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# COMMUNITY INVESTMENT FUNDS

LOCAL INVESTMENT IN BRITISH COLUMBIA

BEHN SKOVGAARD ANDERSEN

MADR

School of Public Administration, University of Victoria



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## Executive Summary

Kootenay Employment Services (KES) is a registered Canadian charity with operations in the communities of Creston and Invermere located in south-central British Columbia (BC).

Historically, KES has been best known for the organization's support of the local economy including the promotion of wage subsidy programs, career counselling, and a range of preparation services for community job seekers, employers, and small businesses. In addition to investigating new program options KES remains focused on strengthening local economic development and empowering stakeholders to engage in community-based, sustainable development initiatives.

This report has been completed to assist KES's ongoing research of community investment models by offering a study of jurisdictional information and practitioner knowledge on community economic development (CED) in Canada. A jurisdictional scan and a discussion of community investment practitioner interviews support the report's conclusions and the basis for three recommended options for consideration:

1. Support further research on CIF development in BC and participate and utilize a multi-stakeholder CED body to affect regulatory reform and public education/marketing in BC.
2. Take a role in increased information sharing among CED/CIF practitioners and organizations to ensure the most efficient use of financial and personnel resources can enable KES to become a knowledge hub for the community investment sector.

3. Build a collaborative plan with interested practitioners/investors in BC that seeks to get input from the wider community, including businesses, individuals, and regional/municipal levels of government that shows the interest and future focus of specific community investment initiatives.

These options have been developed to complement and support the leadership and knowledge currently at work at KES.

This research has targeted individuals who work in BC in the CED sector to investigate their intentions as CED practitioners, what kind of initiatives they are working on, and to get their thoughts on risk perceptions and what an ideal relationship with provincial regulators should look like in the community investment sector. Research participants were also asked about other jurisdictions that have developed innovative policy reforms in order to assist the CED sector.

Six semi-structured interviews were completed with practitioners from around the province. Research findings suggest that more work is being planned in the CED and community investment sector; practitioners working in the field are informed and passionate about their work; and that there are programming examples and regulatory models in other jurisdictions in Canada which practitioners consider to be highly effective and sustainable tools to develop community investment options, including Community Investment Funds (CIFs).

The primary intent of this report is twofold: first, to provide KES with a snapshot of community investment programming and securities regulation in provincial jurisdictions outside of BC and programs inside the province; and second, to collect perspectives from community investment practitioners working inside the province on topics such as practitioner values, real and perceived risk from a range of stakeholders, and ideal frameworks for community investment to support and advance community investment work in BC.

A jurisdictional scan, complemented by primary research to document perceptions and perspectives of community development practitioners in British Columbia, will collate views from practitioners inside, and jurisdictions outside BC, in order to strengthen KES's capacity to offer policy analysis and knowledge to support the development of community investment mechanisms. This report will complement ongoing work by KES and partner organizations to complete a feasibility study and investor surveys in the community. Overall, this report will address KES's interests in gauging where BC stands in terms of a provincial regulatory environment and the report will add to KES's expanding knowledge base on community investment in BC. It is the hope that this report will support further collaborative development among provincial actors to support and respond to growing interest in community investment opportunities.

The methodology used in this report relies primarily on interview research responses collected from research participants. The data is organized thematically in order to discuss and understand perspectives of the study group.

Conceptually, the framework of this report assumes that transparent and accessible information is fundamental to creating working solutions and holds that by examining existing data sources and engaging in exploratory research progress can be made toward answering central research questions.

## Acknowledgements

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This project would not have happened without the participants who helped me by committing their time and presenting their knowledge in support of this research. I thank them immensely and wish them success in a prosperous future.

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## 1. Introduction

Kootenay Employment Services (KES) is a registered charity with the overarching goals of building economic opportunities and supporting individuals, businesses, and other initiatives that contribute to social and economic wellbeing. In addition to KES's existing program areas, the organization is interested in the creation of investment mechanisms that allow community residents to make financial investments in local initiatives through equity contracts (or shares). KES is moving forward with a feasibility study to evaluate the creation of a Community Investment Fund (CIF) in the region. Representatives at KES are exploring and supporting the development of a locally operated CIF to develop a funding source for small businesses and economic initiatives looking for start-up capital and financial support. A CIF is an investment portfolio that is administered through an incorporated business structure, usually a cooperative corporation or traditional corporate model (Community Social Planning Council [CSPC], 2013) that is locally controlled and able to invest in businesses and initiatives in the community.

A central component of a CIF is that it is made up of local investment dollars and is controlled by local representatives. This enables the fund to support projects in the community and for investors to see the impacts of their investments close to home. Interviews conducted in this study show the practitioner community is aware of the need for individuals to have the option of local investment in a CIF as a part of their Registered Retirement Savings Plan (RRSP) investment portfolios and the benefits a set of administrative changes to support CIF

development can have on small business development and increased support for other local initiatives.

KES is building upon evidence gathered in community meetings and informal discussions with formal survey work to show community interest in local investment. The organization is also supporting a feasibility study to help guide CIF development. This research intends to provide additional knowledge and information to the growing body of literature focused on CIFs and regulatory regimes that exist to support community investment options.

In their home community KES representatives have helped to guide the development of a cooperative corporation, Creston & District Community Investment Co-op (CDCI), to collect and manage a pool of local investment capital. For the purposes of this report “cooperative” and “cooperative corporation” are phrases used to describe the cooperative corporate structure as defined in the *BC Cooperative Association Act*. As such, KES directors are seeking jurisdictional research that relays how CIFs are supported by governments in provinces in Canada. KES is also interested in what community development practitioners in BC perceive to be the values, risks, challenges, and ideal regulatory environments CIF directors and practitioners are motivated and need to be aware of. This report has been completed for KES and provides interview research to discuss CIF practitioner experiences and offers a jurisdictional scan to inform KES representatives of relevant work completed in other jurisdictions in Canada.

Two broad research questions served as initial guides for this study and have been used to explore areas of interest for KES. Included in this list below are the main guiding questions and associated interests KES representatives expressed in ongoing, iterative discussions with the researcher:

1. How are practitioners in the field of community investment in British Columbia structuring their efforts to move community investment initiatives forward? How do practitioners view and describe the following topics as they relate to community investment initiatives generally?
  - a. Practitioner values
  - b. Investment and organizational risk
  - c. Changing investment interests and investor demand
  - d. Ideal regulatory conditions
  
2. What policy changes, if any, have provincial jurisdictions in Canada (including BC) made to facilitate community investment?
  - a. Program examples from around Canada
  - b. Programs in BC relevant to community investment

## 2. Background

A Community Investment Fund (CIF) is an investment portfolio that is administered through an incorporated business structure, usually a cooperative corporation or traditional corporate model (Community Social Planning Council [CSPC], 2013) that allows the proprietor(s) of the fund to direct capital funds towards local projects such as small businesses, affordable housing, and social purpose real estate projects, and provide financing for local economic projects (Vancouver Island Community Investment Cooperative, n.d.). CIFs can be described as “locally sourced and controlled pools of capital contributed to by individual investors within a specific geography or community” (Amyot, Albert and Downing, 2014). Defining what is local and what constitutes the “community” is left up to the organizers of the fund and can vary from one community investment initiative to the next. Several iterations of community investment organizations have been developed as not-for-profit charities, for profit businesses, and/or other public entities that can all have different decision-making models. Who controls the fund and how governance and investment decisions are made is a central component to CIFs, especially those set up as a cooperative, such as CDCI. Examples of community investment can be seen across Canada: community investment regimes are increasingly being used in communities across Canada to support a range of initiatives associated with CED such as groups in Nova Scotia (Securities Commission, 2014) and Alberta (Alberta Community & Cooperative Association [ACCA], 2015), the creation of accessible low-income housing in British Columbia (CSPC, 2013) and the funding of not-for-profit organizations in Ontario (Toronto Enterprise Fund, 2016).

CED organizations, practitioners, and networks that work in communities across BC, including KES as a charitable partner and supporter of CED activities, face a range of problems and challenges relevant to specific components and initiatives on which they work. These challenges can range from a lack of organizational resources on the ground to a lack of cohesion and shared understanding among CED organizers and practitioners working to affect the implementation of strong community investment policy and programming at the regulatory level. KES has surveyed and assessed shifting investment attitudes in their community that shows investment in local initiatives and strengthening of economies at a community level have become a strong concern among potential community investors. This perceived attitude shift has driven both KES and community investment practitioners to further explore and develop a viable CIF as a form of sustainable economic development in their community.

## Project Client

Kootenay Employment Services has worked in the Creston Valley since 1990 to benefit community economic health through engagement with organizations and individuals to address labour market issues in the region (Kootenay Employment Services, 2017). With approximately 30 staff, KES is a well-known community fixture. As a registered charity, funding for KES comes from a range of contributors from government and foundations to private businesses. The philosophy of KES has proven the organization to be a highly valuable partner in supporting local economic development, building employment capacity and options for individuals, and working to contribute to sustainable economic and social growth in the community.

Community investment structures, such as a CIF, are tools that can be used to support local economic activity and investment and jurisdictions in Canada are seeing the benefits of local investment initiatives. This report is intent on offering research findings and relevant options for KES to consider as the organization continues to support sustainable growth, build an informed local investment community, and strengthen the local economy.

In order to assist KES in their development of a CIF, this report provides a literature review that focuses on background information on the CIF model and changing investment attitudes and practices; it offers a jurisdictional scan that examines provincial regulations inside and outside of BC for ways in which community investment is supported by provincial regulators; and this report provides qualitative interview analysis from practitioners working in BC on a range of topics that have been identified by KES as significant to an ongoing exploration of a CIF.

### 3. Methodology

This study employed a qualitative research approach. Patton (2002) states that qualitative research methodologies allows for a greater depth of inquiry when compared to strictly quantitative methods. Because this research was designed to explore CED in a specific context (ways that practitioners working in BC enable community investment), a qualitative research approach was selected for the depth of inquiry and detail it provides (p. 227).

## Research Methods

The primary method of research, informant interviews, relies primarily on participant views and recollections of the situation being studied. Creswell (2003) describes this approach as an interpretivist theoretical perspective. By hearing about the interactions, perceptions, and ways of structuring community investment efforts, this research can be classified as interpretivism, with meaning constructed through human interaction with the world (p. 8).

By building understanding of how and why CED practitioners are working to structure their organizational efforts and by studying components of the sector more generally, themes and elements that support knowledge transfer and ongoing and emerging efforts in the practice will be incorporated into this report.

The research interview process targeted community development practitioners working in British Columbia to create community investment opportunities in their home communities. Individuals were initially identified in discussions with the client organization, with six respondents confirming their availability for interviews and completing interviews with the researcher. Interested participants were then connected by KES email invitation to me, the primary researcher, and interview times were scheduled. The research participants all have a keen interest in community development practice and were targeted because of their expertise and experience in the CED sector. The research participants involved with this study are from communities around British Columbia representing voices from rural and urban locales.

The recruitment process for interviews was a relatively simple process consisting of introduction, information sharing, scheduling, and the interview session. All stages in the recruitment process were completed remotely via email and telephone.

Research participants were given the option to go into as much detail as they wished during interviews. The researcher recorded detailed notes and made supplementary personal notes in certain responses which the participant could elect to clarify with further comment. The notes were then transcribed into plain language for readability. The findings of this report thus use an amalgamation of original notes, researcher-recorded interviews, and further coding work based on themes drawn out of the collected interview recordings.

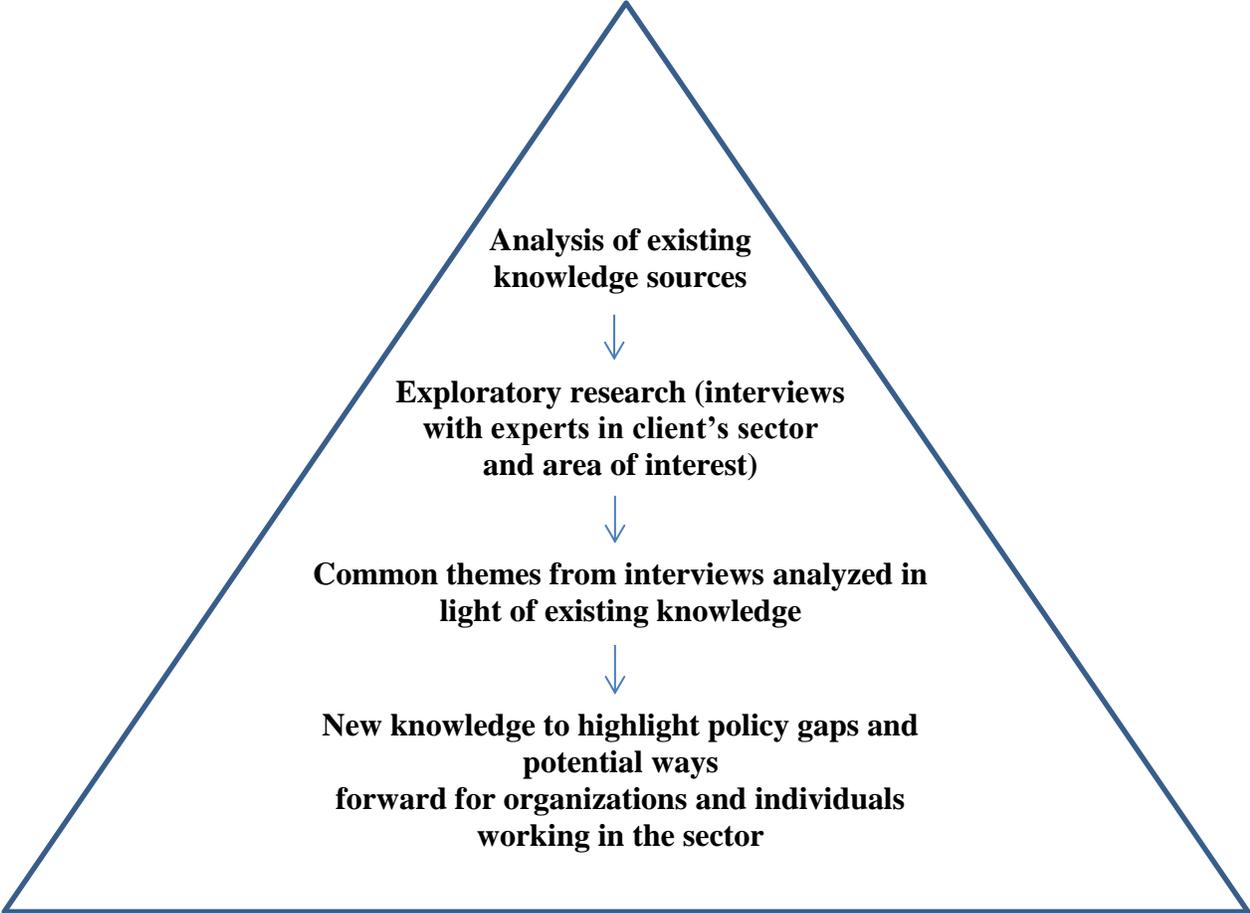
The coding stage pooled responses to each interview question (a total of ten recorded responses from each interview) into distinct groupings. A total of six responses in each of the ten groupings allowed the researcher to look at responses with an organized and systematic approach. Codes were constructed based on words and phrases used by the participants. Two or three codes (or themes) emerged from each individual response intended to practically address specific question topics. Themes are both conceptual and interpretive, based on responses, or more literal, and sometimes “lifted” directly from participant answers, depending on the specificity and nature of the question. Following the establishment of themes the data was organized and distilled in to two broad focus areas to enable the client to consider emergent categories of engagement at both the community and regulator levels. Three

recommended options for consideration have been included in this report based on the findings and analysis of the research.

## Conceptual framework

As Shields and Rangarajan (2013) state, a conceptual framework can be used as a tool to link study design throughout a project and guide ideas into an organized approach in support of the research purpose. The conceptual framework that guides this research project comes from a mixture analyzing existing references and undertaking exploratory research. Review of current regulatory regimes in Nova Scotia, New Brunswick, PEI, Manitoba, Quebec, and BC will highlight contrasts in securities regulation approaches and the general public policy approaches to fostering community development. The primary research component, interviews with practitioners working in BC, builds on the base of knowledge established in the literature review and is exploratory in nature as it seeks to discover common themes and develop a description of the problem according to experts working in the field. The research also hopes to provide some ideas for specific organizational initiatives, quite possibly aligning with the analytical findings of elements in the jurisdictional scan focusing on reforms in other jurisdictions, that the client organization and others working on community investment initiatives in BC can consider in future work with public policy makers. Figure 1 offers a flow chart illustration of the conceptual framework of this report.

Figure 1: Conceptual Framework



## 4. Limitations and Delimitations

### Limitation

Qualitative research carried out with practitioners working on similar projects can produce results that are specific to the situation being studied and assume a somewhat narrow scope of exploration. All research participants are practitioners working on CED in BC and are intent on expanding available community investment opportunities in their communities and practitioners may report similar experiences and this report is not intended to be a holistic evaluation or assessment of community investment regimes in Canada. While some information included in the findings, literature review, and jurisdictional scan components of this report may support CED practitioners to build and structure objectives, the usefulness of the information gathered in this study is limited by the primary research questions guiding this research and may not be applicable in all communities. **The research participants were identified based on their specialization and focus by the client organization and this contains the potential to influence the results.**

Furthermore, interviews conducted with practitioners are limited by the inherent relative and situational context that the interviewee has experienced. Not all community investment practitioners have the same experience when working on community investment initiatives though common themes will be evoked through coding analysis of the interview data. The research participants are all from the same macro-geographical region, potentially limiting the applicability of the findings generally to southern British Columbia.

The jurisdictional scan section did not consider larger contextual factors that might influence the understanding of the jurisdictional scan.

## Delimitation

This report focuses on informant interviews with practitioners working in the CED and community investment sector in British Columbia. The interview sessions are to be completed over a 6-8 week period and as such must exclude practitioners who a) have not been identified by the client organization as potential research participants; and, b) did not respond to the invitation for research.

The literature review and the jurisdictional scan sections will consider both peer-reviewed articles, publications from Canadian groups working on community development issues, and academic work from universities and scholars in Canada that may not have been professionally published. The Findings and Discussion section reports outputs from the interviews and discusses the data while drawing common themes from the responses. Themes are put into aggregated groups based on whether the theme involves working in the community with potential investors and coop members or working with regulators to advance the interests of practitioners and coops.

## 5. Literature Review

This literature review begins with the assumption that community investment and the development of CIFs are forms of CED. This review presents a section on CED theory and practice in order to discuss the linkages between traditional economic development and community development. Information related to CED theory and history is beneficial for representatives working in the community, engaging directly with people that want to invest in local economies but are not aware of the objectives and business plans of a CIF organization. The goal of this section is to assist KES, and other readers, in considering fundamental concepts of CED. This section will then briefly discuss CIFs in Canada, focusing on the regulatory barriers to CIF growth and reasons why some practitioners and individuals are choosing to invest locally and build the local investment sector.

### Community Economic Development

Dyal-Chand and Rowan (2014) provide a general definition of CED that contains three core elements: measured outcomes in terms of jobs and business opportunities; facilitators working in communities, such as non-governmental organizations; and, accountability to residentially-defined communities (p. 867). These core elements allow for a great deal of variety among CED practices. CED practices and projects, and the diversity amongst them, can also be framed and explained using the language and criteria associated with sustainable local development with environmental, social, economic, and other secondary dimensions being reflected in project work and initiatives (Rangarajan, Long, Ziemer and Lewis, 2012, p. 325).

CED is a diverse area of practice wherein contributions to the CED sector come from communities of varying sizes and makeups, and individuals working to fulfill community and economic development objectives (Dyal-Chand and Rowan, 2014). Historically, economic development and community development have been understood as separate and distinct concepts (Shaffer, Deller and Marcouiller, 2006). Over time the boundaries between the two development schools have broken down as economic and community development discourse has evolved. Shaffer et al. (2006) argue that economists traditionally focused on macroeconomic relationships (between nation states) and microeconomic behavior (practices of individual consumers). The authors contend that this results in a gap at the relational and community level and suggest that economic development at the community level is better looked at from a social and environmental impact, community building, and societal function lens as well as traditional economic perspectives. This perspective can be seen at work by looking at the way in which organizations working on CED communicate the theory and objectives of their work. For example, the Canadian CED Network defines CED as “an approach that recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing” (Canadian CED, n-d).

Simms, Freshwater and Ward (2014) suggest that rural communities experience challenges to successful CED initiatives originating from the community (sometimes referred to as “bottom-up” CED) because of a lack of information on regional and local economic trends and a difficulty interpreting raw, aggregate data into useful information to guide rural CED efforts (p. 351-352).

Difficulties interpreting data and understanding ways to capitalize on economic trends points to the significance of developing strong networks where expertise can be found, and attracting qualified organizers and directors to help lead CED projects.

### Community Investment Funds

Organizations like The Community Social Planning Council of BC and Nova Scotia's New Dawn Enterprises, as well as all of the practitioners interviewed in this study, have drawn attention to investments made by Canadians through RRSPs that effectively leave the local economy and home community of the investor. The Vancouver Island Community Cooperative reports an estimated \$500 million leaves the community of Victoria on an annual basis and this money is believed to largely find its way into stock exchanges, mutual funds and other mainstream investment markets (Amyot, 2014a). In Nova Scotia there is a similar scenario commonly referred to as the "flight of capital" among CED practitioners (New Dawn Enterprises, n-d). These organizations point to investment money leaving the community and suggest that local investors would choose to direct a portion of investment capital to support local initiatives and small businesses in their community if these investment opportunities were presented to them. The fact that RRSP investments are leaving communities bound for mainstream investment markets while there is a need for capital in many local communities across Canada is being cited as a problem by an increasing amount of practitioners – a problem that provincial regulators have both the regulatory authority and case studies in comparable jurisdictions for reference with which to develop public policy options to grow local investment opportunities.

There are currently barriers in BC to several pieces of the local CIF regulatory scheme that prevent CIFs from operating on the same stage as mainstream investment options. One of the largest barriers is that CIFs are not considered as RRSP-eligible by federal and provincial regulators, with the upshot being that local investing in BC is limited to investors outside of the RRSP market – one of the largest personal investment markets in the country. Unlike BC, in Nova Scotia CIF organizations have been made RRSP-eligible under the Community Economic Development Investment Funds (CEDIF) program enabling participating organizations to access a much wider source of investment capital and offer investment options to individuals with RRSPs.

Exemptions in BC, such as the British Columbia Securities Commission (BCSC) *National Instrument 45-106 Prospectus Exemptions*, allow for a capped investment amount from family, friends, and close business associates or accredited investors, as defined by the BCSC (British Columbia Securities Commission, 2017), to be collected by organizations that may be seeking to develop CIFs. This exemption exists, in part, to enable community investment organizations to collect up to a limit from defined individuals before triggering BCSC regulations adding administrative burdens. By limiting the amount of investment capital a CIF can raise to friends, family, close business associates and Accredited Investors, before further, expensive, and complex regulations take effect, the exemptions are insufficient to support growth of CIFs by effectively restricting resources that a CIF could put to other uses. Once a CIF hits the exemption limit, a further administrative barrier is the added cost of operating in the securities market as a full-fledged investment corporation. In an effort to control investment fraud the

BCSC operates the same regulatory process on small, local investment organizations as they do on large corporations offering investments in the jurisdiction. In effect this makes it extremely difficult for CIFs to become established as the regulatory process becomes too expensive, cumbersome or complex, and sometimes all three, for a CIF organization to deal with. The Vancouver Island Community Investment Cooperative (2014) states that an Offering Memorandum, a full disclosure document for potential investors usually costs in the range of \$15,000—20,000 and BCSC audit standards can make the audit process be as much as \$20,000. Nova Scotia has developed an approach that allows CEDIF-eligible organizations to enter a simplified offering memorandum and prospectus process.

A further exemption exists for cooperative corporations that intend to raise capital. This exemption was introduced in 2001 and is unique to BC. BC Instrument 45-530 caps the per investor limit to \$5,000; requires a 12 month coop membership in order to become an eligible investor; and caps the total number of investors in a coop at 150 individuals. As an eligible cooperative utilizing 45-530, the organization is exempt from issuing prospectus and registration requirements under BC Securities law; however, the regulations and caps under 45-530 constrict the coop's ability to raise funds and introduce flexibility for new investors. 16 years after the exemption was introduced, practitioners are questioning the parameters of the regulation to address today's community investment market.

The issue of investment money leaving the local economy bound for global markets has given rise to the creation of CIFs as an investment opportunity in other jurisdictions. CEDIFs in Nova

Scotia are an iteration of the broader CIF concept and have shown to be effective tools for economic development that have been used increasingly to finance CED initiatives including small businesses and social enterprises since the 1990s. To address the “flight of capital” concern, Nova Scotia sought approval from the Canada Revenue Agency (CRA) to get pre-approval from the regulator to include CEDIF investments as RRSP eligible investments. This enabled citizens of Nova Scotia to invest in local initiatives (through the CEDIF program) with their RRSP contributions. A detailed study that would quantify how much money is being kept in the community and the level of resources the Nova Scotia Government is spending to keep the CEDIF program operational, could provide other jurisdictions, scholars, and regulatory bodies in Canada with valuable data, (including burgeoning CIF initiatives like the CDIC) and used as supporting evidence for CIF-supportive public policy; however, no such study has been publicized (Amyot, 2014a). Even without all the evidence from other jurisdictions, community investment programs such as the CEDIF program are implemented by governments in order to support equity investment from local residents in local companies to achieve job creation, business development, community diversification and economic development goals (Amyot, 2014a). More information on Nova Scotia’s CEDIF program as well as other comparable programs in jurisdictions across Canada is included in the Jurisdictional Scan section.

A central question for practitioners working to develop CIFs is whether or not local investors support a CIF initiative given the range of options available in the investment market today. The literature on this topic is sparse with most data coming anecdotally from practitioners working in the field and small-scale surveys conducted by CED/CIF groups in their home communities.

No provincial or national survey has been completed to focus on a demand for local investing options.

## 6. Jurisdictional Scan

The jurisdictional scan will provide an overview of the programs in place which support community investment in both jurisdictions outside of BC and programs that are relevant to CED within the province. This scan will be focused on provinces wherein government sponsored programs are already in operation. This can provide useful information for the development of similar programming in BC. The provinces reviewed are Nova Scotia, Prince Edward Island, New Brunswick, Quebec and Manitoba. The overview of these provincial programs and legislation will be followed by a summary of existing programs, regulations, and initiatives in BC.

In Canada, Nova Scotia, Prince Edward Island, New Brunswick, Quebec, and Manitoba currently have programs to support the creation of CED funds or other enabling legislation to support the community investment sector (Amyot, 2014a; Reimer and Bernas, 2013). There are similarities between programs in all provinces. This information is included in Table 1.

This section will discuss each of the five provinces' programming based on government data sources, public research, and scholarly work that has focused on provincial programming. This section will also include a scan of programs provided by the BC Government relevant to community and social finance, venture capital, and other resources in the province.

Provinces have legislative jurisdiction over securities markets including CIF projects that offer equity shares to investors by issuing securities. In order to raise capital, CIF groups sell shares to investors based on regulations set out by the authority. Generally, across all jurisdictions, a CIF group develops and shares a business plan with regulators and investors enabling investors to decide if the business plan put forward meets their investment objectives. The provincial regulator, usually called a Securities Commission, oversees the ongoing investment options put forward by a CIF and often works with the provincial finance ministry to ensure regulations are being adhered to.

The majority of provincial jurisdictions in Canada have implemented policy tools, such as tax credits programs and government grants, to support community investment options with different programs and incentives to facilitate investment and create a path for local investors to put dollars into the local (and provincial) economy. CED organizations have used these government programs and incentives to attract investors and address local needs for start-up equity and a sustainable source of funding for economic development in the community. More detailed information on the policy tools used by provinces is included in this section.

In addition, this section will also identify related regulations administered by the Canada Revenue Agency (CRA) and the Government of Canada that regulate federal jurisdiction over CED and community investment practices.

## Nova Scotia (NS): Community Economic Development Investment Funds

The Community Economic Development Investment Fund (CEDIF) program assists local (in-province), non-accredited investors to invest in local businesses. In contrast to raising capital from accredited investors who do not require the same level of disclosure documentation in order to buy investment shares, non-accredited investors are members of the public who have less than \$1 million in financial assets, net income of less than \$200,000, and net assets of less than \$5 million and require a full prospectus in order to purchase investment shares (Nova Scotia Securities Commission, 2013).

CEDIFs are pools of local capital created to operate and/or invest in local economic development. Perry and Loewen (2014) suggest that the CEDIF program has evolved into an enduring and sustainable tool for CED by focusing on attracting local investment as well as establishing practical steps to facilitate provincial economic development. The program was implemented in NS in 1999.

NS is also the only province in Canada working with the provincial securities regulator, the NS Securities Commission, to simplify filing and reporting procedures for CEDIF program participants. NS was the first province to formally request RRSP deduction eligibility from the CRA and is the only program where contributions pre-qualify as a RRSP eligible investment (Amyot, 2014a).

In 1993, as a precursor to the CEDIF program, the NS Government created the Nova Scotia Equity Tax Credit to offer an incentive to investors looking for local investment opportunities (Reimer and Bernas, 2013). Originally, the tax credit was set at a 30% level and was increased to 35% in 2010 for individuals who make five-year equity investments of a maximum of \$50,000 annually in eligible corporations, co-ops, and CED initiatives. Increasing the tax credit over time was included to encourage longer-term investments of participants (Finance & Treasury Board, 2015).

Amyot (2014a) notes that “most significantly ... CEDIF regulations that have been adopted [in NS] set out a “special relationship” for the CEDIFS and securities regulations” (p. 15). This special relationship assists CEDIFs in that they are exempt from most of the Continuous Disclosure requirements under the 2011 Canadian Securities Association (CSA) New Instrument 51-102. This allows CEDIFs to sell securities and offer investment opportunities to investors without having to go through the same disclosure, reporting, and auditing processes required with traditional investment institutions like mutual funds. The NS Securities Commission issues a “Letter of Non-objection” and CEDIF directors complete a simplified version of an Offering Memorandum to inform potential investors of the business’ current and financial background and investment details, rather than complete a full Offering Document to reduce the administrative costs spent on disclosure. CEDIFs must complete a series of disclosure documents developed by the NS Department of Rural and Economic Development. This ensures that investors are sufficiently informed without instituting barriers to investment while meeting program eligibility.

There has been an upward trend in CEDIF investments with approximately \$1 million in assets in 1999 to \$32 million in 2009 (Aylward, 2010 p. 38; 55-56). In 2013 the CEDIF program included 47 participant organizations (with a combined 121 public offerings) that raised and invested over \$56.7 million in local businesses (Reimer and Bernas, 2013; Moulton, 2015). The difference in these reported figures shows a growth of approximately \$24 million between 2009 and 2013 and an increase from 4,825 investors to 7,466 investors in the same period. As of 2013, three CEDIF initiatives had failed and approximately 20% were paying dividends to investors (Reimer and Bernas, 2013). Private consultancy firms are now working with CEDIF initiatives to provide CEDIF administration services for a fee due to the volume of CEDIF activity in the province (Aylward, 2010 p. 62). There is no disputing that NS community local investment has seen significant growth since the implementation of the CEDIF program and one of the earliest entrants into the program were cooperative corporations (Aylward, 2010 p.60).

### Prince Edward Island (PEI): Community Economic Development Business (CEDB) program

The CEDB program was launched in 2011 and is supported by the *Community Development Equity Tax Credit Act*. The CEDB program was designed with goals and objectives similar to the Nova Scotia CEDIF program: to stimulate local investment and rural community development (Department of Financial and Municipal Affairs [DFMA], 2011). The program operates through 'share-issuing' in which shares are sold to participants by cooperative or corporation CEDB who then use resulting capital to invest in eligible businesses (Amyot, p. 16, 2014a).

PEI offers a 35% tax credit on investments held for five years or longer, for a maximum of \$7,000 per year, when investing in eligible local businesses and developing local pools of capital (Community Economic Development Business Economic [CEDBE], 2011). In order to qualify for the full value of the tax credit, the investment must remain untouched for at least five years. In the event that the investment in the CEBD is removed before this five year minimum period, the participant's tax credit will be subjected to a pro-rated reduction based on the time of removal. Participants receive an income tax credit, known as a Community Development Equity Tax Credit, after contributing. Notably, these investments are eligible for RRSP tax deductibility; however, they are not pre-qualified as eligible investments to be included in an RRSP portfolio (DFMA, 2011).

The program invests capital from individuals into a collection of eligible businesses, including corporations and associations, which the program has determined have met the necessary criteria. Businesses eligible to register as a CEBD must meet the following criteria: (a) possess less than \$15 million in assets; (b) employ less than 100 full-time employees; and (d) provide, at minimum, 75% of wages paid in PEI (DFMA, 2011). A CEBD must possess a certificate of registration from the Minister of Finance and Municipal Affairs and a "letter of non-objection" from the Superintendent of Securities. The dispersion of dividends to investors is dependent on the type of CEBD, corporation or cooperative, and its internal structure (Reimer & Bernas, 2013).

The program is overseen jointly by the Ministries of Finance and Municipal Affairs in the PEI Government. Unlike the NS CEDIF program, initiatives that use the CEDN program have no special relationship with the PEI Securities Commission. There is no continuing tax benefit for holding an investment for longer than five years (Reimer and Bernas, 2013). Unlike the Nova Scotia program, there have not been any successful efforts to simplify administrative requirements such as providing a more accessible prospectus process and template (Amyot, 2014a).

### New Brunswick (NB): Small Business Tax Investor Credit (SBTIC) and Community Economic Development Corporation (CEDIF) programs

NB offers two examples of community investment programs: the Small Business Tax Investor Credit (SBTIC) and the Community Economic Development Corporation (CEDC) program.

In 2003, the NB Government introduced the SBTIC to offer incentives to CED organizations and investors to support small business. The program is similar to the CEDB program in PEI; however, eligible businesses did not originally include cooperatives. The government expanded this initial program to include a community investment program in 2014. Under this program expansion, cooperatives are eligible businesses for investment (Amyot, 2014a).

The SBTIC permitted NB individuals to invest a minimum of \$1,000 to a maximum of \$250,000 per year and receive a 30% tax credit from the province. To be eligible for the tax credit, the investment must be held for a minimum of four years. These rules are enshrined in the *Small*

*Business Investment Tax Credit Act* (Department of Finance, 2014). In 2014, the NB Government extended the SBTIC program to include a 15% tax credit for corporations and trusts on investments up to \$500,000. Investments are RRSP eligible though are not pre-qualified and must be assessed by financial institutions before inclusion in RRSP portfolios.

Businesses are required to meet an extensive list of criteria in order to participate. In addition to criteria stating eligible businesses must be deemed small and local eligible businesses must not exceed total assets of \$40 million and are required to pay the majority (75%) of wages to NB residents. Businesses must also develop an investment plan in order to participate. The investment plan must outline the business' strategy for raising capital, the amount it intends to raise, and ways that the capital will be spent. Investors must provide a signed statement certifying that they understand requirements and that they have read the investment plan. The plan must be then approved by the Minister of Finance. Additionally, at the time of registering in the program, the company must have identified investors. This is unique to NB (Reimer & Bernas, 2013). As of 2011, the SBTIC program had processed 396 applications for businesses, attracted 2103 investors, generated \$77.6 million in investments for small businesses and generated \$23.4 million in tax credits for investors (Reimer & Bernas, 2013, p. 12).

In 2014, the province introduced a program modeled on the NS CEDIF program, referred to as CEDC. The program operates as a share-issuing process by approved businesses, facilitated through the Financial and Consumer Services Commission of New Brunswick (FCNB) and supported by the Department of Finance. The program required amendments to the *Small*

*Business Investor Tax Credit Act* and the *New Brunswick Income Tax Act*. The CEDC program provides investors with a 50% non-refundable income tax credit, after a four year holding period of the investment. Investments are RRSP eligible investments but not pre-qualified (Moulton, 2015; Financial and Consumer Services Commission [FCSC], n.d).

For administration purposes, eligible businesses in this program are divided into two groups: the first group sets capital targets between \$10,000 and \$250,000, and the second group sets targets between \$250,000 and \$3 million (Moulton, 2015). Interested investors are issued an Offering Document from the business which is similar to the investment plan required under the SBTIC program. The minimum investment by an individual is \$1,000 with a maximum of \$250,000. The minimum investment amount for trusts or corporations participating in the program is \$500,000. If the business does not reach the minimum amount of \$10,000 within 12 months, all of the investments are returned to the investors (FCSC, n.d). The program does not provide information about any simplified audit requirements or securities processes.

### **Manitoba: Community Enterprise Development (CED) Tax Credit**

In 2004 the CED Tax Credit was created to encourage Manitobans to invest in local initiatives and to create pools of capital for community-based enterprises to access (Amyot, 2014a). It was created under the *CED Tax Credit Act* and is administered through Agriculture, Food and Rural Initiatives. Initially, the program was promoted primarily in rural areas as a mechanism to boost struggling rural economies; however, it has been gaining interest in urban areas more recently (Reimer & Bernas, 2013).

Through the CED Tax Credit program, investors, individuals or eligible corporations, receive a 45% tax credit on a maximum annual investment of \$60,000 following a three year holding period. The tax credit is only issued once the businesses has raised between 25-50% of the investment offering, at which point the business is determined to be sufficiently secure to sustain operations (Manitoba Agriculture, n.d; Reimer & Bernas, 2013).

Participants can invest in a number of government approved community enterprises, including coops and CDIFs. CDIFs and community enterprises operate by issuing shares. Eligible businesses face greater limitations in Manitoba compared to other provinces. The program focuses on community enterprises and small businesses and the program has a lengthy list of ineligible business activities including professional practices, primary industry enterprises (including hunting, forestry, resource exploration, etc.), recreational and seasonal activities (including performing arts, gaming, and sports), commercial property development, and providing maintenance, management, administrative or financial services (Manitoba Agriculture, n.d; Reimer & Bernas, 2013).

Similar to criteria in other areas, businesses in an eligible sector must meet specific criteria: (a) not exceed \$25 million in gross assets; (b) not exceed \$10 million in net assets; (c) employ less than 200 employees; (d) a minimum of 25% of total wages paid to residents of Manitoba; (e) a minimum of 25% of employees to reside in Manitoba; and (f) are sponsored or endorsed by a local community development organization (Manitoba Agriculture, n.d; Reimer & Bernas,

2013). These criteria primarily target smaller businesses but are more lenient compared to other jurisdictions in the flow of benefits extending beyond the province. Eligible businesses must provide an Offering Memorandum to investors and cooperatives. Investments are eligible but not pre-qualified as an RRSP investment (Amyot, 2014a).

### Quebec: Cooperative Invest Plan (CIP)

Quebec has a community investment program specifically targeting cooperatives, the Cooperative Investment Plan (CIP). It has been operating for over 30 years and has leveraged approximately \$500 million in investments (Anderson, 2009).

The program was established to encourage investments into agricultural and worker cooperatives and has since expanded to other areas, though still focused in rural and resource based areas of the province (Reimer & Bernas, 2013). The program is facilitated through the Ministry of Economic Development, Innovation and Exports and is empowered by the *Cooperative Investment Plan Act 2006* which amended the existing *Taxation Act*. Due to the success of the CIP, there has been support to develop a federal CIP program based on the Quebec example. In 2002, Ernst & Young assessed the program for the feasibility of a federal expansion and “explicitly recommended it”, along with strong support from cooperatives and farm organizations (Canadian Cooperative Association [CCA], 2009, p. 5).

The CIP differs from other programs as eligible investors are members and employees of cooperatives and investment is not open to the general public. The tax deduction is offered

when eligible investors purchase shares in the cooperative. The deduction in the CIP program is 125% of the total value of shares purchased over a one year period, without exceeding 30% of the investor's adjusted net income. There is a five year holding period for all investments.

Because the program is only open to cooperative members, they cannot be sold in a secondary market (following the holding period) thus do not have liquidity and are not eligible as an RRSP investment (CCA, 2009).

In order to be eligible to participate in the program and receive a certificate authorizing share-issuing power, the cooperative must meet the criteria of the program. Eligible cooperatives must: (a) have completed one fiscal year and demonstrate ability to reach the current fiscal year; (b) have central management based in Quebec; (c) a minimum of 50% of wages are paid to employees based in Quebec; (d) assets belonging to members is less than 60% of total assets; (e) and total assets, excluding shares issued under the CIP, are equal to a minimum of 80% of total assets on April 23, 1985 (CCA, 2009). Eligible cooperatives must submit annual reports of its operations under the CIP program (Reimer & Barnas, 2013). Annual investments under the CIP program are between \$25 and 30 million with average investments of \$3,000 to \$4,000 (Anderson, 2009).

Table 1: Summary of Provincial Programs

	Nova Scotia	PEI	Manitoba	New Brunswick	New Brunswick	Quebec
<b>Program Name</b>	Community Economic Development Investment Fund (CEDIF)	Community Economic Development Business (CEDB)	Community Enterprise Development (CED)	Community Economic Development Investment Funds Corporations (CEDIF)	Small Business Tax Investor Credit (SBTIC)	Cooperative Investment Plan (CIP)
<b>Year Est.</b>	1993/1999	2011	2004	2014	2003	1985/Reviewed in 2004
<b>Enabling Legislation</b>		<i>Community Development Equity Tax Credit Act</i>	<i>Tax Credit Act</i>	<i>Small Business Income Tax Credit Act</i>	Amendments to the <i>Small Business Income Tax Credit Act</i> and the <i>NB Income Tax Act</i>	<i>Cooperative Investment Plan Act 2006</i>
<b>Tax Credit</b>	Max 35%	Max 35%	Max 45%	Max 50%	Max 30%, Max 15% for corporations and trusts	125% of total value of shares
<b>RRSP Status</b>	Pre-qualified	Eligible	Eligible	Eligible	Not stated	Not applicable
<b>Holding Period</b>	5 years	5 years	3 years	4 years	4 years	5 years
<b>Co-op Eligibility</b>	Yes	Yes	Yes	Yes	No	Yes, only applies to cooperative
<b>Contribution Requirements</b>	Max \$50,000/year	Max \$7,000/year	Max \$60,000/year	Min \$1,000-Max \$250,000 (\$500,000 for corporations and trusts)	Min \$1,000-Max \$250,000 (\$500,000 for corporations and trusts)	Not stated

## British Columbia

Operating a successful CIF in BC requires an understanding of the regulatory environment especially related to issuing securities. This will require CIF directors to develop a working knowledge of the *BC Securities Act*. A brief overview of securities regulations in BC is presented below including a description of useful exemptions and comments. This subsection will also focus on other social enhancement programs supported by the province. A CIF will not be eligible under all of these programs; however, these programs are mentioned briefly as

examples that show the interest the province has in creative programs that lead to social innovation and support for small business development. Also included in this section is an introduction to a government forum designed to discuss ongoing policy change.

### Issuing financial securities: The BC Securities Commission

CIF operation involves selling investment opportunities, more technically referred to as issuing securities. A broad definition in the *BC Securities Act (1996)* gives an indication of the various forms a security can take: “a bond, debenture, note... share, stock, unit, unit certificate...” and can also include such things as a “document, instrument, or writing commonly known as a security... a document evidencing an option, subscription or other interest in or to a security... a profit sharing arrangement or certificate... [or] an investment contract” (prt. 1.1). The Vancouver Island Community Investment Cooperative understands a security as basically “any type of tradable financial asset” including investment shares sold by a CIF (Amyot, 2014b). Securities case-law has provided further legal tests and formulas in order to provide legal evidence that in fact a security exists in the event of a disagreement.

In Canada, securities regulation is a provincial jurisdiction. In BC the principle statute related to financial securities is the *Securities Act (1996)*. The BC Securities Commission (BCSC) is given its power by the *Act*. In addition to this legislation, further regulations are set out in the Securities Rules administered by the BCSC. Over time, the BCSC has adopted new policies and made improvements to securities regulation in the province. An example of provincial coordination on the securities market is embodied by National Instrument 45-106 that all provinces have

committed to following. This has usually been a result of cross-jurisdictional collaborative policy development work between the provinces in order to align the securities trade and harmonize policies across the country. The evolution of the securities trade in Canada has tended to impose stricter regulations to protect individual investors. Through the process of imposing stricter policy “the regulations have created a securities environment that makes it nearly impossible for average investors to keep their money in local projects, cutting off an important source of capital...” (Amyot, 2014b, p. 22). In any event, a corporation that intends to deal in the securities market must adhere to these rules and engage in the current process.

Section 34 of the BC *Securities Act* clarifies that registration of certain securities traders is required under law. There are, however, specific exemptions that some registered securities traders can use to lower administration costs and external professional fees. Under the National Instrument 45-106 Prospectus and Registration Requirements, the BSCS recognizes that not all securities traders must adhere to the same financial disclosure schedule or general investment regulation. These exemptions are useful as they will permit the CIF to offer simplified disclosure documents to certain pools of investors.

A commonly used exemption under Section 45 is the accredited investor exemption that “permits certain classes of persons (e.g. certain institutions, wealthy individuals) to purchase under an exemption [from prospectus disclosure]” (s.45). (A prospectus is an annual disclosure statement completed by professional accountants that shows an investor the full financial

information of the security issuing organization.) Private companies, including a cooperative, may also use the private issuer exemption.

The prospectus disclosure regulations raise a host of issues for CIFs. Certainly disclosure to investors and securities regulation more generally, is a necessary component to prevent fraud and ensure the investor has all relevant information; however, associated with financial disclosure are high costs that many small-scale (particularly in the cooperative sector) organizations find prohibitively expensive. While regular disclosure may not be an issue for larger private corporations and investment organizations, the prospectus regulation imposes disproportionate costs onto small investment organizations.

The Vancouver Island Community Investment Cooperative (Amyot, 2014b) describes the following exemptions to the Full Prospectus Requirement that their cooperative has considered in order to advance CIF initiatives under current regulations:

- Private issue exemption
- Family, friends and business associates
- Accredited investors
- Minimum investment of \$150,000
- Offering memorandum (p. 22)

Finding a way to work with the disclosure regulations and all available exemptions is of great benefit for a CIF that is looking to issue securities to wealthy investors and/or family and friends.

### Small Business Venture Capital Tax Credit

A tax credit can be used as an economic incentive to attract individuals to a CIF as an investment option. One example of this is the approach taken by the Government of Nova Scotia with the tax credit they offer as part of the CEDIF program.

The Small Business Venture Capital (SBVC) Tax Credit is a credit offered through the province of BC through the Ministry of Small Business and Economic Development. The program was initiated in order to encourage investments in small businesses within the province. It was initiated in 1985 and has since evolved into three programs empowered through the *Small Business Venture Capital Act*: (a) Labour-sponsored Venture Capital Corporations; (b) Venture Capital Corporations (VCC); and (c) Eligible Business Corporations (EBC).

The credit is made available for investors, including individuals and corporations, making equity capital investments in small businesses in early stages to foster development and growth. To be eligible for the credit, investors must contribute to a registered VCC or in an EBC directly.

Following the investment, VCCs transfer equity capital to small businesses in the start-up phase or undergoing expansion. Initially, the program contributed to EBCs through VCCs; however, since 2003 direct investment was made possible wherein investors could contribute directly to

EBCs (Hellman & Schure, 2010; Ministry of Small Business and Economic Development [MSBED], n-d).

Through the program, BC investors are eligible for a 30% tax credit though investments must be held for a minimum of five years. Individuals have an annual limit of no more than \$60,000 in credits per tax year. Credits are refundable for individuals; this means that with a qualified refundable credit an individual can reduce the annual tax they owe by the refundable credit amount. Corporations are not subject to any limitations on investment; however credits are non-refundable, meaning that a corporation will never receive a tax return under this program and theoretically can only reduce their tax liability to zero. Corporations can only apply their deduction from BC tax otherwise payable under the *Tax Act British Columbia*. Both individual and corporate deductions can be carried forward and used in four subsequent taxation years (Investment Capital Branch, 2014).

In order to be eligible for investments, either directly or from a VCC, businesses must register as an EBC and meet specific guidelines. These requirements are similar to CEDIF or CED programs in other provinces, including meeting a maximum of employment limits, requirements for the majority of wage & salary requirements to be paid within the province, and have a minimum of equity prior to registration. A notable difference between requirements outlined in CEDIF or CED programs and the SBVC program requirements for eligible investments is that under the SBVC program, cooperatives are not eligible; an EBC must be a corporation incorporated under either the provincial or federal *Corporations Act* (Ministry of Small Business and Economic

Development, n-d). For CED practitioners intent on working within a cooperative model for community investment this tax credit program is unavailable, in effect forcing those interested in a cooperative model to organize as a traditional corporation to take advantage of this program. A traditional corporate model is a viable option for community investment organizations to consider; however for groups such as CDCI and many CEDIFs in NS the cooperative model is a central feature.

### Community Contribution Companies

Community Contribution Companies (C3s) were created as a result of amendments to the *Business Corporations Act* (British Columbia) in 2012. C3s represent a blending of social and corporate interests and are considered a “hybrid social enterprise structure[s]” (Centre for Social Enterprise [CSE], 2015). This new corporation category was established in order to attract socially conscious investors to like-minded companies and provide opportunities for corporate structures to have social goals, understood by shareholders, instead of a profit driven bottom line (Ministry of Finance, n-d).

C3s are distinct from other businesses in that there is an ‘asset lock’ (a maximum capped limit) on dividends available to shareholders. Shareholders can receive no more than 40% of dividends and the remaining profits are committed to the C3 community goals and social causes, whether directly or transferred to a qualified entity contributing to the community in the area. Cooperatives, specifically community service cooperatives, and charities are considered qualified entities eligible to receive assets from a C3 (Bouw, 2013; Ministry of

Finance, n-d). The C3 differs from CEDIF or CED programs in other provinces in that it targets corporations with social and community development goals, instead of allowing for direct community investment with tax credit incentives in for-profit cooperatives or corporations that seek to generate financial returns for investors.

The requirements for a corporation or non-profit to become a C3 are intended to ensure greater accountability. A C3 must have three directors overseeing the company and must publish an annual community contribution report which details contribution projects and receiving qualified entities. A C3 must be incorporated in BC. It is unclear if non-profits can attain C3 status or if it would be in their best interest. Non-profits owning a C3 could indicate an intent to accrue profits which could affect any tax exemption currently applied. Additionally, any charities or non-profits becoming a C3 would not be able to issue tax receipts and would be taxed as business corporation (Ministry of Finance, n-d).

The C3 program was modelled on the Community Interest Company (CIC) program in the United Kingdom which has seen approximately 6,000 CIC establish since 2005. In BC, since the amendments in the *Business Corporations Act* became active in 2013, 30 C3s have been registered<sup>1</sup> (CSE, 2015; Bouw, 2013).

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<sup>1</sup> As of June 2015.

## BC Partners for Social Impact

As part of KES' interest in community development it is worth consideration to participate with groups focused on social innovation programs in the province and consider starting new dialogues that flow from KES' objectives.

BC Partners for Social Impact is a network of actors working to promote social innovation for improved social outcomes around the province. The partnership is made up of government, non-profit organizations, businesses, community groups and universities who are working together to connect socially conscious groups and explore social finance and investment opportunities (Ministry of Social Development & Social Innovation [MSDSI], n-d).

The network was established as a result of a recommendation by the Premier-appointed BC Social Innovation Council. The Innovation Council was appointed in 2011 to investigate and provide recommendations to the government on how best to maximize social innovation in BC. The Council produced an Action Plan on social innovation in 2012, which recommended the creation of the BC Partners for Social Impact in order to implement the recommended areas for enhanced social innovation: (a) supporting social enterprise; (b) legislative enablement; (c) social innovation labs; (d) engaging communities; and (e) learning and research (Hubcap, 2016).

BC Partners for Social Impact focuses on advancing social impacts through the aforementioned areas, and social finance and social enterprise. The social finance focus of the group could be an area of the advancement of CED and CEDIF programs in BC. Community cooperatives have joined the BC Partners expanded network, Hubcap, to connect with social finance opportunities

available. The BC government has expressed an intent to further explore opportunities for social finance programming through the BC Partners for Social Impact (Hubcap, 2016; MSDSI, n-d).

## 7. Findings and Discussion

Interview questions and methods were developed to answer the central research question:

How are community investment practitioners structuring their efforts in BC? This broad, guiding question enabled the primary researcher and the client to collaboratively design a set of interview questions.

The findings are presented below and are organized so as to look at each response grouping before moving on to the next question. It was common for participants to provide information that was more relevant to a previous or future question. For responses with diffuse or ranging answers, the participant was not interrupted by the researcher and was later asked to repeat the information for the corresponding interview question. If the participant or the researcher indicated verbally that part of an answer was more relevant to a previous question, it was noted and the participant was given the chance to return to the question to add the relevant information.

## Response Analysis

For each question, a response grouping was created based on the coding of all interview responses to that question. The findings from each question are reported in this section and each question is followed by a discussion of the emergent themes to that question. An aggregated thematic discussion is then presented.

### Question one

*What are the intentions of community investment (development) practitioners? Why do you do what you do?*

Responses to question one are organized into three main themes:

1. Community building
2. Financial solutions
3. Impacts, focuses, and tactics

The community building theme was the most prevalent theme in the responses and this suggests the pivotal interest for practitioners working on community investment is to develop and strengthen community ties and connections. Respondents framed community building in slightly different ways as a driving force in their work.

Variations of community building such as building “community survival” techniques in reference to rural communities and an understanding of community investment vehicles as drivers to develop a “social fabric” complemented the literal references to community building. One respondent talked about what they believed a CIF can do in a community: “As grassroots community development and by getting some community skin in the game, we are building resilience in the community; we are building self-reliance and we are encouraging ownership by

members of the community in the makeup of their community.” Another respondent spoke about building community capacity: “For me, it’s about helping communities build physical, human, social and other capital to meet whatever needs the community has.” Another response focused on the nature of projects a CIF may choose to support framing a CIF as a way to build a larger community centered on a “new economic design with social, environmental, and local concerns at its core.”

Financial solutions was the second highest occurring theme. Building financial solutions in terms of increasing economic development opportunities and developing tools leading to financial security for communities and local investors is a strong interest that drives this set of practitioners. This theme grouping is made up of responses that directly reference practical finance tools and strategies that lead to increased access to CED and community investment. Components of the financial solutions theme also discuss developing viable, feasible, small-scale, and values-based financial options for communities. One respondent mentioned the need to start with small-scale projects: “We need to start with a ‘hot dog stand’ and not a mega-project – even if a mega-project is where we wish we could get to – let’s start small and build up.” Respondents talked about the importance of working to make start-up capital accessible for entrepreneurs because “communities can’t rely on existing big institutional investors to support [community] needs.” To create new investment channels for ethical investors as ways to make positive changes with their money was also a strong theme mentioned in numerous responses.

Working on community investment initiatives through community building and financial solutions were suggested as the major interests that drove the (CED practitioner) participants in their professional lives. The responses suggest that community building and financial solutions are mutually reinforcing, with one leading to greater occurrence of the other and vice versa.

The third theme in the grouped responses to question one is “impacts, focuses, and tactics.” This theme is closely related to the previous two themes and is more concerned with specific social, environmental, geographic, and ecosystem issues.

Impacts, focuses, and tactics is more diffuse and varied than the first two themes and is based on research participant responses that identified specific areas of work (mobilizing local capital to align with local values and needs, using planning as a tool to prepare for opportunities and ongoing marketing of emerging investment opportunities). These work areas are commonly rooted in community investment and CED and can serve as a basis for group cohesion and further work in the sector. One participant remarked on personal experience: “I have worked to support and invest in community business for almost 30 years – I’ve hit many barriers along the way in getting start-up capital – and starting a small business in a small community is really tough. I see CIFs as something that will help rework this system.”

#### Question two

*What (community, social, economic) needs are you trying to meet by working on community investment efforts? What sets community investment platform(s) that you are working on apart from traditional investment vehicles?*

Responses to question two are organized into two main themes:

1. Local empowerment and sustainability
2. New investment models and community development

The grouped responses for this question mentioned specific practices and general statements to indicate that local empowerment and sustainability are a central focus for the majority of practitioners interviewed. This theme includes a diverse set of tangible goals (generating financial returns for investors, generating start-up capital for local businesses, preventing the flight of capital from communities) and more theoretical or intangible needs (building community connections, strengthening relationships, creating sustainable development options, promoting community investment as an investment portfolio diversification tool).

Local empowerment and sustainability is a theme based on perceived and observed community needs as reported by the participants and varies across the communities and experiences of the participant. At any rate, the interests of research participants seem to be commonly rooted in CED theory and practice and suggest not only a common basis for the development of sustainable goals and objectives, but also specific solutions that reflect the needs of the practitioner community: rural or urban concerns such as small business supports or preventing the flight of capital from small and large communities, sustainable job creation for younger generations as traditional economies shift, and creating ways for older generations to use their investment money in a socially and ethically constructive way. One response described investment in the province: “BC is in a terrible position in terms of having capital leave our communities and the province... and this kind of capital leaving our local economies is just not sustainable – and I would argue, not the most ethical choice as it leaves our economies weaker for our kid’s generation – we need to make local investing a widely available option.” Another

response noted that local investment initiatives are working with like-minded First Nations in the province to advance sustainable objectives, in particular focusing on sustainable fisheries and renewable energy production.

The second theme is drawn from specific mentions in the grouped responses that focus on new models of community investment, such as community investment funds, and how these new models may help to build community relationships, allow for community investors to make investments based on values and financial incentives, and develop options for community economic growth. The new investment models and community development theme was developed from responses that focused on the second part of question two: what sets community investment platforms that [the practitioner] is working on apart from traditional investment vehicles?

Generally, respondents indicated that the fact these investment models are new, as opposed to established, is one thing that sets them apart from mainstream investment regimes. Challenges faced by the community investment sector based on how these investment models are perceived by investors and regulators (see questions six and seven for questions about perceived risks for related themes) are often significant. “I don’t do this for the income – just take a look at my tax statements – but I think there’s a perception out there that community investment plans are somehow trying to take investment money for no good reason, just to make a few jobs for ourselves, or something like that. This couldn’t be further from the truth in my experience. We need to change the way government and individuals are looking at this

sector into a more positive and genuine place – that’s where people working in the field are at and some governments, like Nova Scotia, are embracing it.” This theme also included a strong occurrence of community development (synonymous with community building) as a component of new investment vehicles. Traditional investment models (mutual funds, stock markets, government bonds) are suggested in the responses as impersonal investments not conducive to strengthening community connections. However, new investment models like community investment funds are seen by practitioners to include community development as a central feature of the investment itself, increasing intangible community relationships while simultaneously building practical financial solutions to build resiliency at the local and community level.

### Question three

*Do you see an appetite on the part of community for investing locally? On the part of businesses, social enterprises, etc. for community investment vehicles?*

Responses to question three are organized into three main themes:

1. Observed demand
2. Evidence from abroad
3. Community needs and rationale

The observed demand theme is made up of responses that explicitly reference demand for new investment models from community investors and new sources of funding from businesses and other initiatives.

The observed demand theme is a direct reflection of investor demand for community investment models reported by the research participants. All responses indicated that an

appetite for community investment models is present in the communities in which the practitioners operate based on community functions, consultations, learning events, and information sessions. One respondent represents an organization moving forward with a feasibility study and a relatively large-scale investment survey to distribute in their community building on past community engagement and consultation. For the practitioner this shows that interest in community investment is not isolated but rather is spread across communities in BC.

Evidence from abroad includes jurisdictional research and knowledge from other parts of Canada and the USA that show an appetite for the creation of local (community) investment opportunities. One respondent referenced consultation work they had done with community investment organizations in Scotland, the United States, and elsewhere in Europe to establish that local investment “isn’t just a thing that we’re talking about here in BC – communities are waking up to the fact that they can solve community issues with local investment money.”

Research participants also appealed to outside information on community investment to show real investor interest in community investment options. All responses included at least one reference to Nova Scotia’s CEDIF program (see jurisdictional scan section of this report for information) and the success that program has realized since its establishment. This suggests jurisdictional scanning work, and looking at what is happening in communities around the world, is a significant component that contributes to practitioner rationale for establishing new investment vehicles, advocating for provincially supported programs, and leveraging work done in other jurisdictions to help organize action in their home communities and jurisdictions.

Community needs and rationale is a theme comprised of responses that indicate the presence of specific needs and practitioner rationales (apart from direct observation of demand or inter-jurisdictional evidence) that show interest and appetite from increased access to community investment options on both the supply and demand side of the community investment market. This theme is based on information and rationale lifted from the responses that suggest interest from local businesses and social enterprises in the community. All responses indicated positive interest from businesses and enterprises that indicate a general demand for start-up funding, capital to support operations, and the appeal of community investment generally to support these organizations. In one instance the response noted work that has been done in the community: “We’ve had two community meetings and are now in the process of writing up a feasibility study we had done with somewhere around 200-250 potential investors in the community – so far, it looks like there is a lot of interest from people here – people want economic activity so their kids can find jobs – even if we can’t offer the same return as a mutual fund out of Toronto – and the money stays in the community.”

#### Question four

*How is community investment work through coops and other mechanisms supported by the province? Is this work hindered by the province in any way(s)? Do you know of jurisdictions where the climate is more enabling?*

Responses to question four are organized into three main themes:

1. Need to engage government actors
2. Jurisdictional information
3. Issues with existing programs and approaches

The need to engage government actors featured prominently in grouped responses. Responses highlighted positive, neutral, and negative instances and trends in terms of provincial relations.

The need to engage government actors theme suggests that broadly speaking research participants feel community investment work is neither directly hindered nor supported by the province and this shows a general need to effectively engage public servants and decision-makers. One response indicated that “regulators treat coops like big investment firms” by imposing many of the same administrative rules and “... for ordinary people operating small funds, the costs get prohibitive when attempting to adhere to the same disclosure and reporting procedures that were designed to regulate large companies – and all of this comes back to working effectively with government on these issues.”

The jurisdictional information theme suggests that research participants are aware that in other parts of the country (again Nova Scotia’s CEDIF model was referenced heavily in responses) provincial governments and regulators are more likely to support the coop sector and community investment generally with public service programming. This imbalance is creating a persistent question among the practitioner community: why not in BC? One response indicates that government and the community investment sector have started working together in the past – but there has not yet been a committed effort from the province to build new policy.

Issues with existing programs and approaches were mentioned in numerous responses and focused on ways in which provincial regulation is perceived to hinder community investment and development work. The issues with existing programs and approaches theme suggests that research participants are aware that existing government programming in BC better serves urban communities (the reasons for this are varied) and programs need to be constructed by

the government to take into account the challenges and opportunities from both rural and urban economies. A respondent put it this way: “Frankly, urban centres have a lot of expertise and professional experience that are ready to jump on funding opportunities or any government program that becomes available – and that’s totally understandable – it’s just the case that rural communities often don’t hear about these opportunities and end up missing out.” The rural—urban issue was mentioned in multiple responses making it clear that practitioners seem to agree this issue should be taken into account when and if the province looks to implement new policy.

#### Question five

*In general, how would you, as a practitioner, describe the relationship between the province and the community investment sector? Between your own organization/project and the province?*

Responses to question five are organized into three main themes:

1. Provincial interest apparent
2. Provincial inaction
3. Ongoing relationship building

In a small number of responses, provincial interest was reported as apparent through past meetings with the public service, planned meetings with elected officials, or more general statements about provincial support or cooperation. The provincial interest apparent theme emerged in half of total responses though all research participants did report some interaction with the provincial government (public service or elected members). The need for further education and the development of mutual understandings on the part of practitioners, organizations, and regulators in the community investment sector was suggested in all research responses. Engagement with the public service and elected government that builds on

provincial interest that already exists is a central feature for all respondents. One respondent put it this way: “Broadly speaking, the province is supportive and interested in what we’re doing ... but I know other jurisdictions where the relationship is a lot more open and constructive. It’d be nice to get to that point.”

Provincial inaction also was a theme established by the responses with one response describing the relationship as “distant.” Other responses indicated the province was sometimes slow to respond but “usually showed interest in some of the work that is going on in the sector.” At any rate, the responses indicated challenges or perceived barriers to schedule meetings with government workers, build understanding between the practitioner community and the public service, and difficulty giving input to policy decision makers. Several respondents also expressed a need to build knowledge within the CED community, including the public sector, to break down communication barriers and build mutual understanding of CED in general, community investment principles, and geographic disparities that current government programs can address.

This theme also included responses that detailed the difficulty and challenges to successfully meet with the public service, outright disinterest or inability to follow-up on community investment topics on the part of the government actors, and the failure to connect with provincial governments and regulators in BC as well as other jurisdictions to discuss supports for the community investment sector. Respondents were clear that provincial inaction was not preventing them from working toward community investment solutions in their communities;

however, all respondents also passively or explicitly indicated that government support would be welcomed and perhaps crucial to the success of community investment initiatives. One response summed up this the relationship between the sector and the province: "... where the province could be more heavily involved in community investment they are really showing no outward support for CIF development – though they aren't hindering deliberately, it's probably just not on their priority list. BC does support some other organizations like the BC Cooperative Association and other organizations – that's often where we look for help getting things set up – but there's a greater role for the province to play, I think. Community investment could be a real success for the government if small projects are getting rural economies moving, and meeting some community needs. Creating a few jobs from local businesses is a real interest we have – five or ten jobs are a big deal, especially when we're talking about communities with 1000 people or so."

Ongoing relationship building is a theme that drew from direct language in the responses that used words or phrases such as "relationship," "dialogue" and/or "ongoing discussion." Closely related to respondent rationale for government support and suggested practitioner interest in engaging with the provincial government, the need for improved relationships and mutual understandings pertaining to the community investment sector was evident. Further communication among practitioners and group development based on how community investment practitioners and organizations wish to proceed (individually or cooperatively, for example) will support effectively addressing the need for ongoing relationship building with provincial regulators and decision makers. One response noted the power of having interested

and committed public servants who “can stick with us working out in the communities to see if we can build a solution that works – and this takes time; it takes a relationship with each other.”

#### Question six

*Can you describe some risks that may be perceived by the province related to regulatory reform in the community investment and/or securities markets? In your opinion, why do these perceptions occur?*

Responses to question six are organized into two categories.

1. Minimizing investment risk
2. Building community investment understanding

The minimizing investment risk theme is comprised of responses that see government/regulator action as striving to minimize risk to the investor (the public in general) and to government revenues. Responses indicated the understanding among practitioners that provincial regulators have the responsibility and obligation to regulate investment markets and minimize investment fraud. In all responses, practitioners described some risks the province works to mitigate as a regulatory body: ensuring broad public confidence that investment fraud is not widespread; controlling investment markets through regulation to show investment firms, cooperatives, and shareholders that the province is enforcing and evolving its practices to address emerging securities and investment technologies; and working with the sector to make sure the most current regulatory information is well-known to investment practitioners and organizations. A respondent working to build a CIF in their community put it like this: “I know, as well as most of the people who have moved out here, that regulators are stretched thin and

are probably just trying to do the best they can to eliminate risk for the province – but we need to have a discussion around risk and what it means in the context of community investment. I really think that the fraud risk level involved with a community run investment cooperative is lower than the risk for fraud in an investment corporation run out of Toronto dealing with millions of dollars – that’s an oversimplification but I’m using it as an illustration – all risk isn’t the same in this sector.”

Several responses reported the need for CED understanding to be developed by the public service and policy decision makers in order to regulate the community investment sector in a balanced way. The second part of question six asked respondents to offer an explanation for the perception of risk from the province. Respondents generally framed the issue as a lack of education causing risk perceptions about the community investment sector on the part of the province/regulators. Much like the point that the previous quote illustrates, regulation in the community investment sector is perceived by practitioners to not fit the real challenges faced by the sector. From the perspective of practitioners working on CED, provincial securities regulation addressing real risk for investors and firms is significant and crucial, and is a role that provincial regulators must play; however, the current regulatory regime is not addressing the reality of the community investment sector. Responses described a general feeling that if provincial regulators and decision makers would engage in constructive and focused discussion on community investment and learn about the ways which CED can work with provincial regulators to advance other aspects of government jurisdiction, multiple interests could be addressed (for both regulators and CED organizations). The regulatory regime in Nova Scotia

was referenced again as a collaborative and successful instance of regulator-practitioner cooperation in the CED sector that spurs economic activity that the Nova Scotia Government is happy to see. One respondent used these words: “Open disclosure and regulation will protect against securities fraud. That’s a really good thing. But... community investment is different – because it’s a community. For example, in the US there are jurisdictions with relaxed regulation on securities. Cooperatives in Wisconsin have a 0% rate of fraud. In BC, community investment cooperatives have to produce a \$15,000 prospectus and have other expenses around auditing and reporting. There are some areas where some common sense change can apply. If we have willing investors and promote open and transparent investments – why does the province lead us to a place where we’re paying \$15,000 to disclose investment risk to our investors. There has to be a better way.”

#### Question seven

*Can you describe some risks that may be perceived by potential investors related to community and social investment options? In your opinion, why do these perceptions occur?*

Responses to question seven are organized into three categories:

1. Unknown credibility
2. Unknown investment models
3. Financial concerns, scope, and scale

Responses indicated that unknown credibility of community investment organizations led to the perception of higher risk among investor groups. Unknown credibility is a major theme emerging from responses to question seven. Responses suggest that from the perspective of investors looking for a rational and potentially lucrative investment, the credibility of community investment practitioners has major significance. From one response: “Investors,

broadly speaking, have legitimate questions about community investment and they wonder why, if I'm a trustworthy professional doing securities work, don't I work in a big city making six figures? There is this perception that big, faceless investment corporations are to be trusted while community investment should be looked at with skepticism – but in my mind it's the exact opposite. But usually – and this is the beauty of community investment – if we sit down with investors and talk about what we're doing and why we're doing it a relationship with trust is formed. From there on out I'll see the person who invested money around town and we'll chat about our projects." A useful takeaway for community investment practitioners is the crucial nature of knowledge, communication, and the ability to accurately and decisively relay investment risks, financial planning details, and project specifications to potential investors. The need for continued development of knowledgeable facilitators and staff on the part of community investment organizations was generally well-known to CED practitioners interviewed. One respondent summed up the need for credibility like this: "People want assurance by knowing the reputation of organizations they are investing in; they look at the track record of organizations. Brand new investment vehicles aren't able to provide these assurances at first." Other responses added that a government program would help alleviate credibility concerns because the government assumes the role of initially screening and regulating investment opportunities to ensure they are legitimate.

A second theme emerged in responses to question seven concerning the lack of knowledge and understanding of community investment models (such as community investment cooperatives) within pools of potential investors. The perceived risk associated with new investment models

cannot be wholly avoided as relationships must be built with potential investors with the intent of providing accurate education and information. The unknown investment models theme is closely related to the third theme of financial concerns, scope, and scale.

The financial concerns and the perception of scope and scale theme includes responses that indicate investor risk perceptions are negatively affected by beliefs that community investments mean lower returns, that investment money is “safer” in larger investment firms, and that a smaller pool of investors (relative to traditional investment vehicles) leads to increased risk for individual investors. Financial concerns, scope, and scale is a theme emerging from practitioner responses that indicate investors perceive risk in small-scale investment pools (such as community investment funds) and generally feel unsure that the scope of the investment can be counted on as a sustainable investment or generate returns at the rate of traditional investment models. One respondent put it this way: “There is a perception out there that big is safe, and small is risky. But with volatile global markets, maybe your home community is the safest place to put your money. We need to be having these conversations – and hopefully communities, organized investors, will get together and take some ownership over community needs. We can’t always rely on large, institutional investment firms to bring economic benefits to our home communities – there has to be a balance.” This highlights the need for practitioners and community investment organizations to work with potential investors to build understanding, stronger relationships, and trust.

## Question eight

*Can you describe some risks that your own organization/project faces when it comes to engaging in community/social finance? Why do you feel that facing these risks is worthwhile?*

*Are you mitigating these risks in any way(s)?*

Responses to question eight are organized into two themes:

1. Financial and professional risk
2. Information, knowledge, and partnership risk mitigation

Financial and professional risk is a theme that includes responses that mention risk in one of the following areas: general business expenditures, grant revenues, and payroll expenses that are paid out in order to develop community investment opportunities. (Start-up costs were mentioned in 50% of the grouped responses.) Responses showed that both financial and professional risks are a common theme that community investment practitioners' experience.

All respondents indicated that they are work on community investment fund/project development "usually off the side of my desk" in addition to regular work activities with a general lack of resources that can be committed to CIF development. Some practitioners were able to secure grant funding for the early stages of community investment research and development; however, well known to workers in the not-for-profit sector, grant funding cannot be counted on as a sustainable source of revenue for ongoing programming and project efforts. In some cases, practitioners are spending their own time on the development of community investment opportunities: "For myself, and I have no doubt there are some others like me, I put in the time after work hours to go and host community meetings, to try and organize some kind of local investment option. We can make something work if a few of us are

willing to put in long hours and spend our own money to set up a meeting with investors – community members I talk to are more than willing to support local investment – we just have to create the opportunity.”

Professional risk presents to practitioners because of the nature of financial investment markets and business and social venture projects. Responses suggest that advising investors and businesses is a serious concern for the community investment sector and practitioners work to put in place experts and credible information sources at all stages of the investment cycle, with one respondent describing their situation like this: “... there are other risks for the organization – we feel like we are trying to be trailblazers in a new community investment fund sector and leading the way poses some risks. Expertise is around – it’s around the region and we are finding it. We’re working to build partnerships with experts and getting investors and businesses involved early on as a way to be proactive about risk.” In all responses, practitioners made it clear that they feel taking on risk is a worthwhile and expected part of the work they do.

Mitigation strategies that include the development of clear information, accessible sources of knowledge, and partnerships with credit unions and other financial institutions were indicated by the grouped responses. Information, knowledge, and partnership risk mitigation refers to a theme raised in responses that closely links with question seven (focused on investor risk perceptions) in that respondents generally feel that by disseminating accurate information within the community, building knowledge among fellow practitioners and investors, and by

building partnerships with credible institutions such as credit unions, community futures organizations, and local businesses and community leaders, stronger relational ties in the community will lead to a growth of interest and uptake in community investment opportunities. Taking this line of reasoning further to include government actors is considered by some respondents as a practical step (see questions four and five earlier in this section).

### Question nine

*In your experience, how does the (perceived) capacity and acumen of community investment practitioners affect the outcomes of community and social investment initiatives?*

Responses to question nine are organized into two themes:

1. Credibility concerns
2. Building knowledge and understanding

Perceived credibility concerns is a theme raised in the grouped responses. All responses indicated perceived capacity and acumen of community investment practitioners were reported to be a significant component in the development of community investment initiatives. The credibility concerns theme is closely related to themes emerging in question seven regarding new investment models and a general lack of knowledge among potential investors leading to the perception of risk. Credibility concerns arose in responses to question nine as all responses suggest that not only is perceived capacity and acumen of community investment practitioners crucial for the success of projects but also related to addressing the concerns of investors that require assurance and expert knowledge related to personal investments. Responses noted generally that because community investment was a newer option on the market the need for reliable figures and for trust among investors is a “really big

deal to investors in the community – many of whom are retired or working professionals and need the assurance the people operating a CIF are credible.”

Building knowledge and understanding was also mentioned in the grouped responses as a way to build credibility. Factors that make up this theme include necessary practitioner communication skills, community ties and connections of practitioners and board members, and more general statements that indicate a need for the CED community to engage and inform investors as a method to build the potential investor pool. Responses suggest that due to the value of content experts, skilled communicators, and CED facilitators generally, to community investment initiatives, ongoing training, talent development, and information sharing in the practitioner community would potentially provide benefits to the sector moving forward. One presenter described the role of education, expertise, and strong presentation and communication skills for CIF developers: “The interest in BC is there – and what local investment initiatives need is expertise, the willingness and openness to engage, listen, and educate people in the community, and strong skills in presentation and communication so we can articulate our ideas and our business plans – if we can do this we can create options to meet the interest that’s out there.”

#### Question ten

*In your ideal, yet realistic, world, how could the province best support the community investment sector? Describe the most important regulatory reforms the province should consider. In your opinion, are regulatory changes enough, or is more involved public programming necessary?*

Responses to question ten are organized into three themes:

1. Securities regulation amendments
2. Programming and tax credit expansion
3. Relationship building and innovation

Securities regulation amendments makes up a theme indicated by the grouped responses. This theme included proposals for regulatory exemptions in the securities markets and the need for BC to bring securities regulation in line with other jurisdictions in Canada. This theme was reported in all responses. Practitioner rationale for included a need to change the current system to ensure accessibility for community initiatives operating with less capital than mainstream/established investment vehicles. A high, and sometimes prohibitive, cost associated with completing disclosure and prospectus documents common to the wider securities market ensures adequate information for investors and investment agents; however, community investment practitioners are not convinced that these tools are necessarily relevant to the community investment sector. Securities regulation amendments do not need to involve legislative change as evidenced by working arrangements in the Nova Scotia CEDIF program, cited heavily by practitioners in responses to several questions in the interview process, including question ten.

Programming and tax credit expansion is a theme drawn from grouped responses. This includes proposals for programming and thorough government programs to address regional and educational concerns: “We know that if incentives are introduced, people will follow a good incentive – so in my mind if there is some wrap around programming that sees CIF education made available in a community, CIF development and implementation grants/supports put in

place, all the way to a tax credit for investors who choose to support local businesses and other initiatives through a CIF – we will see local investment take off. Perhaps we have to tailor programs to the rural and urban experiences to make sure everyone is getting what they need – but we can do that if we work with the public service.”

Relationship building and innovation is the third theme indicated in the grouped responses to question ten. This theme includes points that purport the need for the practitioner community to discuss common and divergent needs, ways for the BC government to encourage innovation and new investment in communities, the streamlining and administration of existing programs, and ways for working with the public to build understanding and trust in community investment vehicles. Not unlike themes emerging in question six, responses indicate a willingness and desire to form closer ties with the public service and government, other practitioners working in BC, and the ability to harness the capacity for real innovation in the sector on the part of regulators and non-governmental organizations. General public education also featured prominently in responses to question ten.

### [Aggregated thematic discussion](#)

The previous section presented themes emerging from individual responses. When looked at as a collective, the themes are contextually situated and broad in focus. To best discuss the aggregated findings below the themes are organized into two areas that lead to conclusions and the recommendation of options for consideration. Some themes fall into both categories as they straddle the grouped themes and are important from several perspectives. These two aggregated thematic groupings are based on themes found in individual question responses

and have been identified by the researcher as broad headings that will assist the client in coordinating ongoing organizational plans and initiatives.

The first grouping “community engagement and education” includes themes that involve external actors in the wider community such as businesses, professionals, experts, educators, and potential investors. The second is “regulator engagement and procedural issues” and includes themes that can focus on working with provincial regulators and outside jurisdictions, and collaboration based on observed phenomena (for example: demand, community interest, minimizing perceived risk). These aggregated thematic groupings are described in the following section and summarized in Table 2.

### Community engagement and education

Responses confirmed that practitioners are structuring efforts to support engagement, education, and collaboration work in their communities and findings suggest an emphasis on community building and social cohesion as major objectives that drive practitioners in their day to day work. Nearly all respondents confirmed that practitioners understand community investment practice as a relatively new concept for many communities in BC, for potential investors and investment agents who currently place money into traditional investment channels, and for the small business and social enterprise sectors and the need to build relationships within these communities is crucial for building a successful initiative. Effective networking among the community investment practitioner community to support coordinated education work at a regional or provincial scale is a focus for practitioners in the future. As an

emerging concept and practice, community investment in BC requires substantial work in order to educate and partner with community actors, address credibility concerns by attracting talented and informed professionals to the sector, and create a centralized or permanent group that can communicate with government. Such a group, potentially modeled after other effective social change groups, and using existing development councils and committees if possible (such as the BC Rural Development Council), is an option to move community investment further into public view and scrutiny as a viable investment option.

### Regulator engagement and procedural issues

In addition and complementary to work inside the community, practitioners are also focusing on regulatory changes and reforms that, as evidence from other jurisdictions in Canada shows, can support the community investment sector, particularly in the case of cooperative investment corporations such as those developed through Nova Scotia's CEDIF program. Regulatory reform efforts have the potential to be significant for the future of community investment funds in BC if regulators develop a fulsome understanding of community investment and how communities in BC can benefit.

Responses suggest that provincial regulators have shown an interest in community development in the past but suggest they are not engaged and constructive partners to the CED sector generally at this time. Ongoing efforts to collaborate with provincial regulators in order to create effective programming and meaningful regulatory reform have the potential to benefit the community investment sector.

While effective government programs exist to support social innovation and venture capital initiatives the responses make it unclear if these programs are supporting rural communities and economies equally as they do urban centres like Vancouver and Victoria. The responses to this research included respondents from both rural and urban contexts and responses suggest urban communities are quick to penetrate government programs, more swiftly than rural communities, resulting in an inequitable distribution of program resources. This has led to calls for specific programs for the rural and urban contexts to address the wide range of economic circumstances and realities in communities in BC. Showing regulators successes from outside BC, documented investor interest in the province, business planning and community investment fund policies, and administratively light opportunities for government to support small business and small-scale community investment will be integral component targets in pushing for regulatory reforms identified in the findings.

Awareness of perceived risks on the part of regulators is an area of general common understanding among practitioners. The need to improve communication with regulator bodies and the public service is a common objective shown in the findings. Responses suggest that practitioners plan to continue engaging with regulators to build relationships and achieve a higher level of understanding of the community investment sector among regulators, potentially leading to improved programs and regulatory reforms.

The table below sets out all of the emerging themes presented in the Findings section and lists the individual themes under the two general headings discussed above.

Table 2: Aggregated thematic groupings

<b>Community engagement and education</b>	<b>Regulator engagement and procedural issues</b>
<ul style="list-style-type: none"> <li>• Community building</li> <li>• Impacts, focuses, and tactics</li> <li>• Local empowerment and sustainability</li> <li>• New investment models and community development</li> <li>• Observed [investor, borrower] demand</li> <li>• Building community investment understanding</li> <li>• Unknown credibility</li> <li>• Unknown investment models</li> <li>• Financial concerns, scope, and scale</li> <li>• Credibility concerns</li> <li>• Information, knowledge, and partnership risk mitigation</li> <li>• Building knowledge and understanding</li> <li>• Relationship building and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Financial solutions</li> <li>• Observed demand</li> <li>• Evidence from abroad</li> <li>• Community needs and rationale</li> <li>• Need to engage government actors</li> <li>• Jurisdictional information</li> <li>• Issues with existing programs and approaches</li> <li>• Provincial interest apparent</li> <li>• Provincial inaction</li> <li>• Minimizing investment risk</li> <li>• Building community investment understanding</li> <li>• Unknown investment models</li> <li>• Securities regulation amendments</li> <li>• Programming and tax credit expansion</li> <li>• Relationship building and innovation</li> </ul>

After the completion of interviews a prevalent feature of the findings is the commonality among the responses and what responses share when describing of the challenges facing community investment initiatives, observed demand from investors, and the need for strong partnerships among practitioners. This commonality represents a significant point of interest for a sampling of community investment practitioners all working in distinct communities across BC; and perhaps it indicates that greater coordination in the sector would support raising

the interests of practitioners and community investment organizations to the level required for sustainable policy reform.

Raised in the literature review, prevention of the “flight of capital” is also an important element repeatedly raised by respondents. This may be because capital leaving the community in the form of RRSP contributions is one of the few quantifiable figures available to the community investment sector that begs the question for investors: how could your investment be better *spent* as opposed to solely what investment will give the highest financial return. Looking at jurisdictions abroad, such as Nova Scotia, where communities have been successful in creating investment opportunities as well as successful business ventures in partnership with provincial regulators, it is understandable that the practitioner community in BC would suggest similar programs for communities in both urban and rural parts of the province. If the goal is to join efforts and collaborate within the community investment sector the venture is bolstered by the common elements among practitioners in terms of concerns, issues, and innovative ideas for the future.

This report set out to answer the question: how are practitioners in the field of community investment in British Columbia structuring their efforts to move community investment initiatives forward? Based on the themes lifted out of individual responses that were distilled and grouped together across two broad focus areas, a concluding list of activity areas seeks to represent how practitioners are structuring their efforts into the future.

Table 3 focuses the broader list of themes into a suggested framework that KES and other interested organizations can consider to help inform project development and future action. This framework is fundamentally based on work that practitioners have either engaged with in the past or have noted as considerations for the future during interviews. The hope is practitioners will use this framework to complement the organizational work being developed and implemented by practitioners across the province.

Table 3: Practitioner focus areas

<b>Community engagement</b>	<b>Regulator engagement</b>
<ul style="list-style-type: none"> <li>• Public education</li> <li>• Community networking</li> <li>• Targeted marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Building relationships</li> <li>• Establishing discussion forums</li> <li>• Info from other jurisdictions</li> <li>• Cost benefit analysis</li> </ul>

Based on the aggregated thematic data, this table codifies elements to offer a generalized look at ways in which CED practitioners in BC are structuring their efforts. Much like the process used to build the broad categories used to sort the individual themes emerging from interviews, Table 3 organizes and distills structures into two categories: community engagement and regulator engagement.

It is also important to mention that related to all of the topics included in Table 3, increased collaboration and cooperation among CED proponents and practitioners is a consistent theme.

## 8. Recommended Options for Consideration

Building on the summary of findings this report is putting forward three options for consideration for KES as the organization looks at ways to support CIF development in their community.

Recommend Options 1 and 2 have been developed as potential ways for KES to help move the sector forward and articulate current understandings and values associated with CED and CIF initiatives that need clarification and communication with those inside and outside the CED sector.

- 1. Support further research in on CIF development in BC and participate and utilize a multi-stakeholder CED body to affect regulatory reform and public education/marketing in BC.**

Based on the research completed in this study it is clear that a group of practitioners are committed to moving CIF projects forward. Representatives at KES can support future research on community investment and depending on resource levels at KES the organization could choose to create a program area dedicated to community investment research within KES' charitable mandate. In addition, as practitioners consider pooling resources and ideas to jointly affect programming and regulatory

decisions KES representatives can be a part of future research conversations in order to inform future policy and regulatory developments.

- 2. Take a role increased information sharing among CED/CIF practitioners and organizations to ensure the most efficient use of financial and personnel resources can enable KES to become a knowledge hub for the community investment sector.**

Information sharing and peer-to-peer education can help to save time and money. Depending on KES resource levels, creating an accessible and open website database/discussion forum potentially associated with the committee mentioned above, will serve to keep practitioners, local businesses, and the public informed of community investment initiatives in the Creston and Invermere regions. Directors at KES can lend the charity's expertise and reputation in the community to support local investment developments through this forum.

Recommendation 3 was developed as a possible course of action for KES to take in order to support the community investment community and to address risk perceptions in the eyes of potential investors and policy makers.

- 3. Build a collaborative plan with interested practitioners/investors in BC that seeks to get input from the wider community, including businesses, individuals, and**

**regional/municipal levels of government that shows the interest and future focus of specific community investment initiatives.**

An extended public consultation process to assess a wider range of opinion is an option for KES and partner community development practitioners and organizations to consider as the sector seeks to further develop and expand as a method of community and economic development in the province. This consultation process would not only create an opportunity for KES to establish themselves as an authority on CIF development but also build knowledge in the organization as to how potential investors are envisioning a CIF.

## 9. Summary

Ongoing resource constraints will be a common issue for CED practitioners and accessing available funding from public, private, and charitable sectors will be relied on while CIF initiatives are in their early stages. Operating costs of CIFs may be covered in the future by funding originating from investors and cooperative members, or interest and other financial returns from assets acquired by CIF organizations. One challenge will continue to be seed funding and venture capital that enables CIFs to enter markets at a sufficient scale to generate returns for investors while also having (and combining) capital to support community projects and businesses; this is where regulatory change can have a significant facilitation effect, allowing CIFs (and other investment cooperatives) to attract new investors, outside of friends and family or accredited investors. Ideally, this development work is simultaneous to ongoing

projects to improve information sharing, and perhaps most importantly, to develop a consistent body (a committee or coalition/advocacy group) to bring the interests of the CED community to a common table with community members and practitioners, public policy makers, the charitable and private sectors.

It is the hope and intent of this project to not only encapsulate and collate current knowledge relevant for KES to share with CED practitioners but also to provide KES with an objective document to help add to the broader discussion of CED in BC.

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