



COMMUNITY IMPACT INVESTMENT COALITION

OF BRITISH COLUMBIA

Unleashing Impact Investment for BC Communities
August 2017

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Communities across British Columbia require new ways to access capital for sustainable business development, social enterprise, environmental sustainability and local food systems. Rural, northern, indigenous and urban communities all face challenges to their economic, social and environmental futures. As well, studies by various organizations in BC have consistently documented that entrepreneurs and businesses identify a lack of business investment capital as a major barrier to business development and expansion.

One opportunity to bridge this gap is through community impact investing, which offers local residents and institutions the means to place some their money in local community impact investment funds.

In 2013 alone, British Columbia residents contributed over \$4.7 billion to their Registered Retirement Savings Plans. Most of this capital is invested out of province and country, and produce little or no local benefits. If just 5% of these contributions were retained in British Columbia, that would unleash over \$235 million for local community impact investment. Our province requires its own made-in-BC local investment fund program to redirect capital back into our own communities. This will provide a financial return to investors, a social return to communities and a benefit to the province.

BC has little enabling legislation and regulation for community impact investment compared with many other jurisdictions in Canada and the US. In Nova Scotia, over \$75 million has been invested by provincial residents into Community Economic Development Investment Funds (CEDIF). Investment into a CEDIF results in an investor tax credit issued by the province, which incentivizes Nova Scotians to keep a portion of their wealth circulating within their own communities. CEDIF's are successfully financing renewable energy, agriculture and community economic development projects and businesses (one highly successful CEDIF is FarmWorks www.FarmWorks.ca). In addition to the investor tax credit, the Nova Scotia CEDIF program is successful because of very reasonable and strategically aligned Securities legislation, policies and exemptions that allow CEDIFs to be successfully started and managed by small, primarily volunteer-run organizations.

As a result, many organizations in BC are requesting that the BC Provincial Government enact legislative and policy changes to enable the creation of community impact investment funds in BC. These organizations include the Union of BC Municipalities; the BC Chamber of Commerce; the BC Community Impact Investment Coalition; the Canadian CED Network; the Southern Interior Beetle Action Coalition; the BC Rural Advisory Council; and the BC Co-operative Association. We are also requesting short-term changes to the Securities Regulations governing Community Investment Co-operatives to remove barriers to their success.

The Community Impact Coalition of BC has representation from several organizations actively involved in promoting community impact investing. On behalf of these organizations - and in support of the UBCM and BC Chamber resolutions – the Community Impact Coalition of BC respectfully requests that the BC Provincial Government undertake the following actions in support of community impact investing:

- 1.) That the Province strike a Community Impact Investment Task Force (with practitioner representation) to work with the Provincial Government to create a BC Community Investment Program similar to the Nova Scotia CEDIF program.
- 2.) That the Province, in the short term, amend the BC Securities Local Instrument 45-530 governing co-operatives to:
 - a. Increase the \$5,000 cap per investor per co-operative by raising it to a higher maximum;
 - b. Remove the 12 month membership requirement for purchasing investment shares;
 - c. Eliminate the limit on members (currently capped at 150) in a co-operative which is issuing investment shares under this Instrument; and
 - d. Permit BC co-operatives to raise capital under an Offering Memorandum without the need for expensive audited financial statements.
- 3) That, as in Nova Scotia, the Province allow BC Co-ops to hold investments in other entities without requiring them to comply with all the onerous regulatory requirements imposed upon investment funds.

ATTACHMENTS:

- 1.) UBCM Resolution B36-2016
- 2.) BC Chamber of Commerce Resolutions #13 & #14 2017 AGM

ADDITIONAL MATERIAL AVAILABLE:

- The BC Rural Centre website has a variety of videos and documents on successful local investment funds across Canada <https://www.bcruralcentre.org/focus/community-investment/>
- ***Enabling Community Investment Policy Brief***, Community Social Planning Council of Greater Victoria
www.communitycouncil.ca/sites/default/files/Enabling_Community_Investment_Policy_Paper_Final_web_0.pdf
- ***The BC Community Impact Investment Coalition***
<https://ccednet-rcdec.ca/en/page/bc-community-impact-investment-coalition>
- ***Enabling Local Investing in Alberta***, Momentum,
www.momentum.org/files/Publications/Local%20Investing%20Research%20Paper.pdf
- ***Community Economic Development Investment Funds, Nova Scotia***
<http://cedif.ca>
<https://nssc.novascotia.ca/corporate-finance/community-economic-development-Investment-funds>
http://invest.newdawn.ca/cedif_basics

UBCM 2016 COMMUNITY ECONOMIC DEVELOPMENT RESOLUTIONS

**B36 Community Economic Development
Investment Fund**

Columbia Shuswap RD

Whereas it is recognized that there is a pressing need to stimulate rural economic development in British Columbia;

And whereas mechanisms that allow rural regions to capture and reinvest some portion of regional economic activity has been identified as a best practice in rural economic revitalization;

And whereas the Community Economic Development Investment Fund (CEDIF) in Nova Scotia and other jurisdictions has proven to be an effective and efficient means to generate investment capital to support small business expansion and creation in rural areas:

Therefore be it resolved that the Ministry of Finance for British Columbia initiate a CEDIF program for BC that would offer British Columbians a tax credit of 35% or more for investing in locally owned and operated corporations, cooperatives and other community economic development initiatives.

Endorsed by the Southern Interior Local Government Association

*UBCM Resolutions Committee recommendation: **Endorse***

UBCM Resolutions Committee comments: The Resolutions Committee notes that the UBCM membership has consistently endorsed resolutions seeking support for and investment in local economic development initiatives (including but not limited to 2015-B66, 2014-B59, 2014-B122, 2013-B12, 2013-B33, 2013-B39, 2013-B41, 2013-B42, 2013-B143, 2012-B20, 2012-B45, 2011-B29, 2011-B69, 2011-B72, 2011-B104, 2011-B164, 2010-B41, 2010-B47, 2010-B72, 2010-B95, 2010-B101, 2010-B103, 2010-B106, 2010-B107).

Notably, members endorsed resolution 2013-B39, which in part recommended the establishment of a rural BC venture capital program. In the same year, UBCM members endorsed a Local Government Finance policy paper, which introduced the Strong Fiscal Futures model and recommended in part that the Province work with local governments to sustain economic growth by establishing an Infrastructure Development and Community Building Bank. Members reiterated their support for the Strong Fiscal Futures model when they endorsed resolution 2014- B59.

2016 UBCM Annual Convention – Resolutions Decisions:

B36 - Community Economic Development Investment Fund Endorsed

BC CHAMBER OF COMMERCE RESOLUTIONS – 2017 AGM

#13). IMPROVING CAPITAL RAISING EXEMPTIONS FOR BC CO-OPERATIVES

Make Co-ops appealing to investors

There is an opportunity to increase the retention and circulation of British Columbian's hard earned money in our own Province that will lead to meaningful job creation, increased provincial tax revenues, increased local wealth and economic resiliency. Co-operatives are democratic corporations with considerable investor protections and director accountability mechanisms built into the legislation under which they are incorporated. Because each member has only one vote no matter how many shares they hold, co-ops are unattractive vehicles for anyone seeking to have a controlling interest in a company.

Background

BC Co-ops, registered under the BC Co-operative Actⁱ, have a special exemption from the prospectus and registration requirements under the BC Securities Actⁱⁱ, regulations and rules. That exemption has not been changed since its introduction in 2001. The Community Impact Investment Coalition of BC and Canadian Community Economic Development Network recommends that it requires updating to meet current circumstances.ⁱⁱⁱ A couple of minor changes would make it a more useful exemption for co-operatives whilst providing sufficient protection for investors. Loosening the red tape would permit investors to make the choice to invest their own funds in their communities. The group also believes that Community Investment Co-ops should be designated as "Eligible Business Corporations" under the provincial Venture Capital Program. This would allow them to issue an investor tax credit using the existing program, which would incentivize local investment.^{iv}

Under the current exemption BCI 45-530^v, BC co-ops can issue any number of membership shares as long as no individual invests in excess of \$5,000. For investment shares, there are two additional requirements: the co-op must have no more than 150 members in BC (excluding full-time employees), and the purchaser must have been a member of the co-op for at least 12 months (or since its inception, if the co-op has existed for less than 12 months). If a co-op had exactly 150 members, each of whom invested the maximum of \$5,000, it could raise \$750,000 from the combination of membership share and investment share issuances. In practice, that is unlikely.

The limit of \$5,000 per investor was intended to limit risk. The number has not been changed since 2001, since when the consumer price index has risen by over 30% and the cost of British Columbia real estate has multiplied. The administrative costs associated with small investment amounts are inefficient and frustrating. A higher limit would not significantly increase investor risk.

The time requirement is also a deterrent; co-operatives seeking to raise capital from their members to undertake projects cannot be expected to wait more than a year, and investors do not want to wait a year before investing due to this technicality. There is no evidence that this waiting period advances investor protection; in fact, it may be counterproductive because it makes it harder for co-operatives to respond nimbly to business opportunities.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Make changes to the existing co-op securities regulations by amending BCI 45-530:
 - a. Increase the \$5,000 cap per investor by raising to a higher maximum, or allow a \$5,000 maximum contribution per calendar year;
 - b. Remove the 12 month membership requirement for purchasing investment shares;
 - c. Significantly increase the maximum number of investors allowed in an Community Investment Co-op (currently capped at 150); and
 - d. Establish a total investment portfolio level where BC Co-ops would be required to use the Offering Memorandum exemption under the BC Securities Act.^{vi}

Submitted by the Columbia Valley Chamber of Commerce

The Policy Resolution Committee Supports this Resolution

PASSED

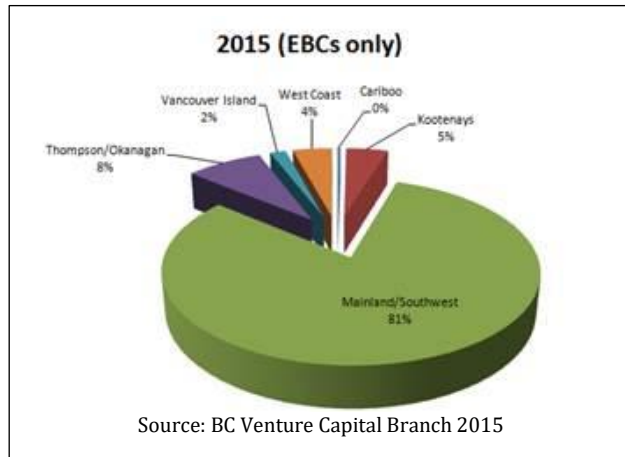
14.) MOBILIZING RURAL INVESTMENT CAPITAL

The Need for Rural Investment Capital in BC

Access to investment capital is crucial to business and economic development anywhere – but is especially important in rural areas. However, research initiatives completed by Southern Interior Beetle Action Coalition (SIBAC)^{vii}, BC Economic Development Association (BCEDA) and Rural Development Institute (RDI) have noted that it is often difficult to access business financing – and specifically patient equity investment financing – in rural communities. Access to financing was the leading barrier to business expansion identified by business owners in a recent survey conducted by the Columbia Basin Rural Development Institute^{viii}.

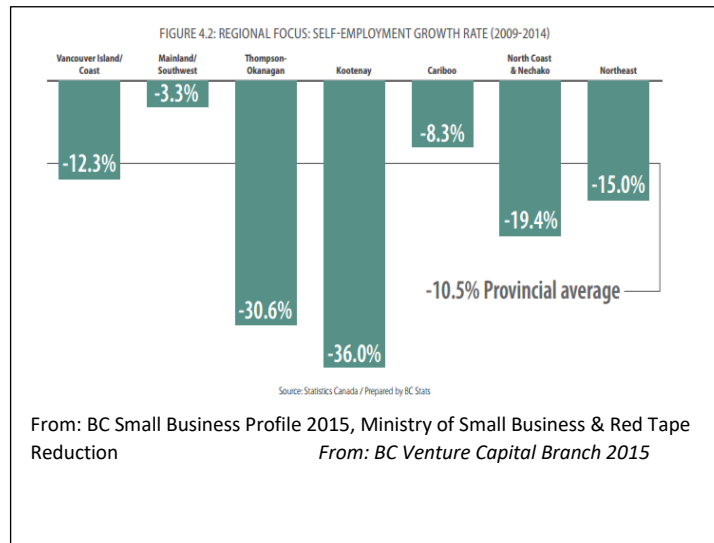
Background

For the past two decades, rates of business creation and expansion have been much slower in many rural regions of Canada and BC. Indeed, many rural communities in BC have lost a significant number of small businesses. To make matters worse, it is projected that over half of current rural business owners would like to retire in the next five years but anticipate some difficulty in selling their business.



For more than twenty years, the Province of BC has supported a very successful venture capital program to help stimulate the development of emerging industries in BC. While very successful, the vast majority of funds raised through this program are invested in Eligible Business Corporations (EBC) which are businesses in high growth sectors, usually clustered in urban areas as depicted in the adjacent graphic.

At the same time that businesses are facing difficulties in accessing capital and self-employment growth rate is declining, BC residents are investing huge amounts of money into RRSPs - most of which is invested outside of the province. In 2013 alone, BC residents contributed over \$4.7 Billion to their Registered Retirement Savings Plans. Rural residents in BC invested over \$1.2 Billion into their RRSPs in 2013. If only 5% of this was redirected into community investment vehicles this would be over \$235 million province-wide and over \$60 million in rural areas per year to help improve business growth rates.



Successful Models for Raising Investment Capital in Rural Communities

Recognizing this need, SIBAC has completed extensive research to identify best practices in raising rural investment capital. The two most successful models to redirect local investment capital into local economies in Canada are:

1. Nova Scotia's Community Economic Development Investment Funds^{ix}: the longest community investment portfolios operating since 1990's, incentivized by government tax credits which have kept \$40 million in local enterprises and enrolled over 5,600 individual Nova Scotian investors; and
2. Alberta's Unleashing Local Capital^x initiative: which has used the community owned co-operative model as an effective local investment tool. This model is currently being tested in BC but is limited by the BC Securities environment.

Both the Nova Scotia and Alberta experience in these models have demonstrated that given the opportunity rural residents are more than willing to invest in their communities and local businesses.

Existing BC Government initiatives for Rural BC

The Chamber acknowledges that the BC Government is taking step to strengthen the rural economy in British Columbia as evidenced by the Rural Advisory Council (RAC), the Rural Economic Development Strategy^{xi}, and the BC Jobs Plan^{xii}. The RAC terms of reference goes as far to state that government is seeking advise on avenues to support greater rural access to capital.^{xiii}

THE CHAMBER RECOMMENDS:

That the Provincial Government:

2. Create a BC Community Economic and Development Investment Fund (CEDIF) program, which would enable individuals within BC communities to pool their capital together and invest in local **for-profit** entities. These funds would be controlled by a local group of officers and directors, who may be chosen by the founders of each CEDIF or by the CEDIF's investors at an annual general meeting.

Submitted by the Columbia Valley Chamber of Commerce

The Policy Resolution Committee Supports this Resolution

PASSED

ⁱ http://www.bclaws.ca/civix/document/id/complete/statreg/99028_01

ⁱⁱ http://www.bcsc.bc.ca/Securities_Law/Act_Regulations_and_Rules/

ⁱⁱⁱ <https://ccednet-rcdec.ca/en/page/bc-community-impact-investment-coalition>

^{iv} <http://www2.gov.bc.ca/gov/content/employment-business/investment-capital/venture-capital-programs/eligible-business-corporation/tax-credits>

^v https://www.bcsc.bc.ca/Securities_Law/Policies/Policy4/45-530_Exemptions_for_securities_issued_by_a_cooperative_association_BCI/

^{vi} http://www.bcsc.bc.ca/For_Companies/Private_Placements/Private_and_early_stage_businesses/

^{vii} <https://www.bcruralcentre.org/focus/community-investment/>

^{viii} <http://www.cbrdi.ca/bre/business-retention-expansion-community-reports/>

^{ix} <http://cedif.ca/>

^x www.acca.coop/unleashing/

^{xi} <http://www2.gov.bc.ca/gov/content/employment-business/economic-development/developing-your-community/community-partners/rural-economic-development>

^{xii} <https://bcjobsplan.gov.bc.ca/>

^{xiii} http://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/economic-development/developing-your-community/rural-communities/tor_rural_advisory_council_dec_12_2014.pdf