

TIMES COLONIST

Editorial: Investment pays social benefits

Times Colonist

January 9, 2014 05:20 PM

A local community group wants you to invest some of your RRSP savings to help build affordable housing. It's not for everyone, but it's a way to watch your money do good in your own community.

The idea is the brainchild of the Community Social Planning Council of Greater Victoria, which was established in 1936. As a vehicle for its new plans, the council has established the Vancouver Island Community Investment Co-operative.

The co-operative will be able to invest in affordable housing or in other community enterprises. The council hopes to make its first public offering this year.

This is not something you want to sink all your retirement savings into. The council says it will be considered a risky investment, with no guarantee of the capital. While the co-operative will manage the risk and return, the first will be high and the second will be "limited."

The payoff is more social than financial. Your money stays in the community and it goes to help people who need it.

The Community Investment Fund will focus on Vancouver Island, with an elected board of local people and a commitment "to only benefit real estate assets and enterprises that are socially, economically and environmentally responsible." The fund is where investors will put their money, and the board will decide which projects get funded from that pool of dollars.

The council did a study of financing options for things such as affordable housing and discovered that one of the main obstacles for projects is access to "patient" capital — money from investors who are prepared to accept low returns and leave their investment in place for a long time.

How much money are we talking about? The council says that capital region residents dropped \$360 million into their RRSPs in 2010. Based on the track record of a new fund in Nova Scotia, the council hopes to attract two per cent of that — \$7.2 million a year.

That much money would make a huge difference to housing in the region, and the council hopes to do better than two per cent.

The social planning council is not the first to try innovative financing for social projects.

OUR Ecovillage in the Cowichan Valley is using a "syndicated mortgage" to raise money to retire its conventional debt on its demonstration sustainable village. Called the Ethical Investment Mortgage, the plan allows investors to buy into the mortgage with cash or from an RRSP, negotiate a rate of return and leave when they want to.

The Centre for Social Innovation in Ontario used a "community bond" to raise \$2 million in eight months to help buy and renovate a 36,000-square-foot building into space for community groups.

Different from a community investment fund, the \$10,000 bonds offered four per cent per year over five years. They could be purchased directly or through a self-directed RRSP.

The investment is backed by a mortgage, but as with the investment fund, the capital is not guaranteed.

Nova Scotia has been a leader in the kind of funds the social planning council is creating. There, 47 funds have raised \$40 million from 120 offerings. More than 5,500 Nova Scotians invested in them.

In B.C., as in Nova Scotia, the offering has to get the OK from the securities commission. The commission doesn't pass judgment on whether investors will make money; it makes sure everyone is playing by the rules.

As with any investment, investors must do careful research before they give their money to anyone — no matter how pure their motives.

But for those who are comfortable with the risk, the fund can build your future while it builds someone else's present.

© Copyright Times Colonist