Unleashing Local Capital
Project Evaluation Report
Submitted by Athabasca University
Juanita Marois, MA and Dr. Mike Gismondi
February 26, 2014

Athabasca University has been a partner in the Unleashing Local Capital project since inception. We assisted in the development of the theoretical and practical foundation on which the project was built. And, we have had the unique opportunity to accompany the ACCA during project implementation as members of the Steering Committee. We also facilitated the development of the ULC Guide for Community Leaders, the online course developed from this project. Thus we submit this project evaluation report from the perspective of participatory researchers.

This report on the ULC project derives from a series of interviews conducted with members of the Champion Teams within the pilot communities, legal and accounting professional advisors, and a focus group held with project implementers from the ACCA and Community Futures of Alberta. At the ACCA Gathering in November 2013, 7 interviews were video recorded with leaders from the communities of Didsbury, Vulcan, Three Hills and Crowsnest Pass. Since the ULC project completion on December 31, 2013, an additional 6 interviews have been conducted with leaders from Athabasca, Smoky River, Crowsnest, Didsbury, and Black Diamond. To date, we have not had an opportunity to interview anyone from Drumheller. An early interview was also conducted with members of the Vegreville team who had withdrawn as a pilot in March of 2013.

A focus group discussion was also held with 4 members of the ACCA implementation team. Each of these people had taken an active role in planning and implementing the ULC project within Alberta.

Both of these groups have provided insights into the broader impacts of the ODC model and its potential for scaling out both geographically and to new sectors.

Community
As expected, the concept of community was a key element of the discussions with Champion Team members. They spoke of the positive impacts that their Opportunity Development Coops are having both in terms of "community control" and "community building."

Community Control
A particular strength of an Opportunity Development Coop is that is allows the community to determine its own path forward. According to participants, it provides a sense of control over the development choices within the community. Community members identify a project that is important for them and then take an active role in ensuring its success. It is something that the community decides it needs and chooses to support. It is about the community taking responsibility and determining its own priorities and them making them happen. The importance of this was brought up in each of the interviews:

"Because it is controlled locally, it is something that we think every single community should be jumping on board." Larry, Crowsnest

"Provincial government is drawing back from local infrastructure projects; they think that they are broke. If we want something done, we have to do it ourselves." John, Athabasca

"With local investing, people will invest in something if that is what the community needs. If it is the will of the community, they will invest with the coop." Diane, Smoky River

Community Building

In addition, ODCs were thought to be "community building" by participants. The processes of incorporating the ODC, choosing a project and nurturing it into existence, facilitated the development of social capital and deeper feelings of community.

"It was fun! It forced us to go out and network in the community." Larry, Crowsnest

"It would not just build a community building, but also the community spirit. It is holistic. It will give us the sense that we can do it other things too." John, Athabasca

"The thing that really drives me so strongly though on an emotional level is that I believe so strongly in community. I realize that although people will say I am a part of a bowling club….. Identity comes pretty easy. But as a town it is harder for people to identify themselves as part of a town and lean into it in an investment sort of way because it is a stretch somehow. I think this is driving that idea that is so fundamentally important to me. Everyone knows why they are voting with their dollars. Why they are eating, shopping local. Big realization, that I belong to a town. It is not just a town, this is my identity too. That excitement drives a lot of what I want to do." Bruce, Didsbury

In contrast, the project in Black Diamond had a broader definition of community than the other pilots. Their "community" expanded beyond the geographic boundaries of the region and incorporated a community of a different type: those interested in creating and purchasing art from within a 100 mile radius. Some leadership team members hailed from as far away as Calgary. When the team realized that their initial project of purchasing the Gallery was not feasible, the "community of interest" revealed a weakness. Their broader definition of community did not facilitate growth around another project; they had nothing further around which to gel.

"Community changed. When we looked at our potential pool of investors there were non-geographic community members that were interested in the thriving gallery. It was only incidentally important to them to grow the thriving community of Black Diamond. Gallery had circles that had moved outside this town." Chris, Black Diamond

Relationship with Municipality

One area that proved more challenging to many than expected was the relationship with municipal government, councils, administration and planning bodies. This relationship can slow

or fast track the project. Though the purpose of an ODC is for a community to drive their own development choices, support from the municipality is certainly helpful.

This issue was particularly evident in the case of Smoky River in which the ODC members have tried to push through their 55+ housing development without the support of the municipality. In fact, they perceive that the municipality has created more road blocks or hoops through which to jump.

> "Jennifer told us that a good council will say 'How can we help make this happen?' We decided to go forward without this." Lorraine, Smoky River

These community members would like the ACCA to take a more active role in educating the municipalities about ODCs.

> "It would have been nice to visit the council. Once the community has been picked, it would have been nice to have them [ACCA} do a presentation. The show wasn't theirs. They were there to support us; explained a bit. Something presented to the council from someone outside." Lorraine, Smoky River

Other communities have been able to work more proactively with their municipalities.

> "I have been working at the town office with the Municipal Planner." Bruce, Didsbury

Further research is required to explore this relationship and the factors that facilitate or hinder municipal collaboration with ODCs.

Amount of Work

Both the Champion Team members and the project implementers reported that the amount of work involved in the Unleashing Local Capital project should not be underestimated. It is huge. The work can be categorized into three broad areas: team development, incorporation and share selling, and choosing or building the investment project. All of these tasks are large on their own and when one team attempts to tackle them all it can be overwhelming.

To contrast the progress of the initial two pilot communities. The community of Smoky River has travelled this long journey trying to both incorporate their ODC and build a 50+ housing project. The leadership team has taken responsibility for the planning and development of the investment project, along with incorporating an ODC. The project to date has taken over a year and has involved architectural design, land purchase, land use zoning and business planning. And, there is no certainty that the 50+ complex will be built, or that the investment will be made. Crowsnest Pass, on the other hand, chose to pursue a simpler real estate investment approach whereby they purchased and renovated a building, then found entrepreneurs to operate new businesses within. The impact on the Champion team members has been less overwhelming.

> "My community is tired. They are at the end of their rope. …Because it took so much time and effort, we are behind the schedule." Diane, Smoky River

Feeding into the amount of work was the level of experience that each Champion Team had in their chosen areas of development. None of the Champion team members in Smoky River had experience in real estate development whereas the project in Crowsnest Pass was driven by an existing developer who knew the required steps. Taking on the two large learning curves in Smoky River has proven to be too large a task in the required timelines.

> "Fahler, was too big because they did not have the experience. Shane already had the experience – knew what it would cost and how to do it. Without Shane's expertise it may not have gone so well." Dan, ACCA

ACCA has worked to clarify the additional work involved when developing both the ODC and the first project on their own. With this information, communities are more able to make an informed decision about the path they want to take.

> "As a group we too closely tied ourselves to the development of the coop and the project. They are two distinct enterprises. That in itself is a project. Separate ourselves from the project and the coop. If a different group comes to us, it would be easier. We think of it as one in the same, but it is really two things. The coop itself will be successful. We have been confused ourselves." Lorraine, Smoky River

Despite the cautions from ACCA, Didsbury has consciously chosen to direct the development of their community vision as an ODC to facilitate increased community control. At the same time, they anticipate and accept that their journey will not be a short one.

> "Lance's vision is more of a model where we drive a project." Bruce, Didsbury

> "It's about the community, vision …. What is our identity as a town? We want to use the business to promote the identity that we have. The residents have for the town … the place to be in AB for heritage old time nostalgic town. We want to drive that identity through the business which means we have to be involved as the management of the business." Bruce, Didsbury

Role of Local Intermediaries

Local intermediaries are those people who have economic development jobs within their "paid" work portfolio in the community. They may work for Community Futures, Conseil de Developpement d'Economique D'Alberta (CDEA), or the municipality as Economic Development Officer. A number of these individuals have been involved with the development of ODCs in the pilot communities. They perceive their role as the "do'er" - the person who gets things done. They ensure that the paperwork gets done, meetings are organized and requirements submitted. They can also play an important role to keep the busy team of volunteers motivated.

> "Without the CF commitment, it probably would not have happened. We were available to run it from start to finish." Larry, Crowsnest

"I keep them on track. We have to do that. Follow up real close." Diane, Smoky River

While the role of these local intermediaries can facilitate a timely progression of tasks within the project, it can be easy for a Champion Team to sit back and let someone else do the work. These intermediaries need to be viewed as a support to the Champion Team, not the leaders.

Dan (ACCA) commented on the fine balance between leading and supporting by intermediaries. Both the leaders in the community and the intermediaries are required. This project cannot be perceived as somebody's paid job. Also, there can be suspicion from community members about the motivations of someone doing this work as a part of a paid position, but less so when it is a volunteer labour of love by a trusted community volunteer.

> "We have done it with the passion and that we care about our region. We want to see it grow and prosper about the region. Helps people to understand the investment. We want to make a little bit of money. We have done a lot of volunteer. Help us all take care of ourselves." Lorraine, Smoky River

Champion Team

While the support role of the local intermediaries is important to keep things moving, the volunteer leaders who comprise the Champion Team are the heart and soul of any ODC. The existence or development of social capital within the Champion Team was a key determinant of success.

> "Lorraine, at one point the group was ready to give up, but Lorraine was always there to get on track." Diane, Smoky River

In many communities this social capital is pre-existing, especially in those communities who have galvanized around an issue or crisis in the past.

> "Crowsnest was tied up in the reputation of Shane. Key central figure is huge." Paul, ACCA

> "It would have been more difficult to find the 10 leaders without the Rotary connection. The business people who joined us did so because they saw other business leaders from Rotary were involved. Some trusted my community commitment, but not my business skills. … I was pleasantly surprised at the public meeting when each member of the leadership group talked about why they got involved. Each emphasized using their skills to give back to the community and strengthen the business sector." Mike, Athabasca

A common theme throughout the interviews was the importance of developing a strong leadership team. If adequate time is not invested in choosing and building this team of leaders committed to their community, the ODC will not succeed and grow for the longer term. Conflict will arise. Projects will be delayed. The leadership team committed to its community will endure. One that is not nurtured could dissolve too easily:

"Karen and I were flabbergasted at the rapidity of the erosion of communication on a leadership team." Chris, Black Diamond.

Project Development and Timelines

The following diagram depicts the major factors involved in a community's journey from developing an Opportunity Development Coop to investing in a community chosen business.

Incorporate ODC → Social Capital → Crisis / Identified Need → Entrepreneur or experience → ODC Investment

Our focus group with project implementers outlined that the technical steps of incorporating an ODC, though not simple, have been successfully tackled in this project. The ACCA along with their professionals, lawyer, accountants and involved bureaucrats have developed and tested a process, templates, and instructional materials to make this goal accessible for most communities. The online course is hosted at Athabasca University and made accessible through registration with the ACCA.

And, where standard investment processes can often cost more than $100,000 to get the Offering Memorandum ready to legally sell shares, that cost for an ODC has now been reduced to approximately $5,000 - $25,000 - depending on the complexity of the project. The transactional costs for the incorporation and share selling process have been reduced by approximately 75%.

> "Modules have been excellent at laying things out and working through a process." Bruce, Didsbury

> "Great deal needed guidance of a coach - the structure and different types of investment models, and limitations on membership. We needed a coach {to outline the structure of the coop and shares}. … It was good to have the structured discussions with other communities that led us to questions." John, Athabasca

Beyond these technical aspects, the journey a community must take to actually use this tool to invest in a business is not as straightforward or easily defined. The factors of social capital, crisis/identified need, and availability of an entrepreneur or experience within the Champion Team to plan and operate the project are intricately related and must be considered within each community. There is a tension about the role of having a particular project ready to implement and taking the time to build a Champion Team and a community vision. Most communities started to develop an ODC with an investment project in mind. Alternatively, Athabasca has worked first on developing its leadership team, this leadership team is now feeling the pressure of finding its first project. It had no immediate project or "crisis" around which to excite the community.

In two other communities in which the initial project on which their application to the ACCA was based, fell through (Vegreville and Black Diamond). This change in plans led to the eventual decline of the ULC project within their communities. Their project concept preceded the Champion Team development, and without this project, the Champion Team did not gel.

The community of Crowsnest Pass, with both a strong leadership group and a local intermediary was able to realign the project when their initial project of a hotel development did not work out.

The third intervening factor is the availability of an entrepreneur to plan and operate the business, or the existence of experience within the Champion Team to accomplish these tasks. The lack of either can greatly increase the workload and learning curve resulting in a much longer time to investment.

It is too early in the evolution of the ODC model to determine if there is a preferred process to follow. The intervening factors do not necessarily impact the eventual success, or ability of an ODC to make an investment. But they do play a critical role in the time required to get there. Social capital can develop over time, entrepreneurs can be found and experience gained. Projects and needs will arise in any community. The rate of progress a community achieves through the process is also affected by the level of need driving it.

Future of These ODCs and a Long Term Role for ACCA

Another consistent theme in the interviews is that the building of an ODC in each of these communities is not viewed as a goal in itself. There is anticipation and hope in each of the communities that their ODC will be a tool that they will use into the future to enhance business development within their communities.

> "We saw 2 businesses closed that were very successful because there was no one to buy them. Trying to find 1 buyer at a large purchase price could not be done. This is where the coop model could have worked. We look at this as a huge opportunity for our community." Larry, Crowsnest

> "I will comment on the impact that it is having, I will speak to that first. Crowsnest has had some developments in the past that were rather large, rather pie in the sky that never transpired. So the companies came in and secured money, investments from local people and that development was never done. So we were starting on the heals of 1 or 2 failed developments - one rather large. Potential investors are a little more hesitant. There are a lot of people waiting in the wings to see how this one works out. Then they will be more liberal with their investments and ideas. This one being the first in the new generation of coops ... and one that will be successful, seeds future developments, whatever they will be." Jay, Crowsnest

> "Even if the project dies, we can help people who have other ideas. We have the coop." Diane, Smoky River

As these ODCs grow and mature, the communities voiced a desire to have ACCA will have a continuing role in supporting the ongoing development of other projects – big and small. Each additional investment opportunity will require coaching because of the intricacies of the model, and the risk involved in making mistakes.

> "A great deal of the process needed guidance of a coach, particularly the different types of investment models and exemptions" John, Athabasca

> "I think ACCA is the leader. If we have a lot of small investment coops everywhere, they need a provincial group to go to for help – like a federation. ACCA needs to look after them. " Diane, Smoky River

Building on the success of the ODCs in these communities, there are a number of potential growth areas for which the ACCA can take a leadership role. They are well positioned with their experience and networks to scale this model in many ways. The early pilots where success is already felt have identified two main areas for growth:

> "The next one is Tax Free Savings Accounts. That will add some additional investors."
> Jay, Crowsnest

> "Individual capacity is one way, but there are more opportunities with the corporate community. Tech Resources operate mines in BC – put millions into their pension plans. Why don't we try to get them to invest as well? … We brought the idea to ACCA and Paul has done some research. We could set up a joint venture between the coop and the pension funds." Larry, Crowsnest

Part of the challenge of measuring success of this project at this point in time is that the Round 2 pilots were initiated in June, 2013, and the completion of the project funding was December 31, 2013. There are now 6 officially incorporated ODCs, however, not all of them reached the point of conducting a share offering. The ODC model needs an opportunity to grow. Community Economic Development is a process that will evolve at different rates in different communities, and the introduction of such a new way of thinking about or doing CED adds an additional dimension.

> "Throwing money at stuff does not produce results. Relationally being involved in people's lives brings results." Bruce, Didsbury

> "We are talking about the way rural communities become sustainable by utilizing their own resources." Judy, Community Futures of Alberta

> "Trust, social capital, giving time. We are really shifting from a transactional model to a transformational model of community development." Seth, ACCA

Conclusion

The ULC project was initiated in Alberta based on the success of similar projects in other areas. It has built of these experiences, and continued to learn from their own implementation within the pilot communities. This knowledge was used to develop the Learning Materials.

Each community has unique contextual and human challenges that affect the adoption of the innovation. This research has identified some of the crucial elements at the grassroots level that impact the success within each community. We feel that there is still room to establish innovative policies to support the spreading or scaling out of the project, along with innovative infrastructure development, and organizational collaborations to facilitate the spreading of this innovation.

We recommend any future development of this innovation will continue to benefit from the interactive implementation, reflection and development that was a part of the Unleashing Local Capital project implementation.