



*In this issue*

Beyond corporate social responsibility is CED, an increasingly important element in credit union business strategy.

# Market smarts

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## Community Economic Development

WITHIN THE FINANCIAL INDUSTRY, credit unions are the champions of community involvement. Most credit unions donate time, money and professional expertise to various local organizations – donations that contribute to the economic and social health of their communities. But many credit unions are also involved in Community Economic Development (CED).

CED is more than philanthropy or community relations. It requires an investment in projects or initiatives that help local residents take control of their own economic and social resources.

This edition of *Market Smarts* will explore CED: What it is, how it works and how to measure its success. CED can take many forms, as shown in our examples from credit unions in BC and other provinces. □

## What is community economic development?

The Conference Board of Canada defines community economic development as a strategy whereby local organizations mobilize local resources in multi-faceted campaigns that promote development for the community, by the community. These initiatives might make use of government programs and might seek corporate support, but they are launched and directed by organizations representing the interests of the local community.

By seeking and defining areas of strategic investment that represent a long-term return to the community, credit unions can expand available market opportunities. Encouraging people to form their own development groups and exploit business opportunities, leads to more directed and appropriate local economic activity. CED is about focused innovation. It is about input and broad participation. It is about exercising a “stake” in a community and contributing in a way that creates more value for everyone involved.

## Why invest in CED?

As regionally-based financial institutions, credit unions have a vested interest in CED. The economic health of the community is a prerequisite for the financial health of the credit union. For example, credit unions investing in affordable housing reap the benefits of mortgage business, while investment in children’s programs and schools draws members with families to the local community.

CED programs encourage job creation and economic growth. The more robust the local economy, the stronger the market it creates for the local credit union. All credit unions contribute to the stability of their communities by lending money, contracting local services and employing community residents. By investing in CED projects, credit unions can do even more.

The best CED projects target community social problems in ways that are economically sound and have a lasting effect. Projects that keep children in school, alleviate conditions for the homeless, and provide jobs for the poor or disabled not only help the intended recipients but also the entire community.

Media coverage of community involvement has increased dramatically in recent years, casting a positive light on companies that promote job creation and environmental protection or provide financial support for social causes. A credit union playing a prominent role in CED will establish a reputation as a caring and responsible member of its community.

Credit unions realize this and, beyond their primary role as a provider of banking services, support their communities through a variety of mechanisms:

- Donations
- Charitable foundations
- Sponsorship of non-profit organizations
- Employee voluntarism
- Waiving fees and providing expertise/resources to community organizations
- Environmental policies
- Community partnerships

## What makes a successful CED partnership?

For a credit union or other business organization, a successful CED partnership involves:

- Researching CED initiatives and developing an understanding of CED development organizations.
- Identifying CED initiatives that build on the core business competencies of the credit union.
- Aligning corporate objectives and expectations with the objectives/expectations of CED organizations.
- Establishing criteria for evaluating the benefits of CED initiatives for the credit union, as well as for the community.
- Maintaining a long-term commitment to the partnership.

## How does your credit union measure up?

To measure the strength of their contributions to the local economy, credit unions can, and should, monitor the effects of their different roles in the community:

### As an employer

Annual payroll statistics indicate a direct investment in the local economy.

### As a business lender

Lending activities support job creation. Therefore, the size of business lending portfolios and the number of local businesses supported through lending are good indications of the local impact. Credit unions can determine the number of jobs supported by tracking lending applications or by estimating the number of employees based on the businesses' annual sales revenues.

### As a customer

Determine the number of local businesses from which your credit union buys goods or services.

### As a mortgage-provider

Mortgage-lending activities support economic development; analyze the number and value of mortgages provided in the community.

### As a service-provider

BC credit unions waived service charges on interest-bearing accounts for over 9,100 community organizations and charities in 2001. List the number of community organizations given special fees or terms, and determine the value of these services.

### As a payer of dividends

Credit unions share their profits with the community through dividends on membership shares. Compile the total value of dividends paid to members.

### As a donor of cash and other items of value

Ascertain the total value of goods and services contributed by the credit union, and calculate the total as a percentage of pre-tax profits.

### As a supporter of youth and education

Determine the number and value of educational bursaries or scholarships awarded.

### As a sole or joint contributor toward a charitable foundation

Tally the value of assets, contributions and disbursements by the foundation.

### As a fund-raiser

List the total value of funds raised for charitable organizations.

### As volunteers

Count the number of paid workdays provided to community organizations, the number of community organizations supported, and the number of local organizations that benefit from employee expertise.



## Four key benefits of CED

CED comes in all shapes and sizes. A small sample of the business activities that might be covered would include: small business development, community business ventures, labour training programs, self-employment programs, community future business development centers, community loan funds and career counseling. There are four distinct benefits for credit unions involved in such initiatives.

### Differentiation

Credit union positioning in the market for financial services has traditionally been based on access to capital, a high-level of personal service, and a close connection to the local community. With new channels for service delivery and competition within the financial sector becoming more mobile and price sensitive, these points of differentiation are less clear to consumers.

Community economic development reinforces the presence of a credit union in the community. Other institutions and organizations are looking for ways to invest their capital responsibly and securely, with a fair financial return and a positive effect on local development. Not only can a credit union provide capital, it can also show those organizations how and where to invest locally. Focusing on the returns from CED investment will reveal benefits to the credit union far beyond financial margins. Strong community positioning will create pride among existing members, attract new members and create additional opportunities for investment.

### Diversification

CED provides a way to reach markets that are currently underserved. Financial institutions have traditionally based the decision to lend on the borrower's collateral or real estate. CED allows credit unions to learn about and gain experience in non-asset-based commercial investment and creative new financing arrangements.

Enterprises involving services, technology or intellectual capital, for example, are problematic because they lack

tangible assets to serve as security. Yet most young entrepreneurs are involved in exactly these kinds of businesses. To invest in these ventures, a credit union needs accurate information, trust and support—all of which can be built with the help of CED.

Please note that successful CED cannot focus exclusively on anti-poverty work or marginal enterprises. Instead, it should be viewed as an opportunity to expand the scope of economic activity in a community and engage the capacities and strengths of the people living there.

### Expansion

Opening new businesses and new markets in a community can be rough. The rate of new business failures is notorious. For example, to encourage an area that has traditionally relied on primary industries to expand into the service or technology sectors requires a comprehensive understanding of the local market and a commitment from community leaders. Credit unions can take a pivotal role in such a transformation and, through CED, can fortify their connection to the community.

Successful community projects attract new capital, which leads, in turn, to more and better investment opportunities. For the credit union, this can mean more prosperous members, a decrease in delinquent loans, and increased demand for new services and products from individual members and local businesses.

### Contribution to the Community

The aims of CED are closely aligned with the strengths, values, and traditional roles of credit unions.

A strong argument can be made for the theory that creating the opportunity for people to develop their own economic resources has a more significant effect, in the long run, than direct spending. CED is not a panacea, nor is it a replacement for charity or government programs. However, it is a way for local organizations to work together to improve well-being in a community.



#### CED BENEFITS

- Enhanced corporate reputation as an organization that supports the community and local business initiatives
- Good public relations
- Heightened exposure in the community with all target groups: employees, shareholders, members, prospective members and suppliers
- Increased business opportunities for the credit union
- Benefit for the community if economic development occurs
- Improved business relations with local organizations/businesses
- Improved business retention/growth
- Increased market shares, revenues, profitability
- Differentiates the credit union from its competitors

— The Conference Board of Canada



## The CED process takes time and patience

Some commercial lending experience is necessary to engage in CED-oriented lending. It is also imperative for the credit union to cultivate an internal culture committed to community development. CED is not incompatible with sound management and solid financial results—but it has distinct priorities and principles and must be managed properly. CED may dictate the selection of different investment criteria or alternate approaches to risk-taking—and this may mean a change in organizational culture.

When investing, a venture capitalist generally takes a very active role to ensure that the enterprise will succeed and the investment will pay off. Most of this work is done after an investment decision is made. CED participants can learn patience and follow-through from venture capitalists. However, credit unions just investigating CED should be aware that many initiatives will not yield immediate financial returns to cover their initial investments.

Successful CED hinges on the creation or strengthening of mutual supports. Support is from and for the community, and builds upon itself. There are shared interests in any community and the synergy or benefits derived from partnerships are well documented. Credit unions will find that their experience as financial co-operatives is intrinsic to their success in CED.

Supported initiatives will likely fare better than unsupported initiatives, all else being equal, but CED support cannot be artificial or contrary to the market. Long-term sustainability depends on strong, viable initiatives and a healthy community. Patience and a long-term focus are essential.

### Use groups to manage risk and return

To manage risk and return on CED investments, a credit union will find it helpful to work with a cohesive group. The group can assess the economic viability and chances of success for various proposals. Partners with more experience

can judge whether all the parts of the plan are in place and bring in new partners if necessary. The continued support of the group is necessary to minimize the risks involved.

### Take a multi-faceted approach

The role of a credit union in CED will depend on its position in the community and the depth of local support. The obvious fit is to provide financing. In looking at elements considered necessary for CED, four quadrants need to be considered:

- Planning and marketing
- Human resource development and technical assistance
- Debt
- Equity

Credit unions may consider a number of creative ways to improve access to capital in a community. Moving outside of the conventional investment framework, they can work with various groups to determine where gaps exist, where the resources or assets are, and how different players fit into a coordinated effort. A stronger institution, a stronger economy, and a stronger community can emerge.

### A natural progression for credit unions

A CED strategy is not without risk. While there is limited experience in this realm in Canada, there are a growing number of success stories. Involvement in CED is, in many ways, a natural progression of the credit union movement and can build a real capacity for future sustainability. It may be better to start with a small project or to take a small part in a larger project to learn how CED works and where the pitfalls are. But, by making a conscious decision to become involved and slowly expanding operations in conjunction with others in the community, growth and greater stability can be achieved.



## Credit unions and Community Futures Development Corporations (CFDCs)

Community Futures Development Corporations (CFDCs) are local, autonomous, non-profit organizations made up of volunteers who, together with professional staff, are actively engaged in helping their communities develop and implement locally based economic development strategies. The 250 nonprofit CFDCs operating in Canada have helped to create more than ten percent of jobs in rural areas of the country through a unique combination of commercial lending, community and business assistance and training, delivery of the Self-Employment Program and CED initiatives.

The Community Futures initiative, launched in 1986, has produced a broad network of 34 CFDCs across British Columbia. They receive their core funding from the Western Economic Diversification program and additional financial support from other private and public sources.

In carrying out their economic development role, CFDCs often act as facilitators, bringing together diverse

groups to develop a local vision of the future, and to integrate community resources into a long-term, sustainable strategy.

CFDCs also promote entrepreneurial development, improve access to traditional and non-traditional sources of capital, and develop and implement a wide range of local and regional community economic development initiatives.

In 2002, the 34 CFDCs in BC negotiated 830 loans worth over \$27 million. In addition, more than \$34 million in private sector money was leveraged. This created or kept over 2,700 jobs.

### Investment Pool

BC Community Futures and credit unions have expressed a strong willingness to explore a provincial investment pool allowing credit unions to increase the lending capital available for small business and community development through CFDCs. As well, there is a desire to further

explore developing mutually beneficial relationships at the provincial, and especially, the local level.

A workshop was held on February 7, 2003 with interested credit unions and strong support for the concept was received. It was agreed that the initiative should be viewed as a community based partnership between credit unions and CFDCs rather than simply an investment vehicle for credit unions. The key benefits of this initiative for credit unions include:

- Job creation and supporting development in rural communities
- Building a higher community profile
- Opportunity to service a market that is currently under serviced
- Opportunity to invest surplus liquidity with both tangible (investment) and intangible (marketing; community profile, etc.) return

The Advisory Committee for this initiative is working on an action plan. Details of this action plan will be presented at an early bird session at the AGM on April 25, 2003. This would include issues such as fund risk, rate of return and disbursement of loans.

For more information on this partnership, contact Central's Dirk Haack, Manager, Small Business Services at (604) 730-6447 or Kim Andres, Associate Vice-President, Business Development Services at (604) 730-6414.

#### **Credit unions and Community Futures today**

Various BC credit unions have already become closely involved with the work of their local Community Futures organization. We offer examples from Revelstoke and Powell River credit unions.

#### **Revelstoke Credit Union**

Revelstoke Credit Union has been involved with the Revelstoke Community Futures (RCF) organization since 1995. RCF's mandate is to provide loans to businesses that are starting up or expanding but don't qualify for conventional financing.

If a proposal doesn't meet the credit union's lending criteria, the borrower is referred to RCF. Occasionally, a borrower will obtain funds from both the credit union and RCF for the same project. In most cases, RCF takes a secondary position regarding the security of the loan.

In addition to satisfying members they might otherwise have to disappoint, and sharing the risk on some ventures, the credit union benefits from holding RCF's deposit accounts.

Since the credit union and RCF are both community-minded organizations, they have also jointly sponsored

a number of community initiatives. Two years ago, both were instrumental in forming the Revelstoke Community Foundation. Each organization made a substantial donation to the initial endowment and the two continue to cover the Foundation's annual operating costs.

In Revelstoke, the Community Futures organization and the credit union are vital forces in creating local economic and financial stability.

For more information, contact Jay Strong, General Manager of Revelstoke Credit Union, at (250) 837-6291 or visit the web site at [www.revku.com](http://www.revku.com).

#### **Powell River Credit Union**

Since 1994, Powell River Credit Union has worked in partnership with its local Community Futures group on three to six projects each year. Under this program, the credit union provides start-up and operational loans to businesses and non-profit associations.

One recent success story involved "Mr. Green-Up". The local landscaper had a fertile business, but lacked a lending track record, making it impossible for the owner to get an equipment loan from the banks. The Powell River Business Centre Society, the forerunner of Community Futures, in partnership with the credit union offered him a small loan. Since then Mr. Green-Up has thrived. The landscaper cleaned up an 80-hectare sand basin deemed "one of BC's worst environmental disasters for soil erosion." To do the work, Mr. Green-Up employed and trained 24 workers from the local Sechelt Band. Today, there's not a cupful of sand left and "Mr. Green-Up" won the International Erosion Control Association's Environmental Achievement Award. The company has been in business now for four years and was recently featured on the front-page of the local paper.

From this partnership with Community Futures, Powell River Credit Union not only obtained a business loan from Mr. Green-Up, but also now has his operating line of credit. In addition, Community Futures keeps its deposit account at Powell River, the environment is cleaner, more local residents are employed and the credit union has earned some favorable publicity.

For more information, contact Dave Craigen, General Manager of Powell River Credit Union at (250) 485-0978 or visit their web site at [www.prcu.com](http://www.prcu.com).

GROW YOUNG  
LOCALLY

Community Futures have been involved in a variety of programs to develop young entrepreneurs including internships in CED and youth leadership programs. One CFDC-sponsored initiative is a community garden for youngsters in Smithers, BC.

The project, teaching teens to farm and sell their produce, involved a number of community organizations: Northwest Community College developed a special 15-hour course on the subject; the local CFDC provides on-going business training; the Canadian Agricultural Rural Communities Initiative supplied \$16,900 to start the project; Smithers Community Services agreed to lend parcels of land at the Smithers Experimental Farm; and Northern Root Gardens agreed to mentor the youngsters.

The project reflects a commitment from the entire community to their youngsters,

and to encouraging sustainable, locally-owned agriculture. A local youth was hired as the project coordinator. Throughout the relatively short northern summer, nine youngsters worked hard to bring the project to life. Their productivity was remarkable.

They brought in sand, composted manure and topsoil, and worked it into the garden beds, some of which they later allotted to medicinal herbs. They completed garden maps and plans. They developed a rainwater irrigation system and a composting system. They built chicken coops, and designed, constructed and planted a solar greenhouse. They turned and developed new land.

The group's training included a small business workshop, direct farm marketing and small farm business development instruction, and a northern organic field day. They designed and carried out canning

workshops and community participation days. They harvested and prepared their produce and sold it at the weekly Farmers Market.

The project has been a huge success. The Farmers Market opened its arms in welcome and worked easily with the "Grow Young Locally" youth. Close to \$1,000 was collected in sales—a considerable achievement for the garden's first year of harvest.

The Northern Root farm has become a safe and trendy gathering place for all the youngsters in the community. The adults are also congregating there. Many volunteer at the garden in return for produce, or the opportunity to have their own garden plot.

This is a small but powerful example of the effect CED can have on a community.

## Tracking the impact of CED



All of the BC credit unions surveyed in the 2001 Community Involvement Survey are involved in business lending. Most, 58 percent, lend exclusively to businesses in their local trading areas, where the average loan amount for that year was \$199,330. Combined, these credit unions had 7,284 business loans in 2001, with a total value of over \$1.45 billion. Only one credit union indicated that it kept track of the number of jobs created as a result of business lending.

Credit unions engaged in CED will recognize that the return on investment will include many social intangibles, but tracking results—especially financial results—is important.

Although there are no 'official' benchmarks for CED activities in Canada, the Conference Board of Canada provides the following measurement criteria for a CED Project:

Did the project accomplish what it set out to do?  
Are the partners going to continue to support the project?  
How was revenue generation affected (i.e. through direct sales, economic growth)?

Indicators of success could include the following:

- leveraging of resources
- jobs created/retained
- new local businesses
- expansion of existing business (increased exports, sales)
- relationship building with key community stakeholders
- changes in unemployment/welfare statistics/expenditures
- positive public perception (survey of the community about corporate involvement)
- improvement in community capacity building: community ability to anticipate and respond to opportunities
- development of leadership and organizational capacity in the community through management of the project



## Credit unions involved in CED

CED initiatives are being carried out successfully by many credit unions in BC and across Canada.

### Coast Capital Savings (CCS)

Coast Capital Savings (CCS), now the second largest credit union in Canada, was created from the merger of the former Pacific Coast Savings and Richmond Savings credit unions, followed by the acquisition of Surrey Metro Savings Credit Union. Since 1998, Victoria-based Pacific Coast Savings had actively supported community economic development (CED) in the Vancouver Island region. With its greatly enlarged operating area and head office in Greater Vancouver, the new organization is broadening its reach to support similar initiatives in the Lower Mainland. For 2003, Coast Capital Savings is expanding its CED activities to include the city of Richmond; the program will be further expanded to support other communities in the future.

Coast Capital Savings wants “to strengthen the regional economy by making it more accessible and more sustainable through CED.” Rather than being “all things

to all people”, CCS has determined that three strategic arenas will be the focus for its CED activities.

### Business Start-ups and Aftercare

Coast Capital Savings supports new businesses with loan programs that are grouped under the title “Rising Tide”. Rising Tide loans support individuals, community groups and businesses that don’t meet standard lending criteria – but have much to contribute to the development of their communities. Western Economic Diversification Canada (WD) is an important partner in the Rising Tide initiative. To help offset some of the risk borne by CCS, WD contributes to a loan loss reserve for some of its loans. Three basic types of Rising Tide loans are offered:

- Micro-credit loans – “micro” loans of up to \$50,000 for small businesses
- Social Enterprise Loans – loans of up to \$150,000 for social ventures
- ABLED (Advice and Business Loans to Entrepreneurs with Disabilities) – loans of up to \$75,000 for entrepreneurs with disabilities ►

### AN ASSESSMENT TOOL FOR CED PROJECTS

An evaluation tool kit should allow corporate partners to assess and measure the capacity and merit of a prospective CED initiative. The kit could address the following issues:

- What is the history and structure of the community development corporation (CDC)? CDCs often combine economic and social objectives; are these compatible with corporate objectives?
- Are the project’s goals and the method of reaching those goals realistic and clearly articulated?
- Are the CDC and its staff able to effectively

implement and manage the project and meet corporate expectations?

- Will corporate management support the project and ensure that adequate resources are provided to make this investment successful?
- What is the time frame for the proposed project? It usually takes five to ten years before a CED project can be self-sufficient. Be prepared to provide funding during this start-up period.
- What will it cost in terms of funds, time and staff? Could it be integrated with other

functions, or should it be separate?

- What should the corporate role be? To contribute management skills and resources? Act as a partner or a catalyst to help the community organize?
- What is the risk/reward in terms of corporate reputation?
- What is the corporate commitment to the community?
- Why shouldn’t the credit union participate in existing CED projects?

– The Conference Board of Canada

In addition to financing new enterprises, CCS also refers its Rising Tide loan recipients to organizations that can provide “aftercare”, or business training and technical assistance.

#### *Affordable Housing*

Access to affordable housing is a crucial issue in the communities served by Coast Capital Savings. The credit union is working to identify how and where it can best participate in community efforts to address housing issues. CCS staff is exploring the feasibility of new products and resources that could make housing more affordable, while also considering potential partners for financing and training activities. Where possible, CCS encourages links to youth training and job development as part of initiatives related to affordable housing.

#### *Community Capacity Building*

The non-profit sector has experienced significant cutbacks in government funding. Yet, at the same time, governments are asking communities to assume more responsibilities. Consequently, the role of non-profits in enhancing the vitality of communities has never been more critical. Strengthening CED organizations and other segments of the non-profit sector is a key part of Coast Capital Savings' CED efforts.

#### ■ *Enterprising Non-Profit Program*

In 2002, CCS joined with the VanCity Community Foundation, Vancouver Foundation and the United Way of the Lower Mainland to provide the Enterprising

Non-Profit Program (ENP). The Program provides technical and funding support to non-profit organizations in BC that are interested in starting or expanding a business venture.

#### ■ *Pan Western Networking Engagement for Entrepreneurs with Disabilities*

CCS is sponsoring the Pan Western Canadian Conference for Entrepreneurs with disabilities April 9 – 11, 2003 in Richmond, BC. The conference, hosted by the Richmond Disability Resource Centre, will provide an important opportunity for learning and networking.

#### ■ *Quality of Life Challenge*

The Quality of Life Challenge is a comprehensive community initiative in Greater Victoria trying to assure that everyone has affordable housing, paid work and community support. By 2006, the Challenge hopes to find safe and affordable homes for 1,000 low-income households and sustainable income for 5,000 people now unemployed or under-employed. To spread the word about community support, they plan to tell 1,000 success stories. CCS is taking a leadership role in the Quality of Life Challenge.

For more information on CCS' community economic activities, contact Detlef Beck at (250) 380-3175 or Maureen Young at (604) 231-5436.

#### *Vancouver City Savings*

Vancouver City Savings is renowned for corporate social responsibility, including its award of \$1 million annually to a selected non-profit organization. The credit union's micro-lending programs are less well-known, but equally well-regarded as effective tools for economic development. Micro-credit loans are granted to micro-businesses with fewer than five employees, and annual revenue and credit needs of less than \$1 million. This is a huge market. Micro-businesses account for 83 percent of all businesses in BC. From 1990 to 1997, BC micro-businesses increased by an average of eight percent per year compared with seven percent annual growth for all businesses.

To provide access to financial services for this market, VanCity has developed two non-traditional micro-lending products: self-reliance loans and peer lending. With these products, VanCity is able to provide financing for businesses that may not meet traditional business lending criteria.

#### *Self-reliance loans*

VanCity started the self-reliance loan program in 1996 after several self-employment training program managers expressed the same frustration: their students were stymied by a lack of financing. These energetic





entrepreneurs had worked diligently to complete thorough business plans and were ready to go, but most financial institutions were reluctant to lend to start-up businesses without sufficient collateral.

VanCity's self-reliance loans are really old-fashioned "character" loans. The growth of the program speaks for itself. To date, VanCity has loaned over \$11 million to 834 new and expanding businesses. Since the product's introduction, VanCity has increased the maximum amount of a loan from \$15,000 to \$35,000. Loans are available for a maximum term of 60 months and interest is calculated at VanCity's prime rate plus four percent. A line-of-credit option has also been added.

#### *Peer Group Lending*

Peer group lending is designed to help low-income entrepreneurs. Peer group lending is a practical alternative to business credit, one that relies on the confidence and trust of the peer group participants. Since 1997, VanCity has loaned \$1 million in small loans through this program. Loans start at \$1,000 and increase in \$1,000 increments up to \$5,000. Interest is currently calculated at prime plus 3 percent. Through peer lending, the credit union has helped over 400 individual businesses get access to credit. VanCity's program is currently the second-largest peer loan fund in Canada. And VanCity is the only financial institution in North America that offers this type of lending completely in-house.

For more information on VanCity's micro-lending programs, please call Vicki Scully, Manager, Business Lending, at (604) 709-6935 or email her at [vicki.scully@vancity.com](mailto:vicki.scully@vancity.com).

CED is not just for large credit unions; credit unions of all sizes undertake CED, in some form, within their community.

#### **Sunshine Coast Credit Union**

##### *Christmas Cash Loan Program*

With the local Chambers of Commerce and local merchants, Sunshine Coast Credit Union launched the Christmas Cash loan program in 1993.

The Christmas Cash loan works like a line of credit. Members may borrow up to \$1,000 but the money must be spent at participating stores in the area. The loans are interest free with no payments required until June 30th of the following year. If the loan amount is not repaid by that date, prevailing interest rates apply and a regular monthly payment plan is established.

The Christmas Cash package consists of a set of special "Christmas Cash" cheques and a cheque register that are used when shopping at participating stores. The merchants redeem the cheques at their local branch of the credit union. The program has helped the community by increasing sales to local merchants, and helped consumers with interest free loans.

During the first year of the program Sunshine Coast approved 86 loans totalling \$75,000. In 1997, the program peaked at 472 loans, totalling \$410,964. Though the credit union has seen a reduction in usage over the past few years, the program was revitalized in 2002. The Chamber of Commerce helped to promote the program to local merchants and signed up two new large retailers: Canadian Tire and London Drugs. The credit union granted more than 400 loans totalling \$400,000.

For more information on Sunshine Coast Credit Union's Christmas Cash Program, contact Rick Cooney, Manager, Operations & Development at (604) 886-2122.

#### **Nelson & District Credit Union**

##### *Nelson & District's BRE Program Began with a Survey*

In 2000, Nelson & District took steps to find out what local businesses and the community, in general, needed. They asked questions about everything from training needs to zoning impediments and long-term plans for growth. The survey results lead to the development of Nelson & District's Business Retention and Expansion Program (BRE) which the Nelson & District Credit Union operates with its partners: the Central Kootenay CFDC and the local Chamber of Commerce. The credit union's own research showed that up to 80 percent of economic growth was created by existing businesses, so the aim of the program is to retain its current business members and help them to grow.

The BRE assesses business needs, helps businesses survive economic difficulty through expansion, and ►

fosters cooperation among local government agencies, economic development organizations and private businesses.

#### *Taking action*

Following the initial survey, five committees were organized to find solutions to problems in the following areas: technology and e-commerce, finance and administration, education and employment, community pride and local marketing. From these five committees, a longer-term action committee was formed to find solutions to on-going problems. The group is now seeking funding for the next stages of BRE.

#### *BRE Initiatives*

- **“Shop Locally” Decals**  
One initiative involved “Thanks for Shopping Locally” Decals, designed to encourage shopping in the local community. 128 decals were sold to local merchants, for a total of \$513. This surpassed the initial goal of selling enough decals to repay a \$510 loan from the credit union.
- **“Shop Local” Advertising**  
BRE purchased local paper and radio advertising at significant discounts from the local media to encourage local shopping. BRE also sponsored half the cost of advertising to potential tourists in Spokane, Washington.

For more information about other BRE activities, please contact Brian Turlock, Senior Manager, Operations at Nelson & District Credit Union at (250) 352-7207.



#### **Northline Credit Unions**

Softwood lumber duties imposed on May 26, 2002 by the US Congress raised the price of lumber exports by 29 percent. It is the most recent, and most crippling, example of economic blows to hit the northern region. Since 2001, 4,000 forestry jobs have been lost in BC and an additional 16,000 jobs may vanish under the tariff regime. To survive, the area will have to minimize its reliance on lumber.

#### **Northern Savings Credit Union**

Forestry is not the only industry in pain. The latest trade battle with the Americans tops several years of volatile markets for forest products, minerals and fish. Victoria is also cutting government jobs and has undertaken austerity measures in education and health care. About 3,500 people have left Prince Rupert in the last five years, dragging the population down to about 13,500 from 17,000.

The exodus was initially sparked by the 1997 closure of the Skeena Cellulose pulp mill. A major local employer, the mill languished until a private investor recently bought the company. Northern Savings was a significant player in that sale. The credit union invested \$1.5 million in the pulp mill (money that were guaranteed by the city of Prince Rupert) to attract a private buyer.

Northern Savings knew it could contribute more than just money; its senior management have the negotiating skills to cultivate relationships between potential economic partners – municipal, regional and provincial governments, private industry and First Nations people. Northern Savings calls this “moral leadership”. It is working with the new owners of Skeena Cellulose who are, in turn, working with the local First Nations people who supply wood fiber to the pulp mill. The mill and the First Nations people are discussing a potential partnership.

Last December, Northern Savings introduced a mortgage payment deferral program to help members in this depressed region hold on to their homes. “Northern Extender” allows qualified members to extend the term of their existing mortgage, and reduce or eliminate mortgage payments for as long as six months. Members and the credit union both benefit: the member has a chance to financially recover from periods of unemployment and the credit union is more likely to recoup its money in the long run.

#### **North Peace Savings and Credit Union**

Near the Alberta border, North Peace Savings and Credit Union is deeply ensconced in community development. Residents still remember the oil bust of the early 1980s, when 6,000 people fled Fort St. John and the credit union ended up owning half of a boarded-up city.

The credit union's attitude was "when you hit rock bottom, there's nowhere to go but up." North Peace Savings worked with the Chamber of Commerce to develop and implement ideas to help bring wealth back to the community. The work paid off. The Peace River country now has one of the most unusually diverse economies in BC.

A revitalized oil and gas sector has increased world gas production by one percent. But the region no longer relies on this single commodity. Beef, buffalo meat, honey, wheat, oats and fescue are just some of the staples being produced in the area.

As well, the credit union is getting ready for the influx of workers being hired by an oriented strand board plant that started construction last December. By 2008, the population is projected to reach 22,000, up from the 12,000 who made Fort St. John their home before the '80s oil bust.

The boom, bust and subsequent recovery staught North Peace Savings the power of CED and unconventional ideas. It now cultivates economic niches, like small-scale agriculture, that the banks turn away. The credit union admits they had tried for years to unload the image of the farmers' bank but now recognize they are "the farmers' bank."

There is no getting around the fact that primary industries will remain a staple of northern BC. But creative CED thinking can produce ways of adding value to wood, fish or agricultural products. Credit unions can support these new ideas through prudent and pragmatic investing.

For more information on the credit union's CED activities, please contact Gerald Paddock, General Manager at North Peace Savings and Credit Union at (250) 787-0361.

### Innovative Programs in Other Provinces

#### Saskatoon Credit Union (SCU)

"As a community, it is important that we build our economy together." There is a critical need for food and shelter in Saskatoon. Yet a long-term solution, not a "band-aid", is needed to cure the problem. Saskatoon Credit Union's CED policy is to consider partnerships with any community groups involved in:

- self-reliant approaches to poverty reduction
- community-based development
- sustainable environment practices
- creation of opportunities for disadvantaged individuals or groups



Saskatoon Credit Union was named the 2002 winner of the 14th annual Credit Union Award for Community Economic Development at the Canadian Conference for Credit Union Executives. In a judging that considers the achievements of credit unions across Canada, SCU was awarded the honor for its outstanding contributions to affordable housing initiatives and business development through small business micro-loans. The credit union has committed \$2 million in mortgages over five years to several affordable housing initiatives and has invested \$675,000 in a micro-loan program for small businesses in conjunction with the federal Western Economic Diversification branch. In addition, the credit union works with environmental groups and organizations helping disadvantaged youngsters.

#### Micro Loan Program

In 2000, SCU committed \$1 million over five years to provide financing to new and existing businesses that could not obtain financing through traditional means. SCU's partners in this project are Quint Development Corporation and Western Economic Diversification.

#### Community First (CF) Development Fund of Saskatoon

Community First is an innovative charitable organization trying to reduce poverty in the Saskatoon area. It operates a community investment fund, finances and promotes CED initiatives.

SCU is Community First's financing partner and a major investor in its fund. Community First Investment Certificates are offered to individual and institutional investors for three, four and five-year terms at a maximum interest rate of three percent. The minimum investment is \$500 and all donations, including donations of interest on investments, are tax-deductible. ►



For more information on Saskatoon Credit Union's community economic development projects, please contact Martin Chicilo at (306) 934-4052.

#### **Assiniboine Credit Union (ACU)**

Assiniboine Credit Union, one of Manitoba's largest credit unions, is so committed to CED that it employs a full-time CED manager. Working with local partners, the credit union focuses on projects that increase people's self-reliance, create a more equal distribution of wealth or sustain the environment.

#### *SEED Winnipeg*

Over the past seven years, Assiniboine Credit Union has provided scores of micro-enterprise loans to members associated with SEED Winnipeg – a non-profit agency that offers business training and support to low-income people pursuing self-employment. The loans are made to both individuals and to groups organized as "credit circles" (peer lending circles). In each credit circle, four to seven micro-entrepreneurs take joint responsibility for each other's loans and support each other personally and professionally.

Urban Entrepreneurs with Disabilities Program  
Assiniboine and SEED are also partners with Winnipeg's Independent Living Resource Centre (ILRC), which oversees a loan program for entrepreneurs with disabilities, backed by the federal Western Economic Diversification program. The credit union administers the loans and SEED Winnipeg provides business training, consultative services and mentoring.

#### *Micro-Loans Program*

In partnership with Western Economic Diversification, ACU offers micro-loans to small enterprises that have had trouble securing loans from other lending institutions.

#### *Community Development Business Association of Winnipeg*

As an extension of its lending services to worker and consumer co-operatives and to other community-based businesses, Assiniboine Credit Union is a founding member of the Community Development Business Association (CDBA). The CDBA promotes socially conscious businesses and economic systems. Participating businesses help each other with everything from operational systems to marketing and education.

#### *Self-Employment Assistance Program (SEA)*

The staff at Assiniboine contributes to SEA's training and education program. SEA helps people who are receiving Employment Insurance but want to be self-employed.

#### *Community Project Fund*

Through its Community Project Fund, Assiniboine Credit Union supports initiatives that promote healthy families and healthy communities. The maximum donation given to each project is \$2,000. Special consideration is given to projects that will lead to employment or other sustainable economic developments.

For more information on Assiniboine Credit Union's CED activities, contact Russ Rothney, CED Manager at (204) 958-8588.

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 METRO CREDIT  
 UNION (MCU)
 

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Metro Credit Union is the largest community credit union in the Greater Toronto area with 10 branches and 45,000 members. The credit union has some unique policies and programs demonstrating its commitment to the community. MCU's recently published report, "In Touch with Our Community" details its community contributions for the

2001/2002 fiscal year. It is available online at [http://www.metrocu.com/download/Community\\_Report-2001\\_02.pdf](http://www.metrocu.com/download/Community_Report-2001_02.pdf)

#### *Spare Change Program*

MCU members may agree to have the "spare change" in their accounts electronically swept once a month and donated to

organizations helping children, the homeless or the environment. Accounts are rounded to a dollar amount and any "change" is transferred to the charitable pools designated by the member.

Although the average annual donation is about six dollars per account, the "spare change" amounted to \$10,000 last year.

## CED Links

The following links provide more information on CED:

- Canadian CED Network  
<http://www.canadiancednetwork.org/>  
The Canadian CED Network promotes investment in CED.
- British Columbia CED Network  
<http://www.bccednetwork.org/>  
This web site connects CED organizations within BC, supports CED best practices, and broadens the support for CED across the province.
- Centre for Community Enterprise  
<http://www.cedworks.com/>  
CCE keeps tabs on community economic development information and offers case studies. The Centre offers inspiring, practical, and provocative resources to assist communities.
- Community Futures Development Association  
<http://www.communityfutures.ca/>  
CFDC promotes coordinates and facilitates community economic development initiatives.
- SEED Society  
<http://www.seedsociety.com/>  
SEED Society is a non-profit community economic development corporation. It promotes developments that incorporate social, ecological and fiscal values.
- Community Economic Development Across Canada  
<http://www.cedcanada.ca/>  
CED Across Canada is a new pan-Canadian web portal. The portal is a free resource to promote information sharing and collaboration among CED practitioners in Canada.



## Hot off the press

Coast Capital Savings Credit Union and VanCity Credit Union have teamed up with Western Economic Diversification Canada (WED) to administer Advice and Business Loans for Entrepreneurs with Disabilities (ABLED), an initiative that assists entrepreneurs with disabilities start or expand their business. At the Pan West

Networking Engagement conference banquet on April 10, the first-ever 'ABLED Entrepreneur of the Year' award (\$1,000) was presented to a local recipient. The award is sponsored by Coast Capital Savings and VanCity.

## Summary



Credit unions, whose mission and philosophy emphasize “people helping people,” are seen as an integral part of the social, civic and economic fabric of their communities. That’s why local community investment is critical to a credit union’s business strategy, as well as to the quality of life of its members.

By investing in CED, credit unions retain existing members, attract new ones, and burnish their corporate image. Credit union involvement and support helps communities seize economic opportunities to create wealth and employment—opportunities that ultimately contribute to the bottom line. Economic development programs can be instrumental in keeping businesses in the community and in encouraging new enterprises. Building the economic infrastructure of the community attracts the mix of investments, products and services that are essential to its vigour and stability.

All of the credit unions and non-profits featured in this issue view CED as more than corporate social responsibility. CED encourages the development of new products and services and markets; it retains and expands the institution’s customer/member base; and it strengthens relationships with the organization’s key stakeholders—customers/members, suppliers, government agencies and the community.

### BIBLIOGRAPHY

The Corporate Information Centre maintains a comprehensive business library and archives of legal, periodical and newspaper collections with access to many commercial databases and subject files on topics related to Community Economic Development. Contact: Diane Walker at 604 737 5971 or [dwalker@cucbc.com](mailto:dwalker@cucbc.com) for further information regarding the services of the Centre.

All analysis and research was undertaken by the Marketing and Research Department of CUCBC. If you require additional information regarding the contents of this issue of *Market Smarts*, please contact Connie Hart at 604 730 5155 or [chart@cucbc.com](mailto:chart@cucbc.com).

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