

Place-Based Capital Program



Case Studies

Background

A range of funds, investment structures and initiatives in Australia and overseas provide insights and learnings to guide a scaled Place-Based Capital Program in Australia.

In all these project initiatives, the collaboration of multiple parties has seen their successful delivery. As such, Ethical Fields has collaboration and co-learning at the centre of our Place-Based Capital Program.

Case Studies

Yackandandah Community Development Company (Australia)

In March 2002, the only fuel station in Yackandandah announced it was closing. In response, the local community raised the capital, and the Yackandandah Community Development Company was formed. Today, this unlisted public company runs the town's petrol station and rural supplies and hardware business. With over 650 shareholders, the locally owned and controlled company reported a 12% growth in share price and 5.7% dividend yield for 2019-20. The company also supports local community initiatives and owns and publishes a local newspaper.

The creation of the YCDC illustrates the ability of a community to come together and fund local keystone businesses and to receive a commercial rate of return. An unlisted public company is used as the distributing structure, with benefits flowing to community initiatives.

Learnings:

- Community-funded organisations can provide commercial rates of return.
- Use of an unlisted public company as a distributing structure.
- The benefits to the community have flowed from the establishment of the YCDC.

<http://www.ycdco.com.au/>

Pingala Energy (Australia)

Pingala Energy is a community energy organisation based in Sydney, NSW. They implement alternative, community financing models for renewable energy projects.

Pingala is operated under a distributing cooperative model. Solar projects for businesses are funded by the local community, who become members and shareholders of the cooperative. The business pays for the initial electricity it receives from the solar installation. Community investors receive a dividend for their investment (typically 5-8% per annum).

Pingala Energy installed a 60kW solar system for the NFP Allambi Care in Lake Macquarie, funded by up to 292 local investors. These investors have received a 5% per annum return on this investment.

Learnings:

- Use of a distributing cooperating model
- Ability to provide consistent commercial rates of return

<https://pingala.org.au/>

Muswellbrook Shire Future Fund (Australia)

Muswellbrook Shire Council established the *Future Fund* in 2014 to secure the Shire's and its Council's economic future and assist in the process of economic diversification and transition. Objectives of the *Future Fund* include supporting local industry, facilitating new and emerging industries, and securing ongoing job opportunities for local workers.

The objectives of the Future Fund are to:

- offset half the mining category of its general rating with dividends derived from investments; and
- support local industry and facilitate new and emerging industries

The *Future Fund* has restored several heritage buildings in the Shire, including Loxton House, Weidmann Cottage and Campbell's Corner, consolidated car parking in the town centre and improved the quality of the commercial building stock. It has also provided education infrastructure – including buildings for the University of Newcastle, the town campus of TAFE, a purpose-built space for the Conservatorium of Music and a residential student accommodation facility. Recently Council added a commercial building in Canberra to its *Future Fund* portfolio.

Learnings

- The ability of the local Council to establish a local fund

- Using a local fund to access other forms of capital, such as debt leveraging

[Muswellbrook-Shire-Council-Future-Fund-Report-2020-Publish \(3\).pdf](#)

Canadian Credit Union System (Canada)

The Canadian credit union system illustrates the potential to achieve scale through a mutually owned structure.

In response to the growth of credit unions in communities across Canada, "Centrals" were created in the 1930s at the provincial level to provide liquidity, risk management and shared services.

Centrals, such as Central 1 and Alberta Central, operate as cooperatives owned by the provincial credit unions that they support. This ownership structure means that the services provided by Centrals are focused on the needs of the credit unions. This system allows for collaboration, scale and volume aggregation to be accessed and offers a large suite of financial products.

Learnings:

- Scale can be achieved through a mutually owned structure at a provincial level that supports and provides services for the member credit unions.

Example: Central One <https://www.central1.com/>

Foundation North (New Zealand)

The sale of the community's shares in Auckland Bank in 1988 saw the creation of a place-based community trust. Foundation North, as it is known today, aims to generate funds to help the local communities of Auckland and Northland thrive with over \$46 million in granting activity in 20

To leverage a portion of the investment portfolio, an Impact Investment Fund was established in 2019. The fund invests in local projects to generate a positive, measurable social and environmental impact and a financial return. As an example, under this fund, the Foundation provided \$2 million in low-interest funding to support The Salvation Army to finance three social housing developments in the local region. Return on investment was 2% per annum.

Learnings:

- A place-based fund invests in projects with a financial return that meet social and environmental objectives.

<https://www.foundationnorth.org.nz/about-us/investment-approach/impact-investment> -

Te Puna Hapori - Waikato Region, New Zealand

Trust Waikato sort to create a place-based source of finance that is community-driven, community outcome-focused, with market-rate returns – in that order of priority.

In collaboration with Brightlight, an Australian impact investment firm, they worked together to create a fund representing the voices and needs of small-town New Zealand.

The private debt impact fund will focus on disability housing, affordable rental housing, inclusive retirement housing, healthcare and education property, and water infrastructure. Loans will be designed to fill the gap between government, philanthropic and grant funding and the cost of expanded facilities that will enable the community organisations to deliver better services to a broader population. The community maintains 100% ownership. The fund is targeting a 3-4% return. Impact measurement and evaluation will be conducted in partnership with Huber Social, an impact measurement firm.

Learnings:

- Developing a commercial fund with the focus on placed-based needs that are not serviced by the conventional financial system and that firstly measures success based on beneficiary outcomes rather than investor returns (a reverse design approach)

[Realising the dream of Te Puna Hapori - investment for positive impact \(trustwaikato.co.NZ\)](https://www.trustwaikato.co.nz)

The Lancashire Funding Circle

A lending circle connects businesses looking for finance with people and organisations with money to lend. The Lancashire Funding Circle (LFC) was established in 2010 using the "Funding Circle" online platform.

Sixty percent of the LFC's borrowers had unsuccessfully attempted to secure a bank loan in the past. The loan product is backed by institutional and individual 'angel' investors, with lenders bidding for small pieces of the overall amount sought by indicating the interest rate they are willing to offer. The borrower's final loan package is made up of a mixture of offers with the lowest interest rate.

Lancashire County Council was the first Local Authority to engage with the product, investing an initial £100,000 in establishing the LFC. The fund provides local SMEs with improved access to loans and lenders with a trusted mechanism to support the development of local businesses

they are interested in. The program also connects the Council with local businesses with growth capacity, providing opportunities to influence the direction of that growth and create social value outcomes for the region (including an emphasis on quality jobs).

Learnings:

- A borrowing platform supporting investment in local businesses from private and government can be targeted to local priorities (e.g. quality jobs, housing).
- The use of an established platform to create targeted place-based capital

<https://www.boostbusinesslancashire.co.uk/support/funding-circle/>

<https://www.fundingcircle.com/uk/>

Local Investing Networks - Washington, United States

In Washington, the United States, the Association of Washington Cities (AWC) partnered with Washington State University (WSU) on a project to implement Local Investment Networks (LIN). A LIN is an innovative, community-led peer-to-peer investment network that connects local investors who have capital with local business owners who need capital - keeping local capital in the local economy.

One of these Local Investment Networks – The Local Investing Opportunities Network (LION) in East Jefferson County, has over 72 LION members investing \$10.5 million in local businesses that employ over 450 people.

LINs do not simply facilitate financial transactions. They create a local investing landscape – building social capital by building businesses, fostering relationships and connecting the community.

Learnings:

- Community-led, place based investment
- Emphasising the development of social capital, as well as financial capital.

<https://www.jeffersonlion.net/>

Bristol's City Funds (UK)

Bristol's City Funds is a place-based capital strategy to provide financing for organisations that solve local social and environmental challenges. One of the first funds of its kind in the UK, the

impact fund brings together investment, grant and local authority support in a coordinated place-based approach to investing.

Using a 10 million pound investment fund that was co-funded by the Council and Big Society Capital (a wholesale social impact investor), City Funds offers repayable impact investment. The City Funds program is managed by Bristol & Bath Regional Capital, a public benefit investment company that aims to spark change in Bristol using investment as a tool whilst recycling profits by re-lending and reinvesting back in the community.

To date, the fund has invested 2.4 million pounds in projects such as affordable housing, community energy and a debt support service.

Learnings:

- Leveraging an existing social impact investor and an established investment manager to create place-based outcomes
- The ability of the local Council to drive focused investment

<https://bristolcityfunds.co.uk/>

<https://bigsocietycapital.com/>

Bristol and Bath Regional Capital

Bristol and Bath Regional Capital (BBRC) is a community-minded investment company focused on improving the communities in the West of England. As well as its management and advisory role for City Fund, BBRC brokers investment deals with impact organisations and investors.

They focus on local affordable housing projects, local infrastructure and community services improvements, low carbon, local enterprises and employment. Since its inception in 2015, projects have included brokering a project to expand the South Bristol Sports Centre, with 1 million pounds raised from investors and providing a return. BBRC has also secured 25 million pounds to build 160 houses, again providing a return to investors.

Learnings:

- Place-based capital is being raised and providing investors with a return
- Collaboration with City Funds and other local organisations providing scale.

<https://www.bab-rc.uk/>

Bristol Housing Project

Knowle West, a suburb in Bristol, UK, has a housing problem. There are too few houses for the number of people who want to live in the area. Many of the larger 1950s houses only had one or two people living in them. Working with the community, they developed a solution to build new housing on subdivisions and small parcels of land. The community became the developer, using modern manufacturing techniques, local businesses and skilled volunteers to build and furnish these sustainable houses. The income from the sale or rental goes into a community fund. These funds are reinvested in projects that the community needs.

Learnings

- Volunteer work can be used to create a community fund
- Novel approaches to housing can also result in long-term community control and investment

Earlsburn Wind Farm

Community intervention in a wind farm project led to a revenue-sharing agreement that has provided long-term funding for the community. A wind farm developer who wanted to build a fourteen turbine wind farm on a nearby hill. The community negotiated with the developer to build a fifteenth turbine and enter into a 1/15 revenue sharing model with the developer. The funding for the extra turbine came from the community and a developer loan. The community has used the money to reduce GHG emissions to energy efficiency measures in the community. All local buildings now have efficiency measures such as heat pumps, isolation, and triple glazing to reduce energy costs. The community is looking forward to receiving an increase in funding when the loan is paid in the next few years.

Learnings

- Communities can invest in infrastructure and make a return to individual investors and the community
- Community agency over funding can make a significant impact on issues important to the community