Leveraging the Power of Community Capital

Suzanne Perreault, MEDC

Elizabeth Carter Esq.

Kate Redmond, Commongrounds Cooperative

Chris Miller, National Coalition for Community Capital (NC3)
The What?

COMMUNITY CAPITAL – financial capital that is sourced from and invested in the community, providing an opportunity for a return on investment, local individual and community wealth-building.

SECURITIES AND EXCHANGE COMMISSION – (SEC) the federal agency established after 1929 Stock Market Crash. The SEC’s role is to protect investors from fraud.

ACCREDITED INVESTOR – high net worth individuals allowed to make direct investments in private markets (not publicly traded).
NON-ACCREDITED INVESTOR – individuals not allowed under federal law to make direct investments in private markets (except when special exemptions in place)

JOBS Act – 2012 Act of Congress allowing direct investment in private markets by all investors

INVESTMENT CROWDFUNDING – the most commonly used investment tool for non-accredited investors, allows them to make direct investments in private markets
The Why?

Since 2016…

• Over 1.3 million investments were made using investment crowdfunding
• Average amount raised $284,371
• 451 different industries
• 185,00+ jobs supported
• $1.16+ billion dollars raised

(data courtesy of Crowdfund Capital Advisors)
The Why? Pg2

From Honeycomb Credit:
• 49% of businesses women owned
• 24% of businesses minority owned

From April 2020 SEC Report:
• 13% of Venture Capital funding received by women founders
• Black, Latinx, and Middle-Eastern founders received 5% of Venture Capital funding
Harvard Business Review - Research: How Entrepreneurship Can Revitalize Local Communities
“…we need to think about entrepreneurial ventures not as investment vehicles designed to maximize return, but as collaborative platforms that enable us to leverage local resources in creative ways to address urgent local problems.”

Nova Scotia Community Economic Development Investment Fund - “Nova Scotia CEDIFs invested $2 million in 116 small businesses whose annual economic impacts in 2019 were * $118 million annually in GDP value-add * 1,200 FTEs * $52 million in annual wages and salaries * $25 million in annual taxes”

MML – Building Community Wealth – “Community wealth building is about developing assets in such a way that the wealth stays local…helping families and communities control their own economic destiny.” Marjorie Kelly, Democracy Collaborative
The How?

Educate

Convene

Leverage

Lead
March 15-16 | Lansing Center, MI
March 15-16 | Lansing Center, MI
March 15-16 | Lansing Center, MI
SoulShine Strong
We whole heartedly appreciate your donation, which will allow us to continue to pay our SoulShine leases, utilities, and invaluable teachers.

$5,050 of $5,000
Project Closed

MadGoodies Studio
MadGoodies Studio could use a little help to get through this rough patch.

$3,101 of $3,000
Project Closed

Save the Icing @ Layla's Cool Pops!
Help us add equipment to grow our youth employment and homeless outreach programs!

$6,000 of $5,000
Project Closed

$532,192 Funded
6393 Patrons
113 Businesses Supported
$432,618 Matched by MEDC
MEDC IS COMMITTED TO ENABLING LONG-TERM UPWARD ECONOMIC MOBILITY FOR ALL MICHIGANDERS

MISSION
Achieve long-term economic prosperity for Michiganders by investing in communities, enabling the growth of good jobs and promoting Michigan’s strong image worldwide.

VISION
Make Michigan’s economy the nation’s fastest growing, most equitable and most resilient by:
- Achieving ‘Top 10’ status for:
  - Job growth in targeted sectors
  - Equitable job growth
  - Real median household income growth
- Attaining the largest net gain of talent in the Midwest
- Becoming top ranked EDO

GUIDING PRINCIPLES
- Sustained, long-term growth
  Accelerate long-term job growth to address impacts of automation and protect Michigan’s economy against downturns.
- Regional impact
  Support every region - from rural areas to urban centers - to improve economic outcomes for all.
- Equitable, high-wage growth
  Provide equitable pathways toward high-wage growth that supports opportunities for all.
- Customer focus
  Bring a customer-first, partner-driven mentality to all we do.

STRATEGIC FOCUS AREAS
- Attract, retain, and grow businesses
  Attract, keep and grow businesses in industries that support maximum growth in jobs, wages and investments.
- Support and grow our talent
  Cultivate the skills and talent needed for in-demand and high-growth occupations statewide.
- Develop attractive places
  Collaborate with local communities and partners to create places in which people and talent want to live, work, visit and play.
- Accelerate high-tech innovation
  Support entrepreneurial growth to enable commercialization and new high-tech business creation.
- Market the state
  Promote Michigan’s image as a world-class business location and travel destination.
- Support small business
  Help existing small and microbusinesses grow and thrive and improve economic prosperity for all through small business ownership.

March 15-16 | Lansing Center, MI
Community Capital gets invested into the food industry: If we combine Breweries, Distilleries, Wineries, and Restaurants, (the kinds of unique places we find in each of our communities) they raised more money than any of the Top 15 Sectors: $49.1 million dollars since 2016. (2021 CCA Annual Report)
Trends...Pg 2

• 2021 saw an increase in offerings of 30%

• Companies that raised community capital saw revenues increase by 35.4% the year after the raise

• 31% of all offerings since 2016 happened in 2021

• The average investment size is $1,057 dollars with small dollar investments at $100 or less often available for community investors

• 66.2% of investments were made into small businesses, the kind that support Michigan communities

(2021 CCA Annual Report)
Common Grounds Cooperative

Mission:
To develop real estate designed to meet community needs and improve quality of life for all people in our region

Vision:
4-story, 47,000sq ft mixed use building with underground parking. Co-locate workforce housing with businesses focused on food, family, art & wellness
Outcomes: Meeting Community Needs...

- **Workforce Housing**
  - 2016 Networks Northwest Study – severe housing shortage, including 1- and 2-bedroom units

- **Early Childhood Care**
  - 2019 Great Start Coll Study – region has 1/3 of capacity needed for infant/toddler care

- **Culture of Health: Food, Movement, Muti-modal Transport, Connect**
  - 2019 Community Health Needs Assessment – obesity, mental health, social connection priorities

- **Attract and Retain Young Talent for Year-Round Economy**
  - 2019 Traverse CONNECT Study – region has labor shortage and is losing working families

- **Green and Multi-Modal Design** – to develop 8th Street corridor as compact, pedestrian friendly
  - 2017 City of TC 8th Street Plan, 2019 TCCF Health & Wellness Corridor Study

- **Support and attract artists**
- **Build social infrastructure to increase community resilience**
Commongrounds Proposed Funding Sources

Total Project Cost: $15,672,642

- MEDC CRP Grant: $1,500,000 (9.6%)
- Tenant/Other Equity: $1,216,742 (7.8%)
- Community Owners: $1,396,000 (11.8%)
- PACE Green Assessment: $1,850,000 (11.8%)
- Brownfield Grant: $210,000 (1.3%)
- Coastal States Bank Primary Loan (USDA Loan Guarantee) + IFF Second Mortgage: $9,500,000 (60.6%)

March 15-16 | Lansing Center, MI
2019 Crowdfunding: Final Results

Campaign open April-June 2019

• 132 investors
• 104 from 5-county region (and from 7 states total)
• Median investment of $2000
• All different ages, 30-70+
• 94 non-accredited investors
• 15 self-directed IRA investors
Timeline

2016-17
• Chris Treter of Higher Grounds partners with Joe Sarafa to create design of BIG IDEA

2018
• Commongrounds Cooperative is formed and raises money to purchase property
• Tenant-owners commit
• Community investment brings in over 350 owners

2019
• Building design and zoning approval finished
• $1.4 million raised from community owners

2020-21
• Complete financing approvals and break ground
• Organization and partnership development

2022 Commongrounds Opens!

Outcomes: Meeting Community Needs...
HB4116

• Create incentive for Michigan citizens to invest in Michigan businesses

• Support Michigan communities and the businesses that provide tax base, employment, quality of life, unique assets

• Would provide a State of Michigan Income Tax Credit equal to 50% of amount invested by MI resident into MI business

• Legislation supported by MML

• Legislation supported by MI Chamber of Commerce