways to access and utilize other forms of capital.
- **Experiential (or Human) Capital** – We accumulate experiential capital through actually organizing a project in our community, for instance building a strawbale house, or completing a permaculture design. The most effective way to learn anything comes through a blended gathering of intellectual and experiential capital. Human Capital is a combination of social, intellectual and experiential capital, all facets of a person that can be gathered and carried in essentially limitless amounts.
- **Spiritual Capital** – As one practices their religion, spirituality, or other means of connection to self and universe, one may accumulate spiritual capital. It contains aspects of intellectual and experiential capital, but is deeper, more personal and less quantifiable, as individuals find deeper meaning, connection and responsibility in their own being.
- **Cultural Capital** – All the other forms of capital may be held and owed by individuals, but cultural capital can only be gathered by a community of people. Cultural capital describes the shared internal and external processes of a community – the works of art and theater, the songs that every child learns, the ability to come together in celebration of the harvest or for a religious holiday. Cultural capital cannot be gathered by individuals alone. It could be viewed as an emergent property of the complex system of inter-capital exchanges that takes place in a village, a city, a bioregion, or nation.

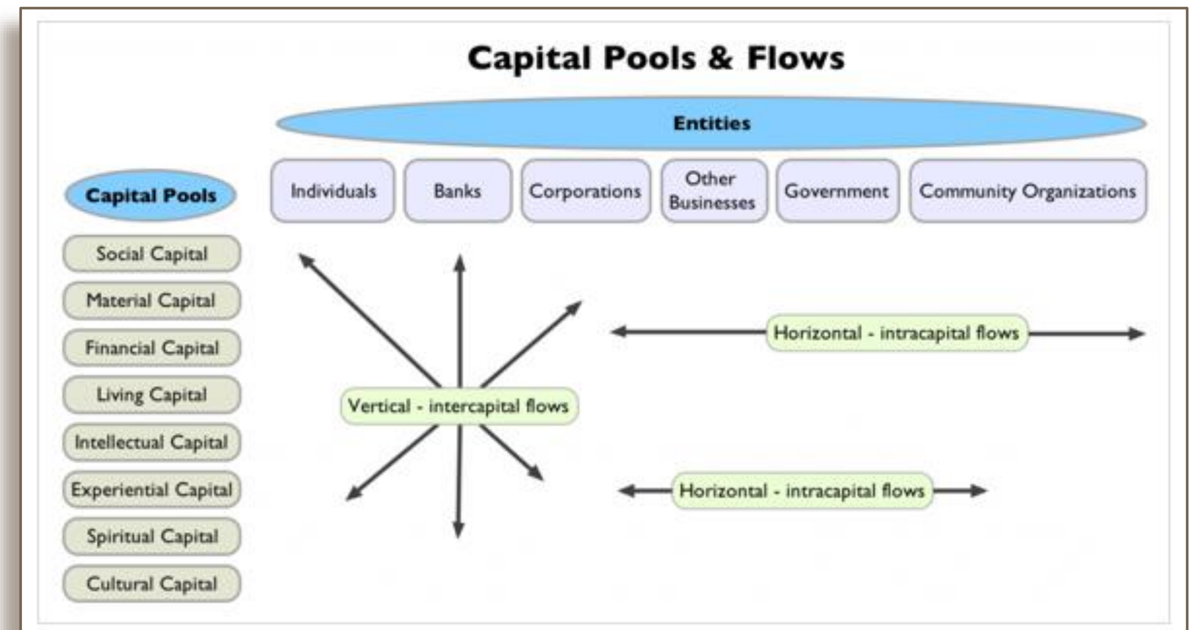
The most interesting aspect about Roland and Landua's model is their exploration of the currencies associated with each form of capital and the more complex systems these means of currency collectively form. This is important in understanding how we exchange these various forms of capital. Clearly, we know that financial capital is most typically exchanged with money. But further, we see that social capital is exchanged through our connections, experiential capital through action and our cultural capital through storytelling.

Eight Forms of Currency

Capital	Currency	Complexing to...
Social Capital	*Connections*	*influence, relationships*
Material Capital	*Materials; "natural" resources*	*tools, buildings, infrastructure*
Financial Capital	*Money*	*financial instruments & securities*
Living Capital	*Carbon, Nitrogen, Water*	*soil, living organisms, land, ecosystem services*
Intellectual Capital	*Ideas, Knowledge*	*words, images, "intellectual property"*
Experiential Capital	*Action*	*embodied experience, wisdom*
Spiritual Capital	*Prayer, Intention; Faith, Karma*	*spiritual attainment*
Cultural Capital	*Song, Story, Ritual*	*community*

They further explain the flow of these capital pools through the various entities engaged in exchange and also across the individual capital pools themselves. This is a sophisticated articulation of capital currencies and illustrates how the connections of social capital along with the knowledge of intellectual capital, the resources of material and living capital combined with money of financial capital and in action of experiential capital create a thriving community where cultural and spiritual capital are abundant.

The model illustrates how a particular form of capital, financial for instance, flows horizontally across entities in the larger economic eco-system. Capital pools can also be exchanged vertically, within an entity such as the individual entrepreneur who combines their intellectual, experiential and own financial capital along with the connections of their social capital to produce material capital in their community. The full complexity of the model is understood when one imagines capital moving across entities and between pools. In this case, the financial capital of banks and individuals is invested in the experiential and material capital of entrepreneurial businesses to create a thriving community that builds cultural capital while nurturing its living capital.



Community Capital as Assets for Development

The **LASER (Local Action for Sustainable Economic Renewal) Guide to Community Development** jointly authored by L. Hunter Lovins and Christopher Juniper with the *Natural Capitalism Solutions*, Gwendolyn Hallsmith, Bernard Lietaer and Wayne Fawbush with *Global Community Initiatives*, and Michael Miller with *America's Development Foundation* provides a view of community capital as asset classes and provides insights for developing each form of capital.

Assets for human development

- Human capital – represents those individual assets that enable people to achieve their human potential. Our human capital includes all the capabilities that people have to learn, to invent, to create, to work, to care for each other, and to contribute to the community as a whole.

Social and cultural assets

- Social capital – includes those assets that build the social cohesion that enables people to take collective action to meet their needs. Social capital represents all the ways we are connected to each other – the relationships, networks, and values we share, and the cooperative systems we use for interacting.
- Historic and cultural capital – represents the ways we express our identity and creativity within a supportive community – the historic resources we have that could be developed into a tourist attraction, the cultural centers that celebrate our music, art, drama, dance, and other creative endeavors; the programs in place to build and transmit our cultural understandings to others.

Institutional assets

- Institutional capital – the structures, organizations, and legal and financial frameworks that enable the economy to function; includes the legal system and the rule of law, the insurance system that helps communities manage risk, the systems that establish different exchange mechanisms, the regulatory structures that protect the natural environment, human rights, and human health and well-being, and all the institutional arrangements that provide a foundation for economic activity.
- Entrepreneurial capital – includes those businesses and organizations that actually produce the assets that meet human needs using all the other types of capital the community possesses and includes both the for-profit and non-profit sectors – all of the employers who put us to work.

Financial assets

- Financial capital – includes the monetary and exchange mechanisms that provide the liquidity and comparative valuation for trade and other exchanges between people and among people and productive enterprises. The financial capital available for the creation of real wealth includes the loan resources available through the banking system, and the savings and monetary investments made by individuals and institutions.
- Potential exchange capital – beyond those economic assets which are measured in national money, there are other forms of capital which can be mobilized through complimentary currency systems. This happens all the time and takes a wide variety of forms – bartering, exchange of services, shared use of idle facilities, and donation to time, to name just a few. One of the key ways that we can build real wealth in our communities is to tap this potential exchange capital by introducing complementary currency exchange mechanisms. This form of capital contributes to our well-being without being limited by the scarcity of national money.

Manufactured assets

- Built capital – includes the buildings, the infrastructure, housing, parks and recreation facilities, commercial and industrial facilities, and other constructed elements of community life.
- Technological capital – includes the ways in which communities harness their intellectual resources to create tools, systems, machines, arts and skills, and materials that are designed to improve our lives. Building on capital in this area means supporting the education, creativity, and access to materials that are required to create innovative technologies.

Environmental assets

- Natural capital –includes the environmental beauty, wilderness, natural areas, rivers, oceans, forests, water, air, soils – all the services that the natural world provides. When it's healthy, these services include a stable climate, provision of clean water and air, assimilation of waste, detoxification of industrial pollutants, pollination of crops, and the provision of safe and abundant food. Natural capital is a stock of environmental assets that produces more assets; for example, a healthy forest produces trees, habitat, carbon sequestration, erosion control, beauty, recreation, and water purification if the natural capital base – its essential regenerative capacity – is maintained.

The full LASER guide can be accessed at the link in the resources below and includes development strategies and tools for each of these classes of assets and forms of capital. Those specifically related to financial capital in a community have been included in the research findings later in this report.

A Community Capital Perspective

Considering the three models presented here, we suggest a view of community capital that occurs when Natural Capital and Human Capital create built capital through exchange capital mechanisms.

Resources and Further Reading

- Sustainable Measures, Community Capital – http://www.sustainablemeasures.com/node/32
- Eight Forms of Capital, Permaculture Magazine – http://appleseedpermaculture.com/wp-content/uploads/2011/04/8_Forms_of_Capital_PM68.pdf
- Eight Forms of Capital, Appleseed Permaculture – http://appleseedpermaculture.com/8-forms-of-capital/
- LASER Guide to Community Development – http://www.natcapsolutions.org/projects/LASER/LASERguide.pdf

Accessing Community Financial Capital

For this section we engaged research to understand the alternative, innovative and emerging ways in which a community might access its own financial capital for investing in local businesses. While we were not surprised at the number of ideas available, we were disappointed in the relatively scarce examples of implementation and proven execution. Further, the leadership for the ideas that are being explored and executed is coming from the private sector, not the public.

On further thought, this became more understandable when considering the complexity of the problem space. The financial marketplace is an eco-system with means for efficiently aggregating capital and then disseminating that in a way that minimizes risk while attempting to maximize financial returns. This is indeed a system that is deeply institutionalized and quite familiar to the investing public. Any attempt to change this system requires a fundamental shift in the way we invest our money.

Also, as a system, there are various parts – the aggregation of capital, the management of that capital and the subsequent investment. Any efforts to shift this model to the local economy would have to address all three components at once – or there wouldn't be a market for any of them – or leverage portions of the existing system in a way that would provide a viable business model for them in the short term.

With this realization, we deepened our research to better understand the barriers and challenges for each idea we found and then identify what opportunity for action still exists in the near and short term. The chart below identifies the 25 ideas presented later in more detail and illustrates whether they are a strategy for *aggregating (capital sources)* or *disseminating (distributing) capital*, *both* or *a means for connecting* those with funds to invest with those seeking funds.

A Note about Accredited vs. Non-Accredited Investors

Before considering these ideas, it is important to understand the two classes of investors created by SEC regulations. Regulation D of the SEC was originally created as a means to protect investors. These SEC regulations exempt accredited investors from many SEC filing requirements, allowing these individuals more flexibility for investing their wealth. Individual **accredited** investors are defined as those earning more than $200,000 annually or have a net worth (excluding their primary residence) exceeding $1 million.

Everyone else is considered a **non-accredited** investor and only has access to investments that have complied with all SEC filing requirements. The non-accredited investor is also prohibited from investing in private placement offerings, except where they have a pre-existing relationship with the individual or entity making the offering. This issue is the single largest barrier to individuals investing in their neighbors and businesses in their own local community. Throughout this section, we highlight strategies that provide access to non-accredited capital.

Community Capital Strategy	Capital Function	
	Source/ Aggregate	Distribute
Sources or Means to Aggregate Financial Capital		
Allocate a portion of pension plans	X	
Municipal Bonds	X	
Social Impact Bonds	X	
Grow Michigan Fund	X	
Targeted CDs	X	
Self-Directed IRAs	X	
Investment LLCs	X	
Foundation and Faith-based Capital	X	
Cooperative ownership models	X	
Local Mutual Funds	X	
Escheat Funds	X	
Methods to Distribute Financial Community Capital		
Revolving Loan Funds		X
Community Development Loan Funds		X
Community Development Corporations		X
Economic Development Corporations		X
Capital Access Funds		X
Community Development Venture Capital Funds		X
Strategies for Both Aggregating and Distributing Financial Capital		
Community Development Financial Institutions	X	X
Small Business Investment Companies	X	X
Business Development Companies	X	X
Emerging Ways to Connect Local Investors with Investment Opportunities		
Investment clubs and investor networks	X	X
Local capital portals	X	X
Peer-to-peer Lending	X	X
Crowdfunding	X	X
Opportunities for Education and Advocacy		
Local Economy Communities	X	X

Sources or Means to Aggregate Financial Capital

Allocate a Defined Portion of Local Pension Funds

Several key thinkers and municipal governments have raised the idea of allocating a very small portion, just 1%, of public pension funds within the county to local investments.

Where Demonstrated – While this can be a controversial subject and is not yet a widely deployed strategy, the state of New York does have a program for in-state, private equity investment that has invested $615 million in 224 companies to date.
http://www.osc.state.ny.us/pension/instate/

There is another example in the UK where the Islington Council invested 2.5% of its pension fund last November in a residential property fund. The possibility of doubling the investment is already under consultation by the council.
http://www.localgov.co.uk/index.cfm?method=news.detail&id=109633

The state of Nevada has expanded the investment strategy of the Nevada Permanent School Fund that was previously invested solely in government bonds to now include local private equity opportunities. This initiative is helping solve three problems that many state and local governments are facing: increasing revenue from public investments, expanding funding for K-12 education and providing much needed capital to the local economy.
http://www.rgj.com/article/20130524/COL08/305240038/John-Solari-Think-globally-invest-locally?nclick_check=1

Five local authority pension funds in the UK recently announced an initiative to engage asset managers for financial investments that also create a positive economic impact locally.
http://www.pensionfundsonline.co.uk/pension-funds-insider/investment/local-authority-pension-funds-create-39investing-for-growth39-initiative/995/

Barriers and Challenges – There are two challenges that come to mind when considering this strategy. The first is the potential for public controversy with the decision to make investment decisions that members of the public might consider more risky. The second is the fiduciary responsibility of those currently making investment decisions in these local pension funds. As such, any effort to move this strategy forward will likely be more successful when combined with an informed point of view of how the investment strategy in these funds might be altered so that the risk profile of the entire asset pool is unchanged and the expected rate of return is not impacted. It would seem likely this is possible when considering only a 1% shift in fund assets by rebalancing the investment allocation strategy.

Opportunities – The potential capital pool here is significant. Armed with the proper information and informed with details of an alternative investment strategy (as mentioned in the above section) would provide powerful advocacy for investing just 1% of pension funds locally. This could be combined with an initiative to create or provide the resources needed to research, network, connect and do the due diligence to make prudent and responsible local investments.

Resources

- New York state pension private equity program – http://www.osc.state.ny.us/pension/instate/
- UK Pension – http://www.localgov.co.uk/index.cfm?method=news.detail&id=109633

Municipal Bonds (MUNIs)

Municipal Bonds (MUNIs) are debt offerings by local governments where the interest paid on the bonds are typically tax-exempt to the bondholders. Along with credit worthiness and repayment history of government debt, the tax-exempt interest makes MUNIs a relatively safe and attractive investment.

The Michigan Local Government Loan Program provides assistance in issuing bonds, typically used for purchases of equipment, real property, energy conservation improvement, infrastructure needs and refunding existing debt.

The Michigan Strategic Fund was created in 1984 and has broad authority to promote economic development and create jobs. Among the MSF board's many responsibilities are the following two of particular relevance to community capital:

- Private Activity Bonds are tax-exempt securities issued by or on behalf of a local government to provide debt financing used for the trade or business of a private user. These bonds are used to attract private investment for projects that have some public benefit. The Michigan Strategic Fund has a particular program for issuing Private Activity Bonds.
- The Michigan Business Development Program provides bond financing to projects that create 50 or more jobs (some exclusions for projects that create 25 or more).

Municipal Bonds have the potential for multiplier effects if the tax revenues from the funded initiative can be earmarked and utilized in some way to further economic development programs.

Where Demonstrated – Municipal Bonds have long been used as a source of capital for infrastructure and funding other government projects with a public benefit. The opportunity now is to utilize these tax-exempt instruments to attract local capital for community and economic development.

Locally, we have an innovative use of a municipal bond here in Washtenaw County. Matthew Naud, Environmental Coordinator for Ann Arbor, used a $560,000 bond issue to fund a PACE (property assessed clean energy) program in Spring 2013. Under this program, bond proceeds are loaned to commercial applicants for energy saving improvements to their properties. The loans are then repaid through a tax-assessed lien attached to the property that was improved. These tax liens begin one year after the improvements are complete so that the property owners can bank a year of savings before making any repayments. Naud says that studies suggest the multiplier effect could be as high as 10 to 1 on these projects. In this case, a local bank bought the bond (Ann Arbor State Bank), local contractors are doing most of the work, and the $50,000 in estimated annual energy savings on the three projects is now available to be spent locally rather than the previous expenditure on energy which is not produced locally.

Barriers and Challenges – Municipal bonds are major funding initiatives that require interest payments and the return of the initial capital investments at maturity. As such, the projects they fund must generate sufficient economic benefits to service the debt's interest payments and eventually repay the original capital. Otherwise, they are not sustainable and would require the use of public funds to retire the debt.

Additionally, individual investors generally constitute only about a third of municipal bond holders, with the remainder held by institutional investors, mutual funds and the financial sector. This strategy, while sound, may not be a particularly effective way to utilize local, community capital when one then considers of this third of investors how many will actually be residents of Washtenaw County.

Opportunities – The biggest opportunity here might be to combine several strategies together for a more effective effort. Local Development Financing Authorities (LDFA) are one of seven organizations empowered by Michigan law to utilize tax increment financing (TIF) for economic development. Similar to a Downtown Development Authority (DDA), the LDFA is created to encourage local development, prevent unemployment and stimulate growth. LDFAs may also issue revenue bonds. Combined with a TIF this may be an effective way for the local government to create infrastructure for the local food economy.

If the strategy were successful enough, the TIF might have the potential of financing even further growth and additional projects once the debt service and retirement of the original bond issue is satisfied.

Resources

- Michigan MUNI
  - http://www.michigan.gov/treasury/0,4679,7-121-1753---,00.html
  - http://www.michigan.gov/treasury/0,4679,7-121-1753_37613---,00.html
  - http://www.michigan.gov/treasury/0,4679,7-121-1753_37610-5605--,00.html
  - http://www.michigan.gov/treasury/0,1607,7-121-1753-187439--,00.html
- Ann Arbor PACE bond – http://a2energy.org/commercial-savings
  - http://cec-mi.org/communities/programs/ann-arbor-pace/
- The Michigan Strategic Fund (MSF)
  - http://www.michiganadvantage.org/cm/Files/Fact-Sheets/PrivateActivityBondProgramformerIDRB.pdf
  - http://www.michiganadvantage.org/cm/Files/Fact-Sheets/MichiganBusinessDevelopmentProgram.pdf
- National Association of Counties – http://www.naco.org/research/pubs/Documents/County%20Management%20and%20Structure/Research%20County%20Management%20and%20Structure/Economic%20Development%20Solutions%20for%20Local%20Government.pdf
- Local Development Financing Authority in Michigan
  - http://www.mml.org/resources/publications/one_pagers/opp_economic_development_tools-financing.pdf

  - http://www.mml.org/resources/publications/one_pagers/opp_%20local_development_financing_authority.pdf
- http://www.naco.org/programs/Pages/PFA.aspx - list of 2012 bond issues closed by the Public Finance Authority (PFA)

Social Impact Bonds

A Social Impact Bond, also known as a *Pay for Success Bond* or a *Social Benefit Bond*, is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings. The first Social Impact Bond was launched by Social Finance UK in September 2010.

These performance-based investments encourage innovation and tackle challenging social issues. New and innovative programs have potential for success, but often have trouble securing government funding because it can be hard to rigorously prove their effectiveness. Social innovation financing allows the government to partner with innovative service providers and, if necessary, private foundations or other investors willing to cover the upfront costs and assume performance risk to expand promising programs, while assuring that taxpayers will not pay for the programs unless they demonstrate success in achieving the desired outcomes.

Social Impact Bonds are not bonds in the conventional sense. While they operate over a fixed period of time, they do not offer a fixed rate of return. Repayment to investors is contingent upon specified social outcomes being achieved and therefore in terms of investment risk Social Impact Bonds are more similar to that of a structured product or an equity investment.

The White House has proposed a Pay For Success bond program in the 2014 federal budget that would create a federal program of Social Impact bonds.

Where Demonstrated – The first Social Impact Bond was announced on March 2010 in the UK and there is now a pilot program in Australia. New York issued a Social Impact Bond in February 2012 and Massachusetts announced a bond program in August of 2012.

Barriers and Challenges – Social Impact Bonds are in their infancy and don't yet have a proven track record. As currently conceived and executed, they are designed to improve a social situation (homelessness or prisoner rehabilitation) rather than spur economic development, with the bond proceeds being disbursed to non-profits who are closely monitored to determine if the metrics of the desired outcomes are achieved. Also, the expected investors are foundations and institutional investors. In fact, Goldman Sachs purchased the New York bond.

Opportunities – This is a still a very interesting strategy for economic development where private investors share the risk of achieving the desired outcomes with taxpayers. A strategy that is certain to reduce taxpayer (and voter) resistance to spending public money on private enterprise. Imagine a municipal bond issued to build a commercial incubator kitchen where the bondholders' returns are tied to the profitability of the businesses utilizing the kitchen.

Resources

- Wikipedia – http://en.wikipedia.org/wiki/Social_impact_bond

- Social Finance Canada – http://socialfinance.ca/social-impact-bonds
- Center for American Progress – http://www.americanprogress.org/series/social-impact-bonds/view/
- Social Finance US – http://www.socialfinanceus.org
- Social Finance, Impact Bonds – http://www.socialfinanceus.org/sites/socialfinanceus.org/files/small.SocialFinanceWPSingleFINAL.pdf
- Mckinsey and Company – http://mckinseyonsociety.com/social-impact-bonds/
- http://mckinseyonsociety.com/downloads/reports/Social-Innovation/Social-impact-bonds.pdf
- http://mckinseyonsociety.com/downloads/reports/Social-Innovation/McKinsey_Social_Impact_Bonds_Report.pdf
- The Economist – http://www.economist.com/news/finance-and-economics/21572231-new-way-financing-public-services-gains-momentum-commerce-and-conscience
- New York Times – http://www.nytimes.com/2012/10/16/nyregion/manhattan-borough-president-seeks-bonds-to-expand-head-start.html?_r=0
- Boston Globe – http://www.bostonglobe.com/opinion/2012/08/17/first-for-massachusetts-social-innovation-financing/iW4tO4PrI0bSUo6t63eT2K/story.html
- Philanthropy New Digest – http://foundationcenter.org/pnd/news/story.jhtml?id=387700032
- The White House – http://www.whitehouse.gov/omb/factsheet/paying-for-success

Grow Michigan Fund

The Michigan Economic Development Corp., Michigan Strategic Fund and the Michigan banking community have joined forces to form Grow Michigan LLC, a $60 million fund based in Plymouth that will offer subordinated debt to the state's small businesses.

The fund has had a first closing of $30 million and expects to finish fundraising in Spring 2013, with $10 million coming from the Strategic Fund and $50 million from the member banks.

The subordinated debt will be in conjunction with traditional bank loans and will range from $500,000 to $3 million, with a payback period of three to five years at interest rates generally below 10 percent.

The fund will invest only in deals brought to it by banks in Michigan and will be open to deals from all banks, not just those that are fund members. Each deal will be required to have some senior debt.

Where Demonstrated – This is a specific program in Michigan.

Barriers and Challenges – A fund such as this would require significant collaboration and capital access.

Opportunities – This fund is an example of private and public sector collaboration to create access to capital for business growth and economic development.

Resources

- Grow Michigan – http://growmicapital.com/
- Develop Michigan – http://www.developmichigan.net/
- CBS Detroit – http://detroit.cbslocal.com/2013/02/11/grow-michigan-llc-opens-for-business/
- Petoskey News – http://articles.petoskeynews.com/2013-02-25/small-businesses_37294704
- Crain's Detroit Business– http://www.crainsdetroit.com/article/20130214/NEWS/130219919/grow-michigan-fund-to-help-small-businesses

Targeted CDs

Targeted CDs (certificates of deposit) are a financial instrument that targets how the bank or financial institution holding them utilizes the funds on deposit to support the local economy. The program would define a specific population that would be eligible for loans secured by the CDs (such as a specific sector of the economy, a particular segment of the business community or a defined geographic region).

Where Demonstrated – Here we have a local example in Ann Arbor with the Farmer Fund that was offered through University Bank in collaboration with Selma Café. In this program, the CD serves as collateral for a loan that farmers would use to purchase a hoop house (extending their growing season into the colder months). These loans were extended at 6% interest to the farmers with 2% going to the depositor (for a five year CD), 2% to University Bank (who also originates and services the loan), and 2% to Selma for delivering the farmer and the depositor as customers. The program resulted in $250,000 in loans but there are indications it was not profitable for University Bank and would require more marketing than the 2% fee would cover. This particular program was quite flexible with the bank waiving early withdrawal penalties and allowing the depositor to close the CD and withdraw their funds once the loan is repaid.

Another example is the Green Term Certificate at Self-Help Credit Union in North Carolina that targets deposits in this CD for loans to eco-friendly non-profits. They are also currently developing another targeted CD program that will be used for loans to small businesses in 13 western North Carolina counties. http://www.self-help.org/personal/term-certificates-cds/green-term-certificate.html

Barriers and Challenges – As indicated in the University Bank example above, it is difficult for this type of program to be profitable and have competitive loan rates though there may be an opportunity to charge higher interest rates since most of these borrowers would be unable to secure lending otherwise. From the depositors' perspective, it does provide a modest (but certain) rate of return compared to other equity type investments but has penalties for early withdrawal. One of the biggest risks to mitigate is how to handle the cost of any loan defaults - are the depositor funds at risk if the loan defaults or does the lender charge a sufficient interest rate for bearing the risk of default themselves. The tension point is finding the balance between the bank's fiduciary responsibility to the depositor and a profitable return after allowing for defaults. This is further complicated by regulations that stipulate loan reserves the bank must hold.

Opportunities – Given the challenges, this is still one of the most accessible options available to non-accredited investors. It is also a place that passion for the local food economy, our natural resources and growing visibility of the localization movement could be channeled. The opportunity here is to help interested local banks mitigate and solve for these barriers and challenges either by convening a diverse team from several banks to collectively work on structuring a program that all could offer or providing resources to do the development work that those banks could then use to build the particular programs and products.

Further Resources

- Selma Café – http://selmacafe.org/farmer-fund/
    - PDFs from the University Bank Farmers Fund program are available on request
- Self Help Credit Union – http://www.self-help.org/personal/term-certificates-cds/green-term-certificate.html
- Kulshan CLT – http://www.kulshanclt.org/index.php/communityinvesting/

Self-Directed IRAs

A Self-Directed IRA is an Individual Retirement Account (IRA) that allows the account holder to make investment decisions on behalf of the retirement plan. Most investors believe they already have control over the investment decisions in their IRA, but IRAs held at brokerage firms and other financial institutions are most often restricted to publically traded investments. While the investor does have control over which funds, stocks, bonds and other securities are bought with the money in their account, they are often unable to acquire real estate or securities (whether debt or equity) that are not publically traded. In other words, they cannot invest in their local community.

Self-Directed IRAs provide account holders with this full flexibility to invest more broadly (with a few IRS restrictions where there would be a personal benefit immediately or within the investor's close family). Otherwise, the account holder is free to invest how they choose.

There are two models for the Self-Directed IRA:

- The Custodian model – In this arrangement, a custodian holds the IRA assets, makes all transactions and maintains record keeping for IRS filings and account reporting. Additionally, most custodians also provide client support to understand the IRS regulations and restrictions before completing an investment request.
- The LLC model – In this model, a financial firm establishes an LLC (Limited Liability Corporation) to hold the IRA assets and contracts an IRA custodian for record keeping. The advantage here is that the account holder can be the manager of the LLC and make investments directly from a bank account in the LLC's name. This model is particularly beneficial for an investment strategy that requires quick action such as real estate holdings.

Additionally, most firms that offer the Self-Directed IRA LLC model also provide a Solo 401(k) product for the self-employed. The Solo 401(k) provides the advantage of higher annual contribution limits and less restrictions on prohibited transactions with related parties. However, the account holder must have at least $500 in self-employment income each year or the account is subject to heavy IRS penalties.

Where Demonstrated – There are numerous firms in the United States offering self-directed retirement services. The following are listed as examples of the three product or service offerings. A more detailed list of service providers is included in Appendix I:

- IRA Services provides custodial account services.
- Guidant Financial is a firm in Bellevue, Washington that offers an LLC model Self-Directed IRA.
- Broad Financial in New York City offers both the Self-Directed IRA LLC and the Solo 401(k).

Barriers and Challenges – The greatest barrier here is the relative obscurity of the product and the resulting lack of familiarity with the custodian and financial firms that offer self-directed products and services. When considering one's retirement savings, this is a substantial barrier for many to consider managing their IRA in this manner.

Opportunities – While it would be ideal to have a Self-Directed IRA custodian in the region, that may not be the most practical path to take (though it would be worth the longer-term education and advocacy with the possibility of creating the private sector interest as a business model). A more viable solution might be for local financial institutions to create relationships with one of the national custodian services and then market the Self-Directed IRA as one of their products for customers.

Resources

- Wikipedia – http://en.wikipedia.org/wiki/Self-Directed_IRA
- IRA Services – https://www.iraservices.com
- Guidant Financial – http://www.guidantfinancial.com
- Broad Financial – http://www.broadfinancial.com

Investment LLCs

The Limited Liability Corporation (LLC) is an effective and often used legal structure for facilitating the aggregation of capital for investing in opportunities agreed upon by the members of the LLC. LLCs have the option of being taxed as a pass-thru entity, which means that the LLC itself pays no income taxes and the members report all income and deductions on their individual income tax returns in proportion to their ownership stake in the LLC.

LLCs are widely used and can generally be established for less than $500 in legal fees. The LLC is also open to accredited and non-accredited investors where there are pre-existing relationships.

Where Demonstrated – A recent and local example of the LLC for community capital is in Adrian, Michigan. Last fall after a visit from Amy Cortese, author of *Locavesting*, several community members formed a LLC to raise capital for purchasing a downtown Adrian building that was going into foreclosure. Each initial member of the LLC then invited an additional five people to join the LLC (note the use of pre-existing relationships). The group was successful and purchased the building in April.

Barriers and Challenges – As illustrated through the Adrian example, mobilizing the investors requires a highly motivated and engaged group of people. Also, investment decisions require a majority vote of the members that could stall timely decisions and even be a barrier for some people who feel they do not have control of their money.

Opportunities – The LLC structure could be used for a specific project (like the purchase of the building in Adrian), have a broader objective of investing in multiple businesses or be organized as an investing club.

Resources

- Amerilawyer – http://www.amerilawyer.com/form_a_investment_club_llc/investment_club_llc.htm
- About.com – http://beginnersinvest.about.com/od/holdingmethods/a/Limited-Liability-Companies-LLCs.htm
- The Daily Telegram – http://www.lenconnect.com/article/20130423/NEWS/130429845/1001/NEWS

Local Foundation and Faith-Based Capital

As Michael Shuman points out, foundations are required by law to disburse only 5% of their assets each year. The remaining 95% is typically invested in publically traded stocks and bonds. Just a small percentage of this could be a significant amount of money and invested locally, would be a major source of community capital. The pool of available money is even greater when also considering the holdings of faith-based organizations.

These organizations might consider Mission-related Investments (MRIs) or Program-related Investments (PRIs) which combine financial returns with the social objectives of the foundation.

Where Demonstrated – Paul T. Hogan, Vice President of the John R. Oishei Foundation in Buffalo, NY, is authorized by his board to invest 10% of the foundation's endowment locally through direct loans and by collateralizing bank loans. Mission Throttle is an organization in Southfield, Michigan which is launching a local investment fund in Fall 2013 (available only to accredited investors) to make impact investments that combine investment principles with opportunities for social impact.

Barriers and Challenges – While the opportunity may be great here, the challenges are many. With their missions front of mind and a desire to have as great an impact as possible, foundations and faith-based organizations are likely risk averse and perhaps not sophisticated enough investors (or lack the resources) to do the research, make the connections and perform the due diligence that would be necessary to place their capital wisely in the local economy. From this perspective publically traded stocks, bonds and mutual funds are often a more attractive option.

Opportunities – As accredited investors, foundations (and some faith-based organizations) are able to invest their endowment assets in the local economy and outside the traditional financial markets more freely. However, to deploy this strategy and unlock even a small percentage of the wealth held in local foundations and faith-based organizations, it may be necessary to educate and even provide support to these organizations.

As a first step, a *Faith and Foundations Investment Summit* could be convened to educate organizations about local investing and create the opportunity for connecting faith and foundation capital with their community. Once interest is raised and the potential size of the capital pool is understood, further leadership might be necessary to provide the resources or assemble the team needed for research, networking, connecting and the due diligence to make this opportunity a viable reality.

This strategy has the added benefit of a multiplier effect by influencing the behavior of the individuals in these foundation communities and faith-based congregations as they become aware of the investment choices being made by their organizations.

Resources

- Mission Investors Exchange – https://www.missioninvestors.org/mission-investing/mission-related-investments-mris
- Mission Investors Exchange – https://www.missioninvestors.org/mission-investing/program-related-investments-pris
- Mission Throttle -- http://www.missionthrottle.com

Cooperative Ownership

While the benefits of Cooperative ownership are numerous to the local economy, we will focus specifically in this report on those unique strategies as a community investment opportunity. Before exploring those in more detail though, we would like to highlight the community benefit of the Cooperative ownership model.

Marjorie Kelly, in an article for *Yes! Magazine*, describes co-ops as part of a more generative economy with a living purpose at their core that often includes a social mission that generates beneficial outcomes back to their community.

Evergreen Cooperatives in Cleveland has been widely discussed and is highlighted here for the collaborative nature of their organizational structure. *The Nation*'s article on "The New-Economy Movement" describes Evergreen as a collective of co-ops "linked through a nonprofit corporation, a revolving loan fund and the common goal of rebuilding the economically devastated Greater University Circle neighborhoods. A thoroughly green industrial-scale laundry, a solar installation company and a soon-to-be-opened large-scale commercial greenhouse taps into the purchasing power of the area's large hospital, university and other anchor institutions." In this way, Evergreen endeavors to create a healthy, vibrant and sustainable ecosystem of supply and demand.

From a financial capital perspective, there are a number of emerging ideas that provide co-ops with a unique opportunity to tap into community capital through local investing and with access to both accredited as well as non-accredited investors. These include:

- Stock and debt offerings – Here the cooperative offers various classes of stock – preferred or common, with and without voting rights. Non-voting preferred stock as well as bond issues would be open to potential investors outside of the cooperative membership. These cooperative securities are often exempt from regulation depending on how they are sold and if the offering is confined within the state. Further research would be necessary to understand the specific restrictions in Michigan.
- Pooled capital for revolving loan funds – Michael Shuman explains in *Local Dollars, Local Sense* that as much as 40% of the capital in a business can be invested in other businesses without becoming subject to restrictions of the Investment Company Act. This means a cooperative could organize to pool capital (through debt and equity as described above) and then provide loans to businesses within the community (such as the food sector) that generate returns for the cooperative and original investors.
- Cooperative Development Funds – Cooperative Development Funds are a specific type of cooperative organized to raise capital that funds other cooperatives organized around a specific economic or social objective (such as development in a particular geographic region).
- Investment cooperatives – This is an emerging idea that would require further study to understand its legality within securities law. David Tulis in Chattanooga, Tennessee has written about his idea for the Noogacentric Investment Co-Op that would aggregate the capital of small investors to fund local businesses – connecting those with a desire to invest locally with businesses in the community that need capital.

Where Demonstrated – There are a number of examples of co-ops using several of the ideas above to raise capital and support economic and community development:

- Black Star Co-Op Pub & Brewery in Austin raised $600,000 from a non-voting preferred stock with a 6% dividend. Other examples include Wheatsville Co-Op in Austin and Willy Street Co-Op in Madison.
- Co-Op Power in Massachusetts invests in sustainable energy production for the region.
- La Montanita Food Co-Op in New Mexico finances local food distribution infrastructure with slow money bonds.
- Northeast Investment Cooperative is a community investment cooperative in Minneapolis that allows members to pool their resources and collectively buy, rehab and manage both commercial and residential property in their neighborhood. Combined with the earlier examples of cooperatives issuing debt and equity securities, this is a particularly interesting method of raising capital for investment into financially viable projects and businesses in the community.
- Equal Exchange is a cooperative in Massachusetts that sells fair-trade coffee and is the largest co-op issuer of securities in the country.

Barriers and Challenges – Cooperatives by their nature require a large and diverse membership that could be a barrier to deploying some of these strategies through existing co-ops in the community or challenges for creating new cooperatives specifically to execute any of these strategies.

Opportunities – With the ability to access non-accredited capital and invest that back into the local economy, cooperatives have the potential to be an important tool of community capital. Education and advocacy may be necessary to create interest and stimulate action with these capital ideas.

Resources

- *Locavesting, The Revolution in Local Investing* by Amy Cortese, John Wiley & Sons – Chapter 11, From Brown Rice to Biofuels (Co-ops on the Cutting Edge)
- *Local Dollars, Local Sense* by Michael Shuman, Chelsea Green Publishing – Chapter 3, The Hidden Power of Cooperatives
- Yes! Magazine – http://www.yesmagazine.org/issues/how-cooperatives-are-driving-the-new-economy/the-economy-under-new-ownership
- The Nation – http://www.thenation.com/article/160949/new-economy-movement#
- Evergreen Cooperatives – http://evergreencooperatives.com
- Co-Op Power – http://www.cooppower.coop/about-us/who-we-are
- Equal Exchange – http://equalexchange.coop
- The Republican – http://www.masslive.com/business-news/index.ssf/2013/03/real_pickles_in_greenfield_offering_coop_shares.html
- Walnut Street Co-op – http://walnutstreetco-op.org/revloan.html
- The Guardian – http://www.guardian.co.uk/money/2012/jun/22/community-investment-schemes
- Northeast Investment Cooperative – http://neic.coop/wp-content/uploads/2012/04/NEIC_Overview_Summer2012.pdf
- Northeast Investment Cooperative – http://neic.coop
- National Cooperative Business Association – http://www.ncba.coop/ncba/about-co-ops/co-op-sectors/37-financial-services
- Understanding New Cooperative Models – http://web.missouri.edu/~cookml/CV/RAE04.pdf
- The Chattanoogan – http://www.chattanoogan.com/2013/4/24/249715/Local-Company-Borrows-At-33-Do-We.aspx

Mutual Fund for Local Investors

While the publically traded market is filled with mutual fund options for investors, there is not yet a geographically based mutual fund that would provide investors with a relatively local option for their personal and retirement savings.

Where Demonstrated – Not yet demonstrated.

Barriers and Challenges – As a new mutual fund offering, the challenges are many. The most significant being access to sufficient capital for the fund to be profitable, a viable pool of potential companies that meet the investment criteria and resources for the necessary due diligence and fund management.

Opportunities – With the growing interest to invest locally, it would seem a publically traded, geographically focused mutual fund would be a popular option for individual investors (both accredited and non-accredited). The question for further study might be how existing financial infrastructure and perhaps a more focused fund (such as a local mortgage fund) might be a realistic path to launching a fund.

Resources
No additional resources.

Escheat Funds

The idea here is simple enough; deploy a small percentage of the state's unclaimed and abandoned escheat fund as a source of capital for investing locally.

Where Demonstrated – A 2005 study by the Center for Community Capitalism at the University of North Carolina at Chapel Hill chronicles the legislative effort in North Carolina to deploy their $600 million unclaimed and abandoned property escheat fund as a source of capital rather than the more highly visible and potentially controversial public pension funds.

Barriers and Challenges – The utilization of escheat funds is likely regulated by law and may require legislative action (and be a state-wide initiative) to deploy as community capital. Even if legal regulations are not a limitation, it would still involve alignment within the state treasurer's office and perhaps even changes in their investment strategy for the fund.

Opportunities – To be sure, this strategy is a long shot and requires action at the state level (perhaps even legislative). It is also necessary to understand how escheat funds are currently held and invested in Michigan. With Michigan's container deposit, it is fair to assume that the fund is likely as large as North Carolina's ($600 million in 2005) or even greater.

Resources
- Center for Community Capital – http://www.ccc.unc.edu/abstracts/0905_Escheats.php

Methods to Distribute Community Financial Capital

Revolving Loan Funds

A revolving loan fund (RLF) is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones. Revolving loan funds can be structured to target specific populations, industries, geographic areas or economic development strategies.

Where Demonstrated – Revolving loan funds are a widely used tool of economic and community development. Tim Robinson at the Lenawee Economic Development Corporation used the proceeds from an USDA loan to capitalize a revolving loan fund for local economic development in Lenawee County, Michigan.

Barriers and Challenges – As would be expected, the biggest challenge is securing the source of the initial capitalization of the fund. Funding is usually a combination of public sources, financial institutions and philanthropic organizations.

Opportunities – Revolving loan funds are an effective strategy that provides critical financing for business start-ups and expansions. They also have a multiplier effect as the first rounds of loans are paid off and the proceeds are used to write new loans.

Resources

- Council of Development Finance Organizations – http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=rlffactsheet.html

Community Development Loan Funds

Community Development Loan Funds (CDLF) are private loan funds dedicated to delivering responsible, affordable lending to help economically and otherwise disadvantaged people and communities. Over 90% of CDLFs are nonprofit organizations, governed by a board of directors.

Where Demonstrated – 2010 U.S. Treasury department data indicates there were 160 reporting CDLFs at that time with $3.9 billion in loans outstanding. Of this amount, $929 million was in loans to small businesses and another $768 million for commercial real estate. The majority of the remaining loans were for single-family mortgages.

Barriers and Challenges – This strategy requires a significant infrastructure, either in the formation of a CDLF or a Community Development Financial Institution (CDFI – see the next section for additional information) that has a CDLF.

Opportunities – Historically, CDLFs have looked to banks, government and mission-oriented institutional investors for capital but are increasingly looking to the individual as an emerging source of investment. CDLFs may issue bonds, generally with a fixed rate of return between 1% and 4% with terms of three to five years. A CDLF bond issue would be a way to tap into the individual investor.

Resources

- AltruShare Securities – http://altrushare.com/pdf/CDLF_Sept2012.pdf
- U.S. Treasury – http://www.treasury.gov/resource-center/sb-programs/Pages/Overview-for-CDLFs.aspx

Community Development Corporations

A community development corporation (CDC) is a not-for-profit organization incorporated to provide programs, offer services and engage in other activities that promote and support community development. CDCs usually serve a geographic location such as a neighborhood or a town. They often focus on serving lower-income residents or struggling neighborhoods. They can be involved in a variety of activities including economic development, education, community organizing and real estate development. These organizations are often associated with the development of affordable housing.

Where Demonstrated – While CDCs are largely focused on providing affordable housing to lower-income residents or inner city neighborhoods, more CDCs are getting involved with non-residential projects, equity investments in businesses and offering Individual Development Accounts (IDA). POWER, Inc. (http://www.powerclf.org) is a CDC in Washtenaw County that offers IDAs.

Barriers and Challenges – As a non-profit organization, the CDC would be subject to the annual fluctuation of grants and gift-giving unless there is a more stable and permanent funding in place.

Opportunities – Are there existing CDCs in the region? And is there an opportunity to work with them to strengthen and expand their existing programs or even develop new initiatives?

Resources

- Community Wealth – http://community-wealth.org/strategies/panel/cdcs/index.html
- Wikipedia – http://en.wikipedia.org/wiki/Community_development_corporation
- North Carolina Rural Center – http://www.ncruralcenter.org/index.php?option=com_content&view=article&id=85&Itemid=141

Economic Development Corporations

An economic development corporation (EDC) is a legal entity/organization directed by a board of directors and/or members, for the purpose of creating new jobs and income growth. This is one of many tools, which have been used by numerous communities, counties and regions. Traditionally, these corporations have focused on marketing an area to attract new business, especially manufacturers. Many however, have gone beyond manufacturing recruitment to include:

- Attracting new basic employers (manufacturing, non-manufacturing, and non-local government offices). Efforts in this area tend to include the creation of promotional literature, attending trade shows, participating in State promotional efforts and building infrastructure for new employers.
- Improving the efficiency of existing firms (the retention and expansion of existing firms). Strategies might include assisting with the procurement of job training funds, sponsoring business seminars, encouraging collaborations and industry clusters.
- Improving the ability to capture dollars. Strategies in this area would focus on retaining retirement income in the community, increasing the amount of purchases made locally, providing more services locally, etc.
- Encouraging the formation of new businesses. Strategies may include encouraging and assisting entrepreneurs to form businesses, which respond to the changing needs of the community. The formation of investment capital, revolving loan funds, creation of incubators, building shell spec buildings, and providing management assistance might assist these efforts.
- Increasing aid received from broader government. A significant portion of a community's income is composed of payments from things like the University, vocational schools, state & federal government, social security, veterans benefits, agricultural land conservation assistance, military contracts and installations, and aids for such things like schools, parks, streets, etc.. Grant writing and sponsoring federal procurement seminars might be approaches in this area.

Where Demonstrated – Economic Development Corporations have been widely used by municipal governments to build industrial parks and provide manufacturing infrastructure. As highlighted above, more innovative uses of this organizational structure would be to access local capital and encourage new businesses. Portland Development Commission is an example where this scope has been extended. http://www.pdc.us/welcome.aspx

Barriers and Challenges – The EDC is a significant organizational structure and would need a board, management resources and available capital.

Opportunities – The EDC is an effective way to channel public funds, leverage existing community knowledge by bringing the public and private sector together, undertake larger projects that require multi-stakeholder participation, raise awareness in the community and many other benefits illustrated in the resource links. It is a familiar organizational structure and could be a means to create a large incubator kitchen, shared manufacturing resources as well as capital and loan funds.

Resources

- Center for Community and Economic Development – http://www.uwex.edu/ces/cced/economies/developmentorganizations/economic_dev_corp_steps.cfm (this is a Wisconsin resource, but a useful summary)
- Michigan Advantage – http://www.michiganadvantage.org
- Western City – http://www.westerncity.com/Western-City/September-2012/The-Next-Generation-of-Economic-Development-Tools-Community-Development-Corporations/

Capital Access Funds

Capital Access Funds is a specific private equity program at Bank of America focused on meeting the targeted mandates of public pension funds, endowments and other institutional investors. Based on the specific mandates of these investors, the fund serves underserved markets, diverse or minority managers, a specific geographic region, a particular stage of development, or within a certain size range.

Where Demonstrated – As mentioned, this is a particular program of Bank of America. They list the California Public Employees' Retirement System, the California State Teachers' Retirement System, New York State Teachers' Retirement System, and the New York State Common Retirement Fund as clients with over $1.5 billion in capital managed or advised since 2002. With funding from the Kaufman Foundation, the UNC Center for Community Capital has been documenting the social impact of the fund's investments. These Annual Reports illustrate the economic opportunities created by investments in minority-run ventures, inner-city companies, rural enterprises and ventures that hire lower-wage workers or supply underserved customer groups.

Barriers and Challenges – There are a number of challenges to consider here, first with the specific BOA program and then with the idea more generally. As mentioned earlier in the 1% pension shift, any change in the pension investment strategy involves a host of fiduciary issues for those charged with managing the pension fund and must be considered first. Then there is the question of whether this particular financial institution would be appropriate for the specific pension fund under consideration. It is also of concern whether a large financial institution like Bank of America could actually place small amounts of capital at the level of need in local communities.

Opportunities – This type of program provides an alternative means for locally investing pension funds whether with the specific BOA program or by partnering with a local or regional bank or financial institution with the necessary money management experience. In any event, this idea opens a discussion of other means of accessing pension capital for local investing other than a direct 1% allocation.

Resources

- Center for Community Capital – http://www.ccc.unc.edu/abstracts/BankOfAmerica.php
- Center for Community Capital – http://www.ccc.unc.edu/documents/2006Social.Impact.Rpt.pdf
- Center for Community Capital – http://www.ccc.unc.edu/documents/2007.Social.Impact.Rpt.BAACF.pdf
- Bank of America – http://corp.bankofamerica.com/business/smb/bamlcaf

Community Development Venture Capital Funds

Community Development Venture Capitalists (CDVC) start not with a financial benchmark, but with a desire to use the tools of venture capital—due diligence, deal structuring, active board involvement, portfolio management—to promote development in economically disadvantaged regions, or to support companies whose mission is built around principles of social and environmental responsibility

The central task of CDVCs is to demonstrate that what is generated from the new enterprise creation process are three kinds of returns: financial returns to investors, social returns to the community, and environmental returns to the local ecosystem

Where Demonstrated – The Community Development Venture Capital Alliance website lists over 40 funds. http://cdvca.org/cdvc-fund-database/national-cdvc-funds/

Barriers and Challenges – Any venture capital fund would require infrastructure, experience, management and capital access to organize. A CDVC fund has the added complexity of providing social and environmental as well as financial returns.

Opportunities – While a local CDVC fund might be a long-term vision, it could be valuable in the short-term to study the triple bottom line aspects in more detail (triple bottom line refers to a business approach that considers people, planet and profits equitably).

Resources

- Community Development Venture Capital Alliance – http://cdvca.org

Strategies for Both Aggregating and Distributing Financial Capital

Community Development Financial Institutions (CDFIs) and Community Investment Notes

Community Development Financial Institutions (CDFIs) serve economically distressed communities, underserved populations or other sectors that otherwise have difficulty obtaining restricted credit, capital or other financial services from mainstream financial institutions. CDFIs may be best known for their work in creating affordable housing for low-income communities and populations, but are increasingly being viewed as a resource for entrepreneurs and stimulating the local economy along with community development.

CDFIs typically receive their funding from commercial banks through low-interest loans the banks use to fulfill their Community Reinvestment Act mandate to lend locally. Community Development Financial Institutions also use foundation grants as a source of capital. CDFIs are increasingly using Community Investment Notes to accept funds directly from individuals who earn interest with the original investment returned at the maturity of the notes.

Another way for individual investors to invest in CDFIs is through Calvert Foundation Community Notes that invests the pooled money into CDFIs across the country.

Where Demonstrated – Mountain BizWorks is a CDFI in Asheville, NC that offers investments as small as $1,000 that funds their small business loan program and may be the best example of a CDFI funding its revolving loan program through direct community involvement.

Northern Initiatives is a CDFI in the Michigan Upper Penisula and northern Lower Peninsula that provides loans to entrepreneurs and small businesses to stimulate the local economy. They have issued bonds in the past to raise capital for the revolving loan fund.

The Opportunity Resource Fund is another Michigan CDFI (with offices in Lansing and Detroit) that uses a revolving loan program to fund affordable housing, small business creation and community development. They are currently funded by donations, grants, bequests and loans from foundations, corporations, religious organizations and individuals. They are currently considering Community Investment Notes.

The Economic and Community Development Institute (ECDI) is a CDFI in Columbus Ohio that provides microlending to small businesses. They currently have an Invest Local Ohio program underway with the objective of raising $10 million from both charitable contributions and investments notes with three and five year maturities.

There are additional examples listed below in the resources of both CDFIs organized to assist small businesses in a local community and those that offer investment options directly to individuals.

Barriers and Challenges – Operating a CDFI and managing a Community Investment Note program is a major undertaking requiring the dedication and passion of experienced and knowledgeable leaders and the initial capital funding to launch.

Opportunities – Community Development Financial Institutions and Community Investment Notes are one of the most available options today for communities to gather capital from local investors (accredited and non-accredited) and then loan that money back into the community to grow the local economy and develop the community. The opportunity here is for advocacy and education, working in the short term with an existing CDFI that has a community and economic development mission to see if a Community Investment Note program would be appropriate for them. Over the longer term interest could be cultivated in a full service small business CDFI such as Mountain BizWorks, ECDI or Northern Initiatives.

Resources

- Coalition of Community Development Financial Institutions – http://www.cdfi.org
- http://locavesting.blogspot.com/2011/10/cdfis-under-radar-no-more.html
- Calvert Foundation Community Notes – http://www.calvertfoundation.org/invest/how-to-invest/community-investment-note
- Opportunity Finance Network – http://opportunityfinance.net/#3
- Private Wealth – http://www.fa-mag.com/news/impact-investments-with-a-local-connection-14102.html
- Mountain Xpress – http://www.mountainx.com/article/49034/Lending-locally-CDFIs-help-keep-your-investments-at-home
- Mountain BizWorks – http://www.mountainbizworks.org
- Northern Initiatives – http://www.northerninitiatives.com
- Opportunity Resource Fund – http://oppfund.org
- Economic and Community Development Institute, Columbus, OH has created a local investment fund open to non-accredited investors
    - http://www.ecdi.org/index.html
    - https://www.youtube.com/watch?feature=player_embedded&v=8WAg201TyEw
- The Republican – http://www.masslive.com/business-news/index.ssf/2013/04/common_capital_looking_for_local_investo.html
- Common Capital – http://www.common-capital.org
- Community Loan Fund – http://www.communityloanfund.org
- New Jersey Community Capital – http://www.newjerseycommunitycapital.org
- Community Capital New York – http://communitycapitalny.org
- Coastal Enterprises, Inc. – http://www.ceimaine.org
- Virginia Community Capital – http://www.vacommunitycapital.org
- Virginia Community Capital – http://www.vacommunitycapital.org/realestateoverview
- Community Capital of Vermont – http://www.communitycapitalvt.org
- The Cooperative Fund of New England is a CDFI that loans to co-ops and non-profits and received individual investments as small as $1,000 – http://www.coopcapital.coop/coopcapital
- Center for Community Capital – http://www.ccc.unc.edu/abstracts/0801_Business.php

Small Business Investment Companies (SBIC)

The Small Business Investment Company (SBIC) Program is one of many financial assistance programs available through the U.S. Small Business Administration. The structure of the program is unique in that SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses.

The SBIC program currently offers its licensees access to debt capital with a 10-year maturity and semi-annual interest payments. The structure of this financing means that most SBICs focus primarily on providing small businesses with debt or debt with equity features. SBICs will typically focus on companies that are mature enough to make current interest payments on the investment so that, in turn, the SBIC can meet its interest obligations to the SBA.

SBICs may not invest in the following: other SBICs, finance and investment companies or finance-type leasing companies, unimproved real estate, companies with less than 51% of their assets and employees in the United States, passive or casual businesses (those not engaged in a regular and continuous business operation), or companies which will use the proceeds to acquire farm land. SBICs may not provide funds for a small concern whose primary business activity is deemed contrary to the public interest.

Where Demonstrated – There are over 300 licensed SBICs in operation today. SBICs pursue investments in a broad range of industries and geographies. Some SBICs invest in a particular field or industry in which their management has expertise, while others invest more generally. There are two SBICs in Michigan, Dearborn Capital Corporation and EDF Ventures II, LLP. http://www.sba.gov/content/all-sbic-licensees-state#Michigan

Barriers and Challenges – Since they are privately owned, creating an SBIC would require the appropriate private sector interest and access to financial resources.

Opportunities – The SBIC is an interesting way to gain access to SBA assistance and loan guarantees.

Resources
- U.S. Small Business Administration – http://www.sba.gov/content/sbic-program-0

Business Development Companies (BIDCOs)

A Business Development Company is a form of publicly traded private equity in the United States that invests in small, up and coming businesses. This form of company was created by Congress in 1980 as an amendment to the Investment Company Act of 1940 and pays little or no corporate income tax, passing taxable income through to the investor pool. While similar to Venture Capital or Private Equity, these funds can be open to all investors, accredited and non-accredited, when offered in the open market.

Where Demonstrated – There are many examples of this type of investment product as a more conventional investment (see list in the Wikipedia article). A more New Economy example is Citizens Economic Development Initiative (CEDI) in New York City. This organization is in the planning stages and would allow its members to share ideas, create projects, discover resources and collaborate to create a better future. They also have plans to launch a BIDCO that creates a capital pool to invest in the projects of their members. http://cedi-us.com

Barriers and Challenges – There are many challenges with creating, marketing and managing a publically traded fund such as this. As such this is no small undertaking and would require experienced management with the ability to place public offerings and the knowledge to invest it appropriately in the local economy.

Opportunities – BDCs are typically started by wealthy investors who already have experience in the market and are looking for ways to raise a larger pool of capital. While this strategy would require private-sector interest and initiative to launch, it is a great tool for accessing non-accredited investors that could be advocated as a desired business model in the local economy.

Resources

- Wikipedia – http://en.wikipedia.org/wiki/Business_Development_Company
- Investing Daily – http://www.investingdaily.com/11059/business-development-companies-bdcs-another-tax-advantaged-investment/

Emerging Ways to Connect Local Investors with Investment Opportunities

Investment Clubs and Investor Networks

This strategy can take a number of formats. Perhaps the most widely known is LION (Local Investing Opportunities Network). The first LION was formed in Port Townsend, Oregon to bring together local investors and businesses each month for the purpose of creating pre-existing relationships and circulate business plans. Since the networking aspect of the LION results in relationships, the groups often involve non-accredited investors as well as high-worth individuals.

Other models involve membership – either to pool investment capital (as in the LLC example in Adrian) or to connect entrepreneurs and other business owners with investors.

Where Demonstrated – In addition to the original LION in Port Townsend mentioned above, Seacoast Local in New England has a thriving club.

There is an investment club in Findlay, Ohio that connects entrepreneurs with investors and as a membership organization facilitates networking that allows non-accredited investors to participate. The Findlay club uses local business school students to vet any business plans before they are presented. After connections are made, the club provides further legal assistance to create debt or equity documents, create LLCs or other legal documents. There is a significant annual fee of about $1,500 that provides the budget for meetings and legal support.

Barriers and Challenges – As membership organizations, there are infrastructure issues that vary in complexity depending on the nature and mandate of the club. There is also the matter of attracting and recruiting members as well as entrepreneurs and business owners interested in presenting their business plans.

Opportunities – The organic nature of these clubs and networks make them an effective way to create relationships between non-accredited investors and business owners, facilitating investment. This strategy could be combined with a number of the other strategies presented in this report such as the community portal or local investment communities.

Resources

- Local 20/20 – https://l2020.org/LION
- Seacoast Local – http://www.seacoastlocal.org/join/our-initiatives/community-capital/local-investors-network

Local Capital Portals

Local capital portals lay the foundation for local stock exchanges and are one of the more innovative ideas currently being explored and developed. A fully functional local exchange would facilitate both an initial offering and the subsequent trading of securities in the community. A local stock exchange has several multiplier effects in the local economy. First, they open access to local capital and perhaps provide a more available source of capital for entrepreneurs than traditional bank financing. They also keep more money in the local economy from investment dollars, to capital development, new businesses, consumer spending and employment.

Where Demonstrated – While there is not yet a local stock exchange in operation, there are a number of businesses and support models coming online that lay the foundation and provide an indication of how they might operate.

- ChangeXchange NW – is a self-described engine for growing community capital that combines education, legal tools for investing, expertise, strategies for measuring success, marketing and programs that unite community and economic development all within SEC compliance and under legal oversight. It appears to combine crowdfunding with a LION model to provide a platform for local investing. ChangeXchange endeavors to work in the overlapping space of social enterprise, crowdfunding, the local movement and impact investing. This may well be one of the most advanced and consolidated efforts to date in realizing the potential for a local stock exchange. Their business model is to engage local governments to provide training, mentoring and tools for a fee.
- Springboard Innovation – is a social enterprise affiliated with ChangeXchange NW working for community and economic development with a strategy to teach emerging leaders of social change, convene change agents, build innovative cities and fund new social ventures.
- SoMolend – is a web-based platform that connects business borrowers seeking loans with investors looking to make a return on investment by doing well while doing good. They describe themselves as a match.com for small businesses and local investors. SoMolend lenders include individuals, banks, financial institutions and local governments. In this way they are building a local, financial eco-system where banks can share risk with municipal governments.
- Localstake – is a SEC registered broker dealer doing much the same thing as SoMoLend, but with equity rather than debt as an online marketplace for investing in local businesses. With a web-based platform, they perform the due diligence for businesses seeking to raise equity capital and then list them on their website for potential investors to browse. Once an investor makes the decision to invest in one of the offerings, Localstake then facilitates the completion of all legal documents and transfers funds from investors to the small businesses. Localstake is based in Indiana and has plans to expand into Michigan.
- Fund St. Louis – is a community crowdfunding web-based platform that functions like a regional Kickstarter with a focus on economic and community development.
- Mission Markets – is a web-based platform with the technology and expertise to connect investors to mission-focused organizations, supporting a broad range of financial products from donations to debt and equity investments. Mission Markets provides the back-end transactional capacity for ChangeXchange NW. As such, Mission Markets endeavors to provide turnkey technology solutions for communities that wish to create a portal as a private capital marketplace.
- Commonwealth Group – is a progressive organization dedicated to the study and promotion of socially responsible businesses and financial institutions. Among their many services are assisting small businesses with a Direct Public Offering (DPO) in compliance with SEC regulations.

- LanX – is an initiative in Lancaster, PA to create a local stock exchange. LanX started as a research project and continues to move closer to being a real business. They are currently seeking a planning grant to address the technical and regulatory challenges associated with the concept. The five year start-up budget is estimated at $5.5 million, once these challenges are resolved.

Barriers and Challenges – While local stock exchanges were more commonplace 100 years ago, the markets have now consolidated into a few, highly regulated exchanges for larger, publically traded securities. This dominance has eliminated all but the idea for local markets, essentially making it a new idea but now with regulatory hurdles and lack of consumer awareness.

Opportunities – While launching a local stock exchange is a more distant strategy, it can be considered in three phases that provide opportunities for nearer term action:

- Start with an information-sharing site that begins to condition small businesses and entrepreneurs for the type of disclosure and transparency that will be required for attracting and engaging outside investors. This also creates exposure for local investing opportunities and begins to re-educate the investing public.
- Add the capacity for match matching between companies or entrepreneurs seeking capital and local investors looking for investment opportunities in their community.
- And finally realize the full potential of this strategy with a local stock exchange that provides local investors with greater liquidity and the ability to sell their holdings in an open market.

Resources

- *Locavesting, The Revolution in Local Investing* by Amy Cortese, John Wiley & Sons – Chapter 13, Back to the Future (The Rebirth of the Local Stock Exchange)
- *Local Dollars, Local Sense* by Michael Shuman, Chelsea Green Publishing – Chapter 8, Local Exchanges
- ChangeXchange NW – http://www.changexchangenw.org
- Springboard Innovation – http://www.springboardinnovation.org
- SoMoLend -- http://somolendusa.com
- Localstake – https://localstake.com
- Fund St. Louis – http://fundstlouis.org
- Mission Markets – http://missionmarkets.com
- Commonwealth Group – http://commonwealthgroup.net
- Franklin & Marshall College – http://www.fandm.edu/business/lancaster-stock-exchange/lancaster-stock-exchange
- Corvallis Sustainability Coalition – http://sustainablecorvallis.org/2013/03/town-hall-attendees-cast-their-vote-for-local-investing/

Peer-to-Peer Lending

Peer-to-peer lending is an alternative to traditional loans and investing options. Various web platforms are available that connect people who need money with people who have money to invest. While investors have the risk of nonpayment or default by the borrower, they can earn as much as 10% on their investment. These platforms also provide an alternative for the borrower not able to secure conventional financing.

Where Demonstrated – Several of the more popular websites include:

- SoMolend – already presented and discussed in the section on community portals.
- Prosper – Prosper allows people to invest in each other in a way that is financially and socially rewarding. On Prosper, borrowers list loan requests between $2,000 and $35,000 and individual lenders invest as little as $25 in each loan listing they select. In addition to credit scores, ratings, and histories, investors can consider borrowers' personal loan descriptions, endorsements from friends, and community affiliations. Prosper handles the servicing of the loan on behalf of the matched borrowers and investors. To date, Prosper has over 1.6 million members and has funded over $400 million loans.
- Lending Club – Lending Club was created in 2007 as an alternative to traditional banks. This online financial community brings together creditworthy borrowers and savvy investors so that both can benefit financially. $1.8 billion in loans have been funded to date, paying interest of $157 million to investors.
- Kiva – Kiva is a similar platform, though as a non-profit the object is not a financial return on investment. Instead, Kiva provides microfinance loans with the mission to connect people through lending to alleviate poverty. You do receive your initial investment principal back when the loan is repaid which you can re-invest in another loan project or withdraw for your own use. In this way, your money does social good while you do not need it personally. While Kiva's work to date has been focused outside the United States, however in 2012 Kiva brought their model into the United States launching first in Detroit and then in Flint in May 2013. The initial four Detroit entrepreneurs were fully funded and Flint's initial four entrepreneurs' campaigns are currently underway.

Barriers and Challenges – There is risk associated with investing in loans through these websites as reflected in the returns they potentially yield. As such, investors should realize their original investment is potentially at risk. Also, investors are relying on information presented over a web platform rather than knowing the individuals or businesses personally. This distance and enhanced risk may be prohibitory for some investors.

Opportunities – The opportunity here is to realize the potential for connecting borrowers and investors in this manner so that a community portal might eventually include such a capability. In the meantime, education and perhaps even advocacy for these platforms would introduce them as a funding and investment option to the community.

Resources

- SoMoLend -- http://somolendusa.com
- Prosper – http://www.prosper.com
- Lending Club – http://www.lendingclub.com
- Kiva – http://www.kiva.org/start
- Kiva Detroit – http://www.kiva.org/detroit
- Kiva Detroit – http://www.kivadetroit.org/Kiva_Detroit/Kiva_Detroit.html
- Kiva Zip – http://zip.kiva.org

Crowdfunding

Last year's federal JOBS Act (Jumpstart Our Business Startups) included provisions that would allow non-accredited investors to purchase stocks through internet portals. The bill also reduces the filing and reporting requirements for companies that make a public offering. The bill provided that the SEC develop rules and regulations to implement this provision of the act by last December. To date those rules have not been issued.

Based on the final SEC rules, the potential here is huge for both small, local companies and the non-accredited investor. With filing requirements reduced, this would open equity investment as an option for a multitude of small businesses that are not able to consider such an option with the high costs of a public offering under the current regulations. Likewise, the non-accredited investor who has only has legal access to stock offerings through the publically traded markets would now have the autonomy and ability to invest their savings as they choose.

Where Demonstrated – While the SEC regulations are not yet issued there is already demonstrated much potential in this space. First, the success and popularity of websites such as Kickstarter and Indiegogo demonstrate the willingness of a large number of people to already spend their money through such portals for as little as a coffee mug and mention in a list of donors. Imagine the potential when these same people can also own an equity share in the business.

Popularise and Fundrise are two websites that currently involve the community in the development of new building projects as well as provide them an opportunity to invest. These sites currently comply with SEC filing regulations and are therefore restricted to large projects with the capacity to make that investment in legal fees profitable.

Barriers and Challenges – As mentioned, the current and most significant hurdle is the SEC regulations. Once these regulations are issued it is expected that several internet portals will quickly come on line.

Opportunities – We do not think the importance and significance of this opportunity can be emphasized enough. As we await SEC regulations, the biggest opportunity is to develop a local, community portal that could easily be expanded to add crowdfunding capability once in place. In the meantime, this portal would provide education to the community of what is coming, introduce local companies that might consider such a public offering and begin to empower the non-accredited investor for action.

Resources

- Wikipedia – http://en.wikipedia.org/wiki/Jumpstart_Our_Business_Startups_Act
- People's Community Market – http://peoplescommunitymarket.com/2013/03/03/success-of-share-match-shows-the-power-of-small-investors/
- Popularise – https://popularise.com/home
- Fundrise – https://fundrise.com

Opportunities for Education and Advocacy

Local Economy Communities

Local Economy Communities is a collaborative effort working with local residents and public officials to establish a community preference for sustainable and equitable public policies, to promote a buy local movement, to make efforts to move the funds of local governments to local banks, and to increase local procurement.

Where Demonstrated – Seacoast Local is a New England non-profit network of local, independently owned businesses with the mission to educate the region about the community benefits of rooting more money locally, in order to increase their region's economic, community and environmental strength. They come together to lead this transformation, within their own businesses and across the community. Their objectives are education, advocacy and transformation of the local economy.

Barriers and Challenges – With organizations already in place and efforts underway it may be more difficult to introduce a more comprehensive effort under one organization.

Opportunities – While the local community may already have Buy Local organizations and government leadership, Seacoast Local appears to be a comprehensive initiative for education, advocacy and transformation. It raises the question of how to most effectively bring the largest effort for the local economy under one umbrella of the most stakeholders, both private and public sector.

Resources

- Seacoast Local – http://www.seacoastlocal.org/join/about-seacoast-local
- Seacoast Local – http://www.seacoastlocal.org/join/our-initiatives

Appendices

- Appendix I – Self-Directed IRA Service Providers
- Appendix II – Further Resources

Appendix I – Self-Directed IRA Service Providers

Company Name	Web Address	Location
Broad Financial	http://www.broadfinancial.com/	New York
Guidant Financial	http://www.broadfinancial.com/	Washington State
IRA Resources Inc	http://www.iraresources.com/	California
Equity Trust	http://www.trustetc.com/	Ohio
uDirect IRA	https://www.udirectira.com/index.php	California
Entrust	http://www.theentrustgroup.com/	California
Asset Exchange Strategies	https://assetexchangestrategies.com/	Texas
Millennium Trust	https://mtrustcompany.com/	Illinois
American Pension Services	https://americanpension.com/pages/home	Utah
IRA Services	https://www.iraservices.com/	California
Sunwest Trust	http://www.sunwesttrust.com/	New Mexico
First Trust Company of Onanga	https://www.ftconaga.com/	Kansas
Horizon Bank	http://www.myhorizonira.com/	Texas
IRA Financial Group	http://www.irafinancialgroup.com/	New York
Direct Capital Financial Corp	http://www.directcapitalfinancialcorp.com/index.html	Illinois

Appendix II – Further Resources

Community Capital resources

- Center for Community Capital – http://www.ccc.unc.edu
- Sustainable Tompkins – http://sustainabletompkins.org
- North Carolina Rural Economic Development Center – http://www.ncruralcenter.org/index.php?option=com_content&view=article&id=406:promising-strategies&catid=46
- Mountain Xpress – http://www.mountainx.com/article/48765/Invest-local - A series of columns about local investing to illustrate how such investing can change Asheville and how other communities across the country are already adopting similar local strategies.

Resources for county and local governments

- National Association of Counties – http://www.naco.org/Pages/default.aspx
- National Alliance of Community Economic Development Associations – http://www.naceda.org
- National Association of County Administrators – http://icma.org/en/na/home
- Michigan Municipal League – http://www.mml.org/resources/information/economic_development.htm
- City of Cleveland Department of Economic Development – http://www.city.cleveland.oh.us/CityofCleveland/Home/Government/CityAgencies/EconomicDevelopment

Other Resources

- Community Economic Toolbox – http://economictoolbox.mit.edu