

## Community Supported Enterprises: Lessons Learned in Preserving Social Capital



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Webinar

Hosted by

North Central Regional Center for Rural Development

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In collaboration with UW-Extension (Greg Wise) and Michigan State University (David Ivan).

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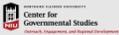
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### Webinar Description

Rural areas facing economic stagnation or slow growth may find businesses such as grocery stores, restaurants, coffee shops, etc. that enhance social capital are threatened by market declines. In response, leaders have used community supported enterprises (CSE) where residents invest in nonprofits, LLCs, or cooperatives to retain or restart local businesses.

This webinar examines lessons learned in rural communities and asks if a "country store" approach in Vermont is useful in some rural areas in the Midwest. It describes experiences with CSEs, organizational structures, and successes or limitations along with ways for Extension personnel and other groups to implement similar approaches. The NCRCRD report on CSEs is at: <http://www.cgs.niu.edu/Reports/Emergence-and-Growth-of-Community-Supported-Enterprises.pdf>



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### Desired Outcomes of Webinar

- Learn new approaches to financing local businesses
- Find resources and ways to preserve or advance local agencies
- See opportunities to organize and engage residents
- Share information on experiences in small communities
- Identify useful resources
- Take home ideas for possible projects



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### Overview of Presentation

- **Background issues and trends**
  - Sluggish economy and shrinking markets in rural areas
  - Difficulties financing small enterprises in declining environment
  - Major transfer of wealth
  - Retirements without heirs to take over businesses
- **Community Supported Enterprises**
  - Definitions and scope of CSEs
  - Community Supported Organizations—public or private
    - Community Supported **B**usinesses versus **S**ocial Enterprises
  - Ways to start, retain, or promote businesses that **add social capital**
- **Financing Approaches**
  - Donations, equity, leverage
  - Pre-sell goods and services
- **Growing roles of intermediaries and crowdfunding platforms**
  - Both private and public ventures

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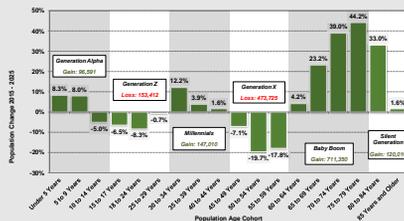
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**Projected Population Changes by Age Group**  
Non-Metropolitan Counties, Midwestern States\*, 2015-2025



\*Midwest region includes Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Ohio and Wisconsin.  
Source: Wards and Poole Economics, Inc., 2015.

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### Why are CSEs Important?

- Impact of recession and slow rural recovery in many places
- Shifting markets with increased sales on Internet stores
- Projected population declines in many rural areas
- Aging business owners with fewer heirs as potential owners
- Limited access to private capital from traditional sources
- Small businesses may receive fewer incentives
- Impact on essential services, social capital, and quality of life

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### Types of CSEs

- Community Supported Enterprises
- Social Enterprises
- Hybrids (private businesses marketing through CSEs)




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### Community Supported Businesses

- Subset of Community Supported Enterprises
- Aim to start, retain, or promote a key business
- Motivated by a social purpose in the community (e.g. social capital)
- Can be various legal forms—LLC, nonprofit, Coop, etc.
- Community leaders organize and coordinate investments
- Support other local economic development efforts
- Own physical property and contract for operations
- Investors may not expect a financial or in-service return
- Grocery stores, restaurants, and book stores are common




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### Social Enterprises

- Aim is to promote broad social purposes or goals
- Often not limited to a specific geographical location
- Typically launched by a “parent” nonprofit organization
- May involve a business venture launched by social entrepreneur
- Contributors have no expectation of ownership/financial return
- Investors not directly involved in daily management decisions




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### Hybrid Approaches

- Private businesses can blur definitions
- Not strictly CSE—**no** social product motivation
- Directly engage customers in designing products
- Form clubs that vote on product to be produced (breweries)
- CSA type subscriptions in restaurants, grocery stores, book stores...
- May offer discounts based on participation
  - “Delayed” quantity discounts are common




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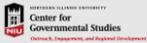
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### Examples of Community Supported Businesses in this Project




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### Cow and Quince

([www.cowandquince.com](http://www.cowandquince.com))  
New Glarus, WI (pop. 2,172)



- Market and restaurant buy from **Wisconsin** farms
- Started in 2014 by members of Soil Sisters
- Located in 1930s historic building--former grocery store
- Specializes in **unique local inputs** such as ice cream, cheeses....
- Focus on **sustainable foods** to promote local growers
  - Promotes health lifestyles
  - Creative menu and local organic products
- Memberships for meals like a CSA arrangement (2015)
  - \$125 (limited) and \$360 (full) receive discounts) annual member dinner
  - Options for discounts, gifts, and special events
- Processing kitchen and canning facility for local producers
- Works with other New Glarus buy local approaches




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### Washburn Community Foods

Washburn, Illinois (pop. 1,145)



- Owner decided to close grocery store in 2000
- 16-member local committee sold about 500 shares @\$50
  - local bank bought \$10,000 plus provided funds from a revolving loan fund
  - Raised \$230,000 to purchase the store
- Store became a Coop in 2006; memberships @ \$100 & 5% rebate on purchases
- Operated at loss even with volunteer help & pricing strategies
- Offered special services to elderly; partnered with local producers
- Was not profitable and in 2013 sold (at discount) to private owner
- Sold again in 2016 to private owner who currently operates store
- Town experienced significant employment losses threatening markets

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### SuperValu

([www.supervalu.com](http://www.supervalu.com))

Toulon, IL (pop. 1,292)



- Grocery store had closed in December 2006
- Started Stark County Ventures, LLC
- 50 residents pooled funds (\$80,000) to buy closed building
  - No promise of financial return
- Grocery opened with new operator in 2010 in same location
- Building burned in 2014
- Community meeting initially raised \$45,000, mostly @\$500 shares
- 50 investors @\$2,000+, a bank loan, & TIF combined raised total of \$500K
- Operator reopened as a **second store** (Wyoming) in March 2016
- SC Ventures, LLC, leases store and provides free coffee/meeting space,...

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### Shrewsbury Coop at Pierce's Store

(<http://www.piercestorevt.com>)  
Shrewsbury, VT (2,121)

- General store closed by elderly owner in 1993
- **Family bequest** to promote rural development including Pierce's store
- *Vermont Preservation Trust* held a RFP with one group responding
- Members contributed \$10 to \$25 each and raised \$125,000
- State grant provided \$287,382
- SBDC feasibility study said needed \$15/week spent by 325 people in 3 miles
- Created Shrewsbury **Coop** (2009) and re-opened store
- Members get 2% discount on purchases but no dividend etc.
- **Extensive involvement** by residents in rehabbing, restocking, etc.
- **Volunteers** operate store with few paid staff. Have had several managers
- Sell **local** crafts, produce, bakery, convenience items
- Hold **community events** (dinners) to build or retain social capital

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**Putney General Store**  
Putney, VT (pop. 2,702)

- Oldest continuous operating general store in Vermont
- Sold groceries and common items needed in community
- Major fire (1998) destroyed façade and interior
- Preservation Trust of VT helped Putney Historic Society (C3) rehab & re-open
- Raised nearly \$600K from grants, donations
- Rehabbed twice but arsonist burned to foundation in 2009
- PTV provided grant and help in raising necessary revenues
- PHS owns building and leases to operator including a pharmacy
- Stresses *persistence and assistance from a state agency*.

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**Hinesburgh Public House**

Hinesburgh, VT (pop. 4,396)



- Two owners started restaurant on former cheese processing plant site
- \$250K investment and loan of \$100k,
- Presold meals for \$500 (80 investors) expecting \$550 in return (10%)
- 5-member board of directors & regular meetings with shareholders
- Market is nine surrounding cities
- Supports small organizations in targeted communities; nonprofit-tax exempt, and non political
- Monthly **community dinners** raise funds for local groups—3 course dinner @\$20  
Local group receives ½ profit if at least 100 people attend

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**Township Stores**

Bonaparte, IA. (pop. 426)



- Started in **1986** when elderly couple retired and moved away
- 50 families @\$2,000 raised \$100K to purchase & rehab 4 properties
- Investors were not guaranteed a financial return
- Started *Township Grocery* plus hardware store to stabilize Main Street
- Continued for 30+ years as the town declined in population & economically
- Faced competition from local producers marketing directly
- Collaborative spirit dwindled over time and new leaders did not emerge
- Local support did not persist in light of growing regional competition
- Tight margins due to high merchandise cost and competition
- Remains a stable force in an eroding downtown.

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### Common CSE Characteristics

- Socially-motivated to preserve quality of life and social capital
- Local champion(s) led the efforts and made strong case to public
- Involved potential loss of services or an opportunity to expand
- Possibility for financial return, but perhaps only a tax deduction
- Widespread community support required
- Organization types--LLC, nonprofit organization, or cooperative
- Often promote locally-produced items—food, crafts, community ...
- Must address all of the usual small business issues




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### Recent Changes with Crowdfunding



- People with smaller equities can now engage in crowdfunding efforts
  - Federal Jumpstart Our Business Startups (JOBS) ACT in 2012
  - SEC rulings published and now more lenient state statutes (2016)
  - e.g. Illinois statute (1/1/2016)--\$4 M with audit; min. \$5,000/investor/offering
- Residents pool investment for either equity or loans
- Statewide intermediaries help small businesses with CF process
  - Milk Money (in Vermont only)
  - Community Sourced Capital (Washington State—multiple states)
  - The Local Crowd (Wyoming--national)
- State agencies coordinate efforts for businesses
  - Hatch Oregon




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### Lessons Learned

- **Local social capital** and interests can be driving force
- **Knowledgeable local leaders** must act
- Activity is important enough to **motivate residents** to invest
- **State technical and financial assistance** can help
- **Operator** must be **experienced and committed** to effort
- CSE must **continue to build social capital**
- Pre-sales can be important, but not essential, to success
- Need **multiple local cost-centers**—bakery, sliced meats, crafts, ....
- Must address all issues facing small businesses




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### Are CSEs a Future for Rural Communities??



- Retaining residents requires **social capital** and quality of life
- Can a *Casey's* or a *Dollar General* etc. build enough social capital?
  - If it is community-owned?
  - Provides community services?
- Can private sector alone build social capital?
- What is the role of public agencies? Will residents invest in social capital?
- Is **Vermont community store approach** a reasonable model elsewhere?
- What about a CSE in **your** community?????




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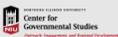
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### Next Steps

- Study additional best practices in different settings
- Determine key ingredients for success
- Research community settings where CSEs prosper
- Prepare field materials for implementation
- Provide learning environments for potential users
- Form learning community on this issue




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### For Further Information....

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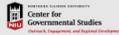
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### Notes

- Local actions I can take...
- Who could help?
- What could we accomplish?
- When can we meet next?
- Goals for next 60 days....



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### Notes



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