

Investing in Our Community

On October 13, 2020, Michael Shuman (attorney, economist, entrepreneur, and author of [Put Your Money Where Your Life Is](#)) held a webinar to discuss investment options for building strong local economies. Shuman's fundamental insight is that virtually all of the capital that residents in our communities have to invest gets deployed elsewhere. Bringing a portion of that capital back into our communities is an important resource to power our local economy.

Shuman talked broadly about the positive real returns of investing locally and then provided many specific tips on how to do this individually and collectively, including by setting up a Community Investment Fund. Providing local businesses with the capital they need to help them scale up or scale out creates jobs and brings value back to our neighborhoods while generating a resilient, diverse and self-reliant economy.

The full video recording of the webinar, including the question and answer session, is available at https://youtu.be/b_RG2nosAeQ. This brief note summarizes Shuman's advice as we start to think about matching our local investment needs and resources here in the Rogue Valley.

Speaking broadly about the range of available options, Shuman outlined seven ways for individuals to invest locally (https://youtu.be/b_RG2nosAeQ?t=1693). We could invest in:

1. Ourselves, by reducing personal debt.
2. Our family and neighbors, by paying off our house or investing in paying off our neighbor's house.
3. Our cooperative—a great way to be a part of circular wealth distribution.
4. Our local bank or credit union. There is a three-fold greater probability that depositing \$1 in a local bank will cycle to a local business.
5. Our city, by purchasing municipal bonds for public works.
6. Our favorite local business. Local investors for businesses create an organic consumer and marketing force.
7. Our Community Investment Fund. Where they exist, Community Investment Funds intermediate grassroots investors for local capital needs. These are a great way for the community to play an important role in influencing decision making in the local economy.

Shuman described two options that make it easier for individuals to move a portion of their retirement savings and future investments out of Wall Street and onto Main Street. Personal IRAs and Solo 401ks are two ways to organize your money for the future while still being able to access that money for directed investments today. A Solo 401k is the more advantageous choice since it allows for self loans up to \$50,000 or half of the account to be taken out and repaid at low interest rates.

Shuman spoke about crowdfunding as an innovative approach to community empowerment through local sourcing, investment, and decision making. Since passage of the JOBS Act in 2016, any business may raise up to \$1.1 million through crowdfunding investments of up to \$2,200 per person per year. Unlike traditional ways of raising capital from “accredited investors,” crowdfunding investment requires minimal legal paperwork and enables citizens of

diverse socioeconomic backgrounds and status to invest small sums of capital. Businesses owned by women and minorities have been notable beneficiaries of crowdfunding investment capital. Two active websites that facilitate investment crowdfunding are <https://wefunder.com/> and <https://www.smallchange.co/>.

Finally, Shuman spoke about Community Investment Funds. These locally funded financial facilities can apply capital toward any issue faced by a collective of citizens in a city or county. In general terms, a Community Investment Fund responds to local circumstances and allocates money from local investors to local businesses for a reasonable return on capital. In some cases, philanthropic investors are willing to assume a lower return or risk of first loss in order to catalyze entry of small investors of modest means. Every situation is different, so the first step is to host a community discussion to discover the most pressing concerns and how much capital is needed. From there, there are multiple paths to achieve the desired purposes.

The following are some examples of successful Community Investment Funds (https://youtu.be/b_RG2nosAeQ?t=2378):

- ★ Boston Impact Fund seeks to address economic justice through the angle of a charitable loan fund. Funds through nonprofit organizations are an appealing choice since they are exempt from time-consuming, expensive legal work. Website: <https://bostonimpact.org/>
- ★ Goodworks in Montana targets dynasty businesses at risk for dissolution. Members purchase and flip businesses into community assets to save jobs and continue the legacy. Website: <https://gwevergreen.com/>
- ★ East Bay Pre Coop in Oakland was organized to tackle affordable housing and prevent gentrification of low income neighborhoods. They are designed with pieces of a cooperative, land trust, and community organization to spread collective wealth. Website: <https://ebprec.org/>
- ★ Pioneer Valley Grows is another nonprofit Community Investment Fund focused on local food systems. PV Grows uses a sustainable model to provide local healthy food options and generate jobs. Website: <http://www.pvgrows.net/investment-fund/>

These and other experiences are described in “Community Investment Funds: A How-To Guide for Building Local Wealth, Equity, and Justice” by Brian Beckon, Amy Cortese, Janice Shade, and Michael Shuman ([Community Investment Funds](#)).

Key questions to consider as we determine whether, and if so how, to set up a Community Investment Fund:

1. Who needs to be involved at the outset? What perspectives and expertise?
2. What purpose would we be trying to achieve with capital that could be brought to bear?
3. How much capital is required to achieve our purpose? What’s our business model?
4. What’s the most appropriate legal and financial structure?
5. How will we troubleshoot the process, once it’s underway?