Fostering financial prosperity through cooperation

Unleashing Local Capital Initiative: An Update

Executive Director Janice Brown
www.mcde.coop
Montana Economic Developers Association Spring Meeting 2018
What is MCDC?

Mission: To promote and develop cooperatives to meet the economic and community needs of rural Montana

- A nonprofit 501(c) 3 service center with 4 FT staff + PT data manager; office in Great Falls
- Statewide operations sponsored by a number of large co-ops and co-op trade organizations
- Funded through $200K USDA-RD grant and $65K statutory appropriation (Dept. of Ag)
- Currently contract with 10 regional economic development entities across Montana
Four Co-op Statutes in MT

- Cooperative Association (for profit)
- Agricultural Association (quasi-public)
- Cooperative Agricultural Marketing Association (nonprofit)
- Cooperative Utilities - Electric and telecommunications (nonprofit)

In other states, cooperatives are most commonly formed as nonprofit corporations with exempted stock
More than 160 Montana Co-ops

• Now fewer than 30 farm supply co-ops
• New food hub co-ops being formed to aggregate, distribute & market product
• 51 credit unions
• 25 rural electric co-ops
• Eight telecommunications co-ops
• Growing variety of co-op associations
  – Rural grocery & other service co-ops
  – Worker cooperatives
  – Housing cooperatives
  – Investment cooperatives
Fresh Start Open Nine Months

132 co-op owners; $180K budget; 1.5 employees
Geraldine grocery store plans to purchase the
Main Street building that is currently under lease

Neihart Co-op
soon to assume
store ownership
Crucible: A Worker Cooperative

New 4-member worker co-op in Belgrade engaged in custom furniture design and fabrication; 5th member pending

Trend: Retiring business owners unable to find buyers are now exploring worker co-op conversions
Housing Co-op Making Progress

Riverside Crossing Adult Cottage Cooperative in the Bitterroot Valley now constructing a $12M development

Hamilton, MT
Population 4,348

Co-op to own 50 cottages, gardens and infrastructure

www.riversidecrossing.org
“Unleashing Local Capital”

Alberta’s “Opportunity Development Cooperatives” have demonstrated success in several very small towns.
“Unleashing Local Capital”

The NorthEast Investment Cooperative in Minneapolis further embodies the property investment approach we could apply here to Main Street, Montana
Why Join NEIC?

- The cooperative model is an innovative vehicle for community investment with many advantages over traditional models.
- A cooperative operates democratically on a one-member, one-vote basis, so that all members have equal voting power.
- A co-op is a for-profit business that may provide members with a modest return on investment.
- Businesses are welcome to join too, and are invited to actively participate in a community that is invested in buying local.
- By working together we can attract new & exciting new businesses to Northeast Minneapolis.

Returns on 1st project

A-Share (Common): $1,000 – 4.17%
C-Share (Preferred): $500 – 2%
D-Share (Preferred): $5,000 – 4%
Unleashing Local Capital in MT

OBJECTIVE: Form *Rural Investment Cooperatives* (RICs) across Montana to help finance bricks & mortar projects needed for housing or business start-ups

STEP 1 – Affirm RIC legality and pursuit of concept
- Ken Fichtler, GOED
- Lynn Egan, Montana Deputy Securities Commissioner
- Tracie Kenyon, Montana’s Credit Unions

STEP 2 – Ensure that financial custodians are identified and prepared to manage self-directed IRAs so co-op owners may invest 5-10% of their retirement funds in common and preferred shares of co-op stock

STEP 3 – Select willing pilot projects across rural Montana and train/fund their co-op steering committees
List of Prospective RIC Pilots

- Roundup Central School Project – Mixed use?
- Gardiner rental housing for tourism-related workers
- Ronan Main Street building to house co-op brewery
- Old Mills-Forestry Campus in Eureka
- Eureka Business Park
- Old Hospital in Malta
- Former Joplin School
- Chinook Bank Building
- Placer Hotel in Helena – Commercial space in the basement plus Floors 1 & 2
- Tiny house development in Lodge Pole on the Fort Belknap Reservation

Want to join the list? Contact Jan Brown or Marilyn Besich at MCDC

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