

**THE EMERGENCE OF COMMUNITY INVESTMENT
AS A STRATEGY FOR
INVESTING IN YOUR COMMUNITY**

**A PAPER DELIVERED AT THE SASKATCHEWAN
“INVESTING IN YOUR COMMUNITY CONFERENCE”
MARCH 2004**

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The Emergence of Community Investment as a Strategy for Investing in Your Community

A Paper Delivered at the Saskatchewan “Investing in Your Community Conference”

March 2004.

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Abstract

This paper, "The Emergence of Community Investment as a Strategy for Investing in Your Community" provides an overview of how the Community Investment Industry in Canada can be a tool to tackle issues of unemployment, poverty, social exclusion, economic restructuring and environmental degradation in Canadian communities. The paper describes the different approaches to socially responsible investment (SRI), from the point of view that the lack of access to capital in urban, rural and Aboriginal communities can be bridged through applying the techniques of community or alternative investing, one of three approaches to SRI. The paper reviews the status of community investment funds across Canada, including urban, rural and aboriginal community economic development vehicles, pointing out their track record in financing the growth of small business and job creation. It also highlights the ongoing need for government and other support in capacity building and organizational infrastructure and - importantly - the need for patient and affordable capital to finance the growth of the community enterprise sector. Finally, the paper provides case studies of different types of financial intermediaries, from credit unions, to mutual and pension funds and venture capital and insurance companies, which have successfully channeled retail and institutional investments in support of community development, using the principles and strategies of the community investment industry. It is hoped that this paper points the way for other individuals and organizations concerned about the role they can play to bridge the gap in the social capital marketplace.

The Author

Coro Strandberg is the Principal of Strandberg Consulting, providing strategic advice to business, governments, co-operatives and non-profits in the fields of community economic development, social investing, green economy and corporate social responsibility. She is a past Chairperson of VanCity Credit Union and currently sits on the board of VanCity Capital Corporation. Previously as the Director of Social Policy for the BC Government she helped establish community economic development, green economy and corporate social responsibility programs.

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Background

Canadian communities face major challenges in obtaining the capital necessary to finance community economic development projects. To address this challenge within the Saskatchewan context, the Saskatchewan Council for Community Development and the Community First Development Fund of Saskatoon joined forces to host a conference on community investment in March 2004. The conference was designed to examine the potential for economic and social investment approaches to respond to the capital gap challenges in Saskatchewan urban, rural and Aboriginal communities. The author of this paper was asked to be the keynote speaker to promote the role of socially responsible investment in addressing this capital gap in Canadian communities. The speech was adapted to paper format to make it more accessible to a wider audience.

Thanks to Meritas Mutual Funds Inc. (www.meritas.ca) and VanCity Credit Union (vancity.com) for sponsoring the effort to draft and distribute this paper on socially responsible investment as a tool for investing in Canadian communities.

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Introduction

This paper explores the emergence of the community investment industry, from within the context of the socially responsible investment (SRI) movement. First, the paper proposes the existence of a gap in the social capital marketplace, then it looks at the role and potential of SRI, particularly community investment (CI), to close that gap. SRI is defined, the Canadian community investment sector is examined and a range of CI investments are described to convey the promise of this form of investing to address significant community needs.

Why Socially Responsible Investing? Why financing that is explicitly targeted to supporting social goals?

There is a gap.

Anyone working and living at the community level knows there is a gap between the need for capital and investment to support the creation of jobs, provide economic opportunities for our young people and others on the margins of our economy, and to help communities in transition

adjust to global realities on the one hand – and the availability of capital and investment that is as concerned with generating a social as well as a financial return on the other hand.

In my business we call this gap “underserved market niches not well understood by the traditional financial sector”. We call investment which aims to bridge this gap “double bottom line investing” – that is, investment that generates financial as well as social or environmental returns.

Jed Emerson, business lecturer at the Stanford University School of Business, is perhaps best known for his work to popularize the gap between traditional finance looking for maximum market returns and philanthropy seeking a pure social return. His Blended Value Map (<http://www.blendedvalue.org/>) describes a continuum of financing from traditional philanthropy, to venture philanthropy, followed by community debt and equity financing, socially screened investment and lastly, traditional capital institutions such as banks and mutual funds. The social returns to capital increase as one moves along the continuum from the traditional capital market through to traditional philanthropy. Correspondingly, the capital returned to the investors decreases along this continuum. Emerson refers to the action on the traditional financial side as the “Pure Financial Market” and the action on the philanthropic side as the “Pure Social Market”. The middle of the continuum is where the new models of finance are emerging, called the “Social Capital Market”, where investors receive a blended return on investment (ROI), referred to as a social return on investment (SROI).

This is where community investment fits in the overall capital market system. The gap in the social capital marketplace can be addressed by applying the emergent tools of the community or social investment industry.

To better understand what is meant by this industry it is important to first understand what is meant by socially responsible investment.

What is Socially Responsible Investing?

Socially Responsible Investment is a process of aligning your or your organization’s investment decisions with your – or its – personal or organizational values and societal concerns.

SRI considers both the investor's financial needs and an investment’s impact on society.

With SRI, investors can achieve market returns and put their money to work improving social and environmental conditions.

Social investors include individuals and institutions such as corporations, universities, hospitals, foundations, insurance companies, banks and mutual funds, pension funds, unions, co-operatives, nonprofit organizations, faith organizations, etc.

How does SRI work?

Three key SRI strategies have evolved over the years:

- Screening

- Shareholder Advocacy

Community Investment

While the focus of this paper is on the latter approach, community investing can be better understood as a vehicle for community development if it is positioned within the context of the SRI industry as a whole.

1. Screening

The oldest approach to SRI, screening, dates back to faith communities eliminating “sin” stocks from their portfolios and was given its highest profile during the apartheid regime in South Africa when social investors disinvested in South Africa in protest. SRI was credited as one of the driving forces that helped topple apartheid.

Screening refers to the application of social and environmental guidelines – screens – to the investment process. One can screen directly through the selection of particular stocks or investments selected according to specific screens, or through socially responsible mutual funds employing pre-established screens.

Negative screens can include such issues as companies operating with sweatshop or child labour, or the manufacture of alcohol, tobacco or pornography. Companies falling into these categories are excluded from portfolios containing these screens.

Examples of positive screens include seeking out companies with good employee relations, strong records of community involvement and exemplary environmental impact policies and procedures.

2. Shareholder Action and Engagement

Shareholder Action and Engagement is defined as the process of using your power as a shareholder to influence corporations on particular issues or actions. It is usually carried out by institutional investors such as foundations, mutual and labour funds, trusts, investment pools and pension funds. But individuals can also be active shareholders. The process usually includes one or more of these three steps (with thanks to Deb Abbey, CEO, Real Assets):

1. *Corporate engagement.* This is the process of meeting or communicating with corporate management to attempt to persuade management to modify corporate behaviour on the issues or actions of concern.
2. *Shareholder proposals.* In some cases, you may want to use your rights as a shareholder to persuade other shareholders to pass a resolution mandating that management take certain actions. This is done through the shareholder resolution process.
3. *Divestment.* If corporate management is adamant that it does not want to heed your wishes as a shareholder, you may want to consider selling your shares as a way to show the managers your displeasure with their lack of action.

The third area of SRI, Community Investment, is an approach to investing targeted at leveraging high impact social and environmental returns.

3. Community Investment

Community investing – also referred to as cause-based, socially directed, social impact or alternative investing – describes investing that supports development initiatives in low-income or restructuring communities both in Canada and in developing countries, including the emerging field of social and environmental enterprise.

It is an opportunity for the average investor or financial consumer to allocate a portion of their investment portfolio, or to invest their savings with financial intermediaries, that are dedicated to improving local or third world socio-economic and environmental conditions.

Community investment provides opportunities for community investors to place their money in investment vehicles and savings accounts where their dollars create jobs and affordable housing, assist communities going through economic restructuring, develop local enterprise, provide community services such as child care, improve the environment, empower workers or consumers and reduce overall world poverty.

Community investors generally place money in community investment funds or intermediaries providing capital to local entrepreneurs, co-operative or community-oriented enterprises.

A community investment (CI) fund is defined as a pool of capital that is used to make loans, loan guarantees and/or provide equity capital, in conjunction with technical assistance, to low income individuals, micro-enterprises/small businesses, affordable housing projects, non-profits and environmental projects.

The CI fund may be housed within an organization and have only one product, or it may be a fund with a diversified portfolio of financial services such as loans, equity, investments, guarantees, etc.

Sources of capital for community investment funds may include contributions and loans from private donors, private investors, faith-based institutions, foundations, governments, financial institutions, pension funds, and other institutions.

Community investment funds in Canada cover some of their operating costs through interest and other fees. However, the cost of lending including technical assistance is often greater than can be generated from fees. Administrative costs not covered by interest and fees are met by grants and contributions from a variety of sources, typically government or through philanthropy.

Indeed, a critical factor in community investment funds is the use of both volunteer and public resources to establish funds, identify borrowers, manage risk and raise capital. These low-cost resources enable community investment funds to provide capital not offered by banks and other for-profit financial institutions. In addition, by bringing mentoring or government-funded resources to the process, community investment can also provide training, networking and other technical support.

Community investments pay different rates of return from zero to less than market, and in some instances market rates. Those offering the lowest rates typically have the greatest social impact, transforming the most lives in the most profound ways, or providing the greatest benefit to the environment. In addition, unlike a charitable donation, the principal is returned to community investors at the end of the investment period.

Sometimes, depending on prevailing interest rates, “below market” community investments can pay more than other investments. Anyone locked into a below market five-year three per cent rate on a community investment deposit three years ago would likely have seen this asset outperform their mutual funds.

As for investment risk, it depends on the product – some are fully guaranteed; others are not. However, many uninsured community investments have proved to be low risk over time, with loan losses from community investments typically comparable to traditional bank loans.

The US has the largest market for community investment, with an estimated US\$14 billion in this asset class according to 2003 figures of the Social Investment Forum. Their CI assets grew 84% from 2001 to 2003. Canada’s Social Investment Organization has estimated roughly Can\$ 69 million in this asset class in Canada (2002 figures).

The range of community investment vehicles and methods is growing with increased sophistication of this sector. The US leads the way with the greatest array of investment vehicles.

The following is a list of the range of CI investment vehicles existing today, mostly in the US with some emergence in Canada:

- **traditional banking products** offered by community-based credit unions including checking and savings accounts, term deposits, GICs, investment shares, etc.
- **community development loan funds** which provide low-cost financing for housing and economic development projects. They offer unsecured term loans with interest rates in the range of zero to five per cent for 1 – 10 years
- **community development venture capital funds** provide equity investments in businesses that hold the promise of growing rapidly to create jobs, entrepreneurial capacity, and wealth that benefit low-income people, distressed communities or the environment and which offer preferred and common stock or subordinated debt with equity “kickers” such as warrants or royalties
- **international funds** leverage capital to support local organizations in developing countries dedicated to poverty alleviation
- **socially responsible mutual funds** direct a small portion of their assets to support community development programs

Community investors today have a range of investment vehicles available to them, depending on their social and environmental goals, risk profile and investment objectives. Much as every investor is encouraged to diversify their portfolio to hedge against risk and other exposures, every investor is encouraged to include community investments in their portfolio. Indeed the emerging standard is for every social investor – who may already be involved in screened and active shareholder funds – to include community investments amongst their other investments. The US Social Investment Forum believes this should be at least 1%, an amount which would have a minimum impact on an investor’s overall return. While this might not seem like much to the individual investor, applied to the Canadian marketplace, this would result in \$500 million (CDN) in Canada leveraged for community investment purposes.

Community investment is in its infancy in Canada. There are some noteworthy examples, described below which point the way for mobilizing significant social capital for community betterment. While the idea of investing for a double bottom line return is just starting to emerge as

a viable investment strategy, CI represents an important means to raise new capital for the development of local business and other community economic development projects. While much of the leadership in this field is in the US, Canada has a strong indigenous community development industry which has evolved over the past twenty-five years.

What is the current status of the community investment industry in Canada?

Two reports have been conducted in the past year on the state of CI in Canada.

A year ago, the Social Investment Organization and the Riverdale Community Development Corporation completed a national survey of community investment activities (“A National Study of Community Investment in Canada”, September 2003). The study describes the twenty-five years of experience in the Canadian community investment sector and points to the following conclusions:

- There are 57 non-governmental community investment funds currently in operation.
- Half of those surveyed receive capital from private investors.
- 85% lend for micro- or small business development, 50% for co-operative development; 29% for housing.
- Two-thirds lend directly to clients, while one-third provide loan guarantees for loans issued at a financial institution, in most cases a credit union.
- 91% of community investment funds offer term loans with fixed regular payments, 35% offer a line of credit; 15% provide equity capital.
- Community economic development (CED) organizations are not by and large self-sufficient, with at most 50% of their revenues generated from non-governmental sources.
- Community Futures Development Corporations – a form of CED organization – in Western Canada are estimated to have generated over 30,000 jobs and \$1.4 billion in revenues through loan and developmental support to businesses in rural areas between 1995 and 2001.
- Lack of access to debt and equity capital at rates appropriate to community investment returns is cited in all recent studies and consultations on barriers to community economic development.
- Local technical skills and capacity are also cited as major issues for community development organizations.

The National Aboriginal Capital Corporation Association conducted a recent assessment of Aboriginal Financial Institutions (AFI), a vehicle providing financing and technical assistance to support the development of Aboriginal small business. The study, which reviewed the history and performance of AFIs over the past 25 years (“AFIs in Canada – Breaking the Billion Dollar Barrier”, Fiscal 2003, by Kevin Schindelka, NACCA), revealed the following:

- AFIs were created in the 1980s to support aboriginal economic development. There are currently 58 AFIs operating in Canada.
- In fiscal 2003 over 1900 loans aggregating almost \$70 million were provided to emerging Aboriginal entrepreneurs.
- Initial assumptions made at the time AFIs were formed were that they would generate loan interest income of 12%, have loss provisions of 5%, operating expenses of 6% and profits of

1%. 2003 results reveal an average interest income of 8.51%, an average loss provision of 2.75% and operating costs of 12%. AFIs are operating with an average loss of 6.24%, significantly underperforming on every financial ratio.

- AFIs are immersed in developmental lending, necessitating a very low employee to loan ratio and an extremely high loss provision rate, compared to conventional lending standards. Conventional lenders are projected to manage 5 times the loans of AFI developmental lenders.
- It is believed that client success rates would be improved if AFIs had the ability to hire an adequate number of aftercare employees.
- Additional needs are for loan capital and training to AFI employees.

These two studies point to some significant trends:

- Governments play a significant role in supporting the viability of community investment vehicles.
- Whether provided by government or other community investment partners, community investment organizations need ongoing operating subsidies and affordable capital in order to fulfill their community development mission.
- Community investment organizations have a limited track record with private investment capital.
- In spite of the many challenges faced by community investment intermediaries, they are nonetheless significant job creators, helping reduce poverty, financing environmental regeneration, building affordable housing, and supporting economic restructuring of resource-based communities.

What are the opportunities going forward for these social capital brokers to attract private investment capital, which is patient and affordable, to their targeted investment initiatives? The following is a scan of retail and institutional investment in the CI sector which is targeted at bridging the social capital gap in Canadian communities.

Retail and Institutional Community Investment Case Studies

While the role of private investors in community investment has been limited to date, nonetheless there are a range of CI investment case studies which can point the way for communities looking to expand their CI investment offerings. The examples below demonstrate that partnerships with public interest financial intermediaries can result in significant leverage of private investment capital for social impact purposes.

The following is illustrative and not exhaustive of all the examples of CI investment in Canada. It is designed to tell the story that private investors can achieve market or near to market returns on their community investment portfolios, creating the business case for others to enter this field. The list was explicitly designed to feature the range of traditional financial intermediaries operating in this space, from insurance companies to mutual funds, venture capital corporations, financial institutions and others.

Credit Unions:

Jubilee Fund – Assiniboine Credit Union worked with a coalition of inter-faith groups to develop The Jubilee Fund, a community development loan fund designed to facilitate financing for community-based businesses, housing projects and social services in low income Winnipeg neighbourhoods. Investors in The Jubilee fund purchase a Jubilee Investment Certificate of \$500 or more, for a 3 or 5 year term, at 2% below regular term deposit rates. Assiniboine administers the loans which have established loan loss reserves of 10%. Operating costs of the fund are partly covered through a five-year operating grant from the Provincial Government.

Their first loan guarantee went to a mobile hair care business serving people confined to their homes. They are also financing Kinkora Developments Ltd., a conversion of a 23 unit apartment block that was a neighbourhood eyesore into an innovative student housing project.

Eighteen months ago they had 12 clients and \$.5 M lent out. One of the biggest impacts of the Fund is leverage: as an example, one Jubilee loan of \$11,500 leveraged additional funds of \$34,500 for a total benefit of \$46,000 in financing.

VanCity Credit Union – VanCity's Community Investment Program offers two deposit products to VanCity community investment members, one local and one global. Both are RRSP-eligible and carry the same guarantee as other term deposits with the credit union.

The first, Community Investment Deposits (CID), earn a slightly lower rate of interest and benefit communities in VanCity's service area. Investments are pooled for the purposes of investing in projects that enhance the local quality of life, including environmental protection, affordable housing and community economic development. Financial assistance is provided to projects in the form of low interest loans, reduced rates on mortgages and other credit services.

The second community investment deposit product, the International Community Investment Deposit (ICID), is similar to the CID in that it, too, is a below market investment. Investors are able to choose a rate of return from 0 – 2% and 100% of that investment is channeled through international community lending agencies to provide credit in low-income communities around the world .

By June 2004, VanCity members had deposited approximately C\$4 million in these two community investment deposit products. VanCity intends to grow these assets, with plans to relaunch its Community Investment products with enhanced features in the Fall of 2004.

VanCity also provides two Micro-loan programs for small businesses with the objective of reducing poverty and creating jobs for those who have the skills to successfully operate a business but are unable to access traditional credit sources. They have also established financing and support programs for businesses who seek to improve the environment through their products, services or internal practices.

The VanCity Peer Lending Program is one of the oldest group-based lending programs in North America. This lending program provides the first building block of small business credit to members and has played

a critical role in assisting individuals with building/ rebuilding their credit history in a supportive learning environment. Peer Lending provides affordable small loans of \$1,000 - 5,000 to those who may lack assets, equity, or a credit history. Since its inception in 1997 the Peer Lending Program has lent out over \$1.1 M to 301 borrowers with 680 different loans.

Vancity Self Reliance Loans provide financing to \$35,000 and unlike traditional loans are based on character, credit history and the viability of the business, rather than collateral. Since its inception in 1997 Self Reliance Loans have provided more than 600 entrepreneurs with over \$13 M in financing to support job and business creation in Greater Vancouver.

Second Tier Credit Unions:

Credit Union Central of BC – CUCBC has established an Open Ended Trust Pool called Growthstart – a Local Business Development Fund. Ten participating credit unions were brought together to create Growthstart, a partnership with BC Community Futures Development Corporations (CFDCs) and Western Diversification to create an \$11 M pool of capital for use by CFDCs in their small business lending activities. Launched last fall, Growthstart will operate for five years providing returns to capital for the credit unions of prime minus 1 – 1.5%. CUCBC manages the program on behalf of the credit unions.

Venture Capital and Subordinated Debt Funds:

Working Opportunity Fund – Eight years ago (1996), WOF, a labour-sponsored venture capital corporation in BC, established a \$1.8 million Community Investment Loan Fund program through the Community Futures Development Association of BC. It was structured so that WOF would receive a 2 – 3% return on the portfolio, which was at the low end of market at the time. About 50 – 75 small businesses received loans of roughly \$25,000 each, ranging from \$24K to \$36K. The program was successfully wound up in 2002.

Societe de Capital de Risque Autochtone du Quebec (SOCARIAQ) – Two years ago five organizations financed the startup of a \$6 million equity investment fund aimed at providing financing to new and existing businesses controlled by members of Quebec First Nations. The five investors included the Quebec Federation of Labour through its labour-sponsored venture capital corporation. Two Aboriginal Capital Corporations, the Native Benefits Plan, and the Desjardins movement are also participants in the investment fund supporting Aboriginal business development.

VanCity Capital Corporation – The mission of VanCity Capital Corporation is to contribute to the economic development of BC through the provision of financing for emerging growth businesses and non-profits, co-operatives and Aboriginal and green economy businesses. The social capital portfolio of VCC represents 10% of its overall portfolio and seeks returns of prime plus 3%.

Foundations:

VanCity Community Foundation – The purpose of the VanCity Community Foundation is to support community economic development in Greater Vancouver and South Vancouver Island. In addition to providing grants for this purpose and socially screening its endowment, the Foundation also has a program of mission-based investing otherwise known as program related investing (PRI). This is an approach whereby foundations target their endowment assets toward investments in support of their social justice missions. VanCity Community Foundation refers to this as Community Development Lending. In 2003 on a \$10 million asset base, the Foundation had \$.5 M in PRIs financing 8 loans from \$16,000 - \$187,000. They were receiving returns of 4.5 – 7.5% on their community development investments.

The Strathcona Health Society is one of their recipients, having received \$50,000 in financing from the Foundation in the form of a loan and line of credit to open a community dental health clinic to improve the dental health of children in Vancouver's lowest income communities. The program is designed as a holistic dental health project incorporating treatment, prevention, outreach and education with community partners such as schools, daycare centers and preschools.

Mutual Funds:

Meritas Mutual Funds Inc. – Meritas Mutual Funds Inc. is a 3-year old \$50 M family of SRI mutual funds based in Ontario. They are the only mutual fund in Canada committed to allocating 2% of their assets to community development investing (CDI). To date they have invested \$500,000 in CDIs and hope to have this up to \$2 million in near to market investments by the end of the year. One example initiative is a \$35,000 investment in the Saskatoon Loan Fund for a period of 3 years at 1.75% rates.

Insurance Companies:

Insurance Corporation of BC Community Enterprise Investment Fund – ICBC invested \$10 M in a Pooled Assets Loan Fund managed by the Community Futures Development Association of BC in 2000/01. The fund provided loans to rural Community Futures Development Corporations to finance small businesses for sustainable job creation and economic diversification. The CEIF provided CFDCs with the ability to make single loans up to a maximum of \$500,000. It was fully committed a year ago and is now in an administrative phase. A rate of return of 6% is required. Initial operating and development costs of \$100,000 were supported by the BC government and Western Diversification provided a 10% loan loss reserve.

Pension Funds:

BC Pension Funds – 21 BC-based union and management pension funds pooled \$27 M to form Concert Properties in 1989 (originally named VLC) with the objective of financing affordable rental housing in BC, and creating jobs in the unionized construction industry. Today the 100% pension plan owned real estate corporation has \$800 million in assets, with a track record of creating 10 million hours of on-site employment for unionized construction workers.

Future Trends in Community Investment Financing

Many readers will note from this list the active community investment programs within VanCity's portfolio. VanCity is currently experimenting with moving beyond single purpose or silo

community investment models towards offering a continuum or ladder of community development financial services, bridging its financing across all of its diverse CI initiatives, often in partnership with collaborating outside agencies. For example, VanCity has created a community investment team which considers proposals to support the growth of social and environmental enterprises through grants and developmental capital, to grant and loan combinations, to self-reliance and then ultimately traditional business loans across all of VanCity's CI business lines. VanCity expects this continuum will better position the credit union to finance community businesses through their various stages of growth.

Eco-Lumber Co-op in Richmond, BC, is an example of how this approach works in practice. Eco-Lumber Co-op is a 3-year old co-operative created to produce, market and sell eco-certified wood products. VanCity provided early stage grants to conduct a feasibility study and prepare a business plan that leveraged resources from other organizations, after which they provided a repayable grant for start-up costs and working capital. After this stage when the co-op needed additional financing, they structured a loan guarantee to facilitate traditional financing for the co-op's expansion into a warehouse. Most recently a VanCity subsidiary, VanCity Capital Corporation, provided \$300K in near-market financing, with an environmental conservation lender, Ecotrust Canada, providing \$200K. These near-market investments created the platform for the co-op to purchase \$500 M worth of eco-certified wood from Iisaak Forestry's operation near Ucluelet.

This full service CI model, providing a ladder or spectrum of financial support along with collaborating agencies, is expected to become the model of the future for comprehensive CI investors.

However, that future is a long way away. Today we can see that there is limited, but nonetheless substantive, experience to date in Canada with private investment in community development. What the experience does demonstrate, however, is that there is a meaningful role for any financial intermediary, whether foundation, mutual fund, bank or credit union, venture capital corporation, insurance company or pension fund to play in financing community investments, typically with low end of market returns. Other organizations with substantial capital endowments, including non-profits, universities, hospitals and the like could similarly be challenged to consider how to leverage double bottom line returns with their investment portfolios.

Conclusion

The Community Investment field is very much a "work in progress" as financial intermediaries experiment with different approaches to filling the funding gap in the social capital market. The US social capital market is a huge testing ground for much that works in this field and can be looked to for continued innovation and experimentation. But Canada has its own indigenous social capital marketplace with credit unions such as VanCity, Assiniboine and Saskatoon – in close co-operation with community partners – leading the way. VanCity's pioneering efforts to provide a continuum of alternative growth financing for community enterprises will help forge a path for high-impact community investment intermediaries. The vision and dedication of other players such as Meritas Mutual Funds, committed to finding investable social capital niches in fulfillment of their social investment objectives, will pave the way for institutional investors in the years ahead.

Clearly, there is a critical role for government in providing ongoing financial and technical support to strengthen the operating capacity of community investment vehicles. This subsidy effectively helps provide the “blended” returns to the community investor. Most importantly, as this paper has attempted to demonstrate, there is a role and need for double bottom line motivated financial investors. Whether a retail or institutional investor, whether a bank or credit union, mutual or pension fund, insurance or venture capital company, there is a role for every type of financial investor.

While public awareness of the socially responsible investment industry has grown considerably in recent years, community investing is a lesser known option for social investors. Those in the community investment industry need to both raise awareness of this aspect of SRI and to develop more investment-grade CI vehicles capable of channeling social impact funds. The US SRI industry campaign to promote a 1% portfolio allocation for community investment may be a productive means to raise the profile of community investing with SRI investors. Canadians should assess whether this approach is replicable here.

There is much work ahead to develop a strong social capital market in Canada, but it is important to recall the overarching goals of community investment which makes this extra effort, it is hoped, worthwhile. Community investing can help turn around communities, create opportunities for the disenfranchised, support environmental regeneration and underwrite affordable housing for the poor. Community investment capital is available and with the ingenuity and perseverance of the community development sector and the community-motivated financial sector it can be mobilized for the good of our communities.