

National Main Street Center  
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## Virginia Main Street Essentials

Culpeper, VA  
September 11, 2013

**BARMAN**  
Development Strategies, LLC

The following presentation was originally developed by  
Todd Barman  
while with the National Main Street Center

It is redelivered for this Virginia Main Street Essentials Workshop with  
permission

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## The New Localism



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## The New Localism

Title from Main Street Story of the Week, Director's Column, by Doug Loescher, September-October 2011

Community-owned enterprises

- Barrels Community Market, Waterville, ME
- Company Shops Market, Burlington, NC
- Local Investment Opportunity Network (LION), Port Townsend, WA



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**TOP ISSUES FOR NATIONAL**

**2. Funding for Local Projects**

**92%**



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**Main Street's Next Frontier?**



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**Main Street Four-Point Approach®**  
Asset based economic development

- Heritage asset
  - Built history (Design +)
  - Cultural history (Promotion +)
- Human asset
  - Entrepreneurs (Economic Restructuring +)
  - Engaged public (Organization +)



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## Investing in local assets

- Heritage asset
  - Built history
  - Cultural history
- Human asset
  - Entrepreneurs
  - Engaged public



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## Fairfield First!

for the sustainable, local economy in Fairfield, Iowa

- Eat locally
  - Buy locally
  - Create local wealth
  - Bank locally
  - Invest locally
  - Source locally
  - Give-back locally
  - Save energy locally
  - Volunteer locally
  - Use your Imagination locally
- [http://fairfieldfirst.biz/Fairfield\\_First!/Welcome\\_to\\_Fairfield\\_Iowa.html](http://fairfieldfirst.biz/Fairfield_First!/Welcome_to_Fairfield_Iowa.html)



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Any locavores in the audience?

“a person whose diet consists only or principally of locally grown or produced food.” Oxford Dictionaries  
Word of the year in 2007



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Any locavestors in the audience?



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Any locavestors in the audience?



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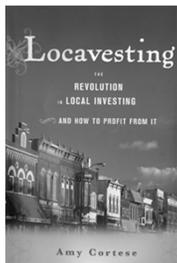
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### Locavesting:

The Revolution in Local Investing by Amy Cortese

- Community Banks & Credit Unions
- CDFIs
- LION
- Community Capital
- Crowdfunding
- Slow Money
- Co-ops
- DPO
- Local Stock Exchange




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### Locavestors

- You are all locavestors to some extent (in my opinion)
  - Time and talents
- But what about \$?
  - Building and business owners, certainly
  - 401(k) or IRA?
  - Are you a financial investor or speculator/trader?




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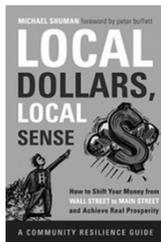
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### Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity

by Michael Shuman



- The Hidden Power of Cooperatives
- Institutional Lending
- Anti-Poverty Investing
- If I Were a Rich Man...
- Unaccredited Investing in SEC-Land
- Local Exchanges
- Everybody into the Pool!
- Investing in Yourself




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### Investor class

- Accredited (2%)
  - Net worth of \$1 million
  - \$200,000 annual income (\$300,000 for couples)
- Non accredited (98%)
  - SEC



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### Security

- A security is any financial instrument (debt, equity, royalty) sold for financial gain
- Securities must be registered with the SEC
  - See A Guide for Small Businesses on Raising Capital and Complying with the Federal Securities Laws
  - [www.sec.gov/info/smallbus/qasbsec.htm](http://www.sec.gov/info/smallbus/qasbsec.htm)



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### Goals for Main Street Programs

- Make **debt financing** more accessible
- Make **presale financing** more accessible
- Make **equity financing** more accessible
  - Make **royalty financing** available
- Make **combinations** of debt, presale, equity, and royalty financing more available
- Make **charitable financing** more accessible



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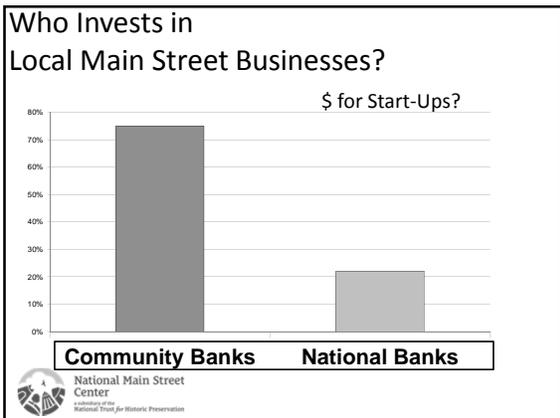
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### Make debt financing more accessible

- Resource: Main Street Organizations and Community Banks: Natural Allies by Andrew Farrell in MainStreetNOW, MAY/JUNE 2012
- Strategies:
  - Start a Move Your Money Campaign (and move your own money)
    - <http://moveyourmoneyproject.org>
    - [www.ilsr.org/resources-starting-local-banking-campaign-your-community/](http://www.ilsr.org/resources-starting-local-banking-campaign-your-community/)
  - Start a community bank or credit union

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### Make debt financing more accessible

Strategies:

- Take full advantage of all local financial institutions
  - ✓ Create additional lending platforms (link local deposits with local loans)
    - SHARE (Self-Help Association for a Regional Economy)
      - <http://neweconomicsinstitute.org/publications/authors/witt/susan/local-currencies>
    - Alternatives Federal Credit Union [www.alternatives.org/cpl.html](http://www.alternatives.org/cpl.html)
  - ✓ Help increase the investor confidence of local loan officers
    - Create local loan guarantees
    - Create targeted low-interest loan pools/programs
    - “Buy down” interest rates with cash from another source

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## Make debt financing more accessible

•Strategies:

- Create alternative, gap, or secondary sources of debt financing such as additional loan funds



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## Public-Private Development Finance

Kennedy Smith, Main Street News, May 2007

- Local Resources
  - Revolving loans
  - Low-interest loan programs
  - Loan guarantees



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## Cool Economic Development Tools

Kennedy Smith, Main Street Now, November/December 2010

- Identify or create a second loan source
  - The Downtown Housing Assistance Fund in Louisville, Kentucky
    - Now *The Downtown Commercial Loan Fund*



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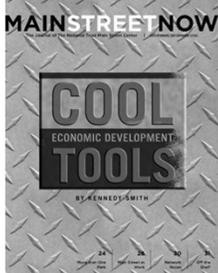
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### Cool Economic Development Tools

Kennedy Smith, Main Street Now, November/December 2010

- Community capital
  - Private investment groups
  - Community stock ownership
  - Shared building ownership/equity
  - Microfinance programs
  - Forgivable loans
  - Charitably minded venture capital funds




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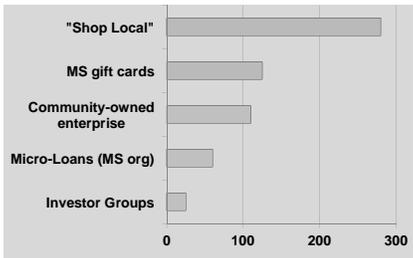
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### Alternative "Investment" Tools on Main Streets



Tool	Count (Approximate)
"Shop Local"	280
MS gift cards	120
Community-owned enterprise	110
Micro-Loans (MS org)	70
Investor Groups	30



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### Main Street case examples

- Burke Business Loan Program, Morganton (NC)
  - Acquisition of land, buildings and fixed equipment
  - Site preparation and construction of buildings or fixed equipment
  - Clearance, demolition or the rehabilitation of buildings
  - The payment of assessments for sewer, water, street or other public utilities related to the creation/retention of jobs
  - Working capital
  - <http://burkedevinc.com/business-resources/entrepreneurs-small-businesses/>
  - NCMS Award winner last year



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### Main Street case examples

- Long history of creating low interest/revolving loan funds for bricks and mortar
  - West Union (IA) Revolving Loan Fund (2011): DOE
  - New Mexico Main Street Revolving Loan program (2009): RBEG



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### Main Street case examples

- Long history of creating low interest/revolving loan funds for bricks and mortar
  - Kansas Incentives Without Walls (IWW): KDOC funded
    - Loan repayments from business owners help fund a local revolving loan program



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### Main Street case examples

- Loans for business are newer to the scene
  - Main Street Gardnerville (NV) low-interest/revolving loan program: USDA funded
  - Federal Hill Microloan Program: Program and funded
  - Samples in the National Main Street Center Solution Center



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### Main Street case examples

- Loans for business are newer to the scene
  - Ronceverte Development Corporation revolving loan program
  - <http://mainstreetronceverte.com/about/main-street/revolving-loans/>
  - USDA funded (\$50,000)
  - For small business assistance
  - Ranging from \$1,000 to \$10,000



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### Main Street case examples

- Targeted: Restaurants
  - Winston-Salem (NC) restaurant development loan program (3% for 15 years)
    - “The program ultimately provided loans to nine restaurants before the program ended in 2007” from Public-Private Development Finance, Kennedy Smith, Main Street News, May 2007
  - Pawtucket (RI) Restaurant Loan Program
    - <http://www.pawtucketri.com/departments/planning/economicdevelopment.php>
  - Bristol (CT) Development Authority Downtown Restaurant Attraction/Incentive Program
  - Sit-Down Restaurant Incentive Package, South Los Angeles



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### Make debt financing more accessible

- Strategies:
  - Create a local investment club that offers interest paying loans (contingent upon laws in this area)
    - ✓ Case example: No Small Potatoes
    - [www.slowmoneymaine.org/investment-club/](http://www.slowmoneymaine.org/investment-club/)
  - Create a local vehicle for facilitating individual interest paying loans
    - ✓ Case example: LION



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## LION

•Local Investment Opportunity Network (Port Townsend, WA)

-From "LION: A matchmaker for investors, businesses" 3/7/2012  
[www.ptleader.com](http://www.ptleader.com)

- Number of current investors: 58
- Number of distinct deals: 43
- Amount invested so far: \$2,749,000
- Median loan: \$35,000
- Interest rate on loan: Varies from 5 to 7 percent with some as high as 8 percent

Rely on private offering exemption for preexisting relationships

•Strategies

- Create your own LION <https://l2020.org/LION>
- Portland, OR did <http://lionpdx.com/>




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## Make debt financing more accessible

•Strategies:

-Peer-to-peer lending crowdfunding examples (*Make local entrepreneurs aware of these sources of capital even though they currently don't facilitate local peer-to-peer lending*)

- Prosper [www.prosper.com](http://www.prosper.com)
- Lending club [www.lendingclub.com](http://www.lendingclub.com)




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## Make debt financing more accessible

•Strategies:

-Offer microlending through a new or existing non-profit EDO, FSO, CDC/CDE, or CDFI

- Case example: Coastal Enterprises, Inc. [www.ceimaine.org](http://www.ceimaine.org) (CDC/CDFI)
- Case example: The Economic and Community Development Institute (ECDI) [www.ecdi.org/about/index.html](http://www.ecdi.org/about/index.html)
- Case example: RSF Social Finance <http://rsfsocialfinance.org> and their RSF Social Investment Fund <http://rsfsocialfinance.org/services/investing/social/>




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## Personal investment strategies

Amy Cortese

- Invest in a CDFI  
[www.opportunityfinance.net](http://www.opportunityfinance.net)
- Invest in Calvert Foundation's Community Investment Notes  
[www.calvertfoundation.org/invest/how-to-invest/community-investment-note](http://www.calvertfoundation.org/invest/how-to-invest/community-investment-note)



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## Make debt financing more accessible

- Strategies:
  - Create a local vehicle for facilitating individual interest free loans
    - ✓ Crowdfunding example: Kiva [www.kiva.com](http://www.kiva.com)



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## Make presale financing more accessible

- Advantages:
  - It doesn't encumber entrepreneurs with debt
  - It could help build a loyal customer base
  - The owner doesn't give up ownership control



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### Newport City, Vermont



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### Community supported restaurants (CSR)

- Bristol, VT (has designated MS program)
  - Bobcat Café ([www.bobcatcafe.com](http://www.bobcatcafe.com))
- Morrisville, VT (Pop. 2,009)
  - The Bee's Knees  
[www.necn.com/Boston/Business/The-Bees-Knees-Communitysupported-restaurant/1203476198.html](http://www.necn.com/Boston/Business/The-Bees-Knees-Communitysupported-restaurant/1203476198.html)  
[www.vpr.net/news\\_detail/79214/](http://www.vpr.net/news_detail/79214/)
- Awaken Café [www.awakencafe.com](http://www.awakencafe.com)
  - Preselling story detailed in Local Dollars, Local Sense

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### More community supported businesses

- Community supported bakery (CSB)
  - Backdoor Bakery, Huntington, VT  
[www.backdoorbakeryvt.com/csb](http://www.backdoorbakeryvt.com/csb)
  - The Cupcake Bar, Durham (NC)  
<http://cupcakebarbakery.com>
    - Presold products and services via crowdfunding techniques.  
[www.indiegogo.com/The-Cupcake-Bar](http://www.indiegogo.com/The-Cupcake-Bar) (Goal of \$15,000; raised \$4,585)
- Community supported chocolate shop (CSCS)
  - Laughing Moon Chocolates, Stowe Village, VT  
[www.laughingmoonchocolates.com/index.cfm?page=15](http://www.laughingmoonchocolates.com/index.cfm?page=15)

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## Make equity financing more accessible

•Strategies:

-Shared building ownership/equity

✓Case example: Torrington (CT) Downtown Partners

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



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## Torrington, Connecticut



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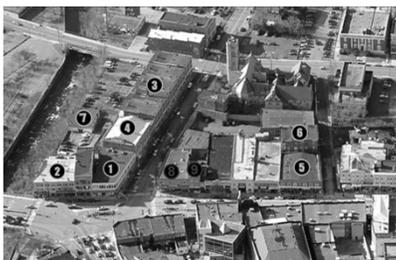
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## Torrington, Connecticut



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### Make equity financing more accessible

•Strategies:

- Start a local private investment group or other local angel investor "club."
- Start a Business and Industrial Development Corporation (BIDCO)
- Assist local entrepreneurs with low-cost direct public offerings (DPO)
  - ✓ Resource: <http://cuttingedgecapital.com>
- Create a local/regional mutual fund
  - ✓ Portfolio 21 [www.portfolio21.com](http://www.portfolio21.com)



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### Make equity financing more accessible

•Strategies:

- Lead by example. Offer community stock ownership in a community owned business.



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### Community owned stores

•How to Launch a Community-Owned Store

- Institute for Local Self-Reliance
- The New Rules Project
  - ✓ [www.newrules.org](http://www.newrules.org)
- [www.ilsr.org/big-box-tool-kit/](http://www.ilsr.org/big-box-tool-kit/)



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### How to Launch a Community-Owned Store

1. Develop a preliminary vision
2. Convene a steering committee
3. Research established community-owned stores
4. Reach out to Local Merchants
5. Engage the public and solicit input
6. Conduct a market study
7. Write a business plan
8. Form a board, file articles of incorporation with the state, and write bylaws
9. Draft a prospectus for stock sales and submit it to the state for approval
10. Market the stock
11. Establish the store



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### Community owned

- The Historic Washington Foundation purchased the Old Main Post Office (circa 1922) and opened a Contact Postal Unit



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### Community owned stores

- Powell, WY
  - The Merc, "Powell mercantile serves as model for others"  
[www.cbsnews.com/stories/2005/12/19/earlyshow/series/main1134875.shtml](http://www.cbsnews.com/stories/2005/12/19/earlyshow/series/main1134875.shtml)
- Plentywood, MT
  - The Little Muddy Dry Goods Store
- Malta, MT
  - Family Matters (clothing)
- Glendive, MT
  - Glendive Clothing Co.?
- Livingston, MT
  - Livingston Mercantile [www.livingstonmercantile.com](http://www.livingstonmercantile.com)
- Worland, WY
  - Washakie Wear (department store)
- Rawlings, WY
  - Carbon Mercantile: Community Owned Clothing Store
  - Gallery



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### Community owned stores

- Bonaparte, IA (corporation)
  - Township Stores Inc., several new businesses, including a grocery store and a hardware store
- Harrisville, N.H. (non-profit organization)
  - Harrisville General Store (handmade meals, local foods, groceries, free high-speed Wi-Fi and general merchandise)  
[www.harrisvillegeneralstore.com/HGS/Home.html](http://www.harrisvillegeneralstore.com/HGS/Home.html)
- Ely, NV (\$495,000 in capital from the public stock offerings of 353 shareholders)
  - Garnet Mercantile (family apparel and home accessories including furniture)  
[www.garnetmercantile.com](http://www.garnetmercantile.com)
- Clark, SD
  - Clark Hometown Variety Store  
[www.clarksd.com/business/clarkhometownvariety.htm](http://www.clarksd.com/business/clarkhometownvariety.htm)
- Saranac Lake, N.Y
  - Saranac Lake Community Store (now open) [www.community-store.org](http://www.community-store.org) used to have C Corp-prospectus online
- Greenfield, MA (was raising money)
  - Greenfield Mercantile [www.greenfieldmercantile.com](http://www.greenfieldmercantile.com)

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### Community owned theaters in Kansas

• Atwood (Jayhawk)	• Oberlin (Sunflower)
• Coldwater (Chief)	• Phillipsburg ( <i>Majestic</i> )
• Greensburg (Twilight)	• Pretty Prairie (Civic)
• Hutchinson (Fox)	• Sedan (Gregg)
• Lincoln (Bud Finch Mem. Com. Thea.)	• St. Francis (Cheyenne)
• Mankato (Ute)	• Stafford (Ritz)
• Norton (Norton)	• Syracuse (Northrup)
	• <i>Tribune, KS (in transition)</i>

"Community owned" was defined as owned by the town itself, the Chamber of Commerce, or a community-centered group of investors. (source: Movie Theaters in the Maintenance of Rural Communities in Kansas)

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### Community-owned Businesses:

How Communities Become Entrepreneurs  
 Joshua Bloom. Main Street Now, March/April 2010

- Cooperative
  - Consumer
  - Worker'
  - Purchasing
  - Producer
- Community-owned corporation
- Small ownership group
- Investment fund



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## Personal investment strategies

Amy Cortese

- Join local co-ops
  - Receive patronage rebates
- Start a co-op
- Invest in a co-op
  - Shares (modest but steady dividend)



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## Make royalty financing available

- See Royalty Financing [www.entrepreneur.com/article/52738](http://www.entrepreneur.com/article/52738)
- See Royalty Financing - An Equity Investment in Future Sales [http://bizfinance.about.com/od/equityfinancing/qt/Royalty\\_Financing.htm](http://bizfinance.about.com/od/equityfinancing/qt/Royalty_Financing.htm)
- See Royalty Financing Law & Legal Definition <http://definitions.uslegal.com/r/royalty-financing/>
- See An Alternative Financing Option for Start-ups <http://online.wsj.com/article/SB10001424052748704679204575646940403312602.html>



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## Make combinations of debt, presale, equity, and royalty financing more available

- Claire's LLC
  - 4 partners
  - Operate restaurant
- CSR & loans
  - ~\$80,000 operating capital
- Hardwick Restaurant Group (HRG) LLC
  - Big investors
  - Fit up restaurant
  - Paid 12 year lease
- Housing VT
  - Owns building



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## Make charitable financing more accessible

•Strategies:

- Charitably minded venture capital funds
- Grants supporting business growth
- Forgivable loans
- Charitable crowdfunding
  - ✓Kickstarter [www.kickstarter.com](http://www.kickstarter.com)
  - ✓Indiegogo [www.indiegogo.com](http://www.indiegogo.com)



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## Main Street case examples

Jackson Downtown Development Corporation

- Low Interest Loans
  - For renovating downtown buildings. Five local financial institutions participate in the program and offer a floating rate of 1% below
- Revenue Finance Corporation PILOT Program
  - The Payment-In-Lieu-of-Taxes (PILOT) program offers a tax freeze to new, expansion or renovation projects approved by the RFC Board of Directors. Upon approval, property taxes are frozen at the current value of the property for up to ten years.
- Lease/Marketing Incentives
  - The New Business Rent Incentive Program is designed to help a targeted new business cover a portion of the rent while they establish their customer base in a new downtown location.
  - The New Business Marketing Program will help a targeted new business cover a portion of the marketing expense establishing its customer base in the new downtown location.



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## Toledo, Ohio



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## Main Street case examples

- Historic Downtown Sidney (NE) Retail Incentive Program

- Up to \$500 per month for six months by way of rental assistance

- The loan is considered forgiven once the business has been in operation for two years

- [www.cityofsidney.org/index.aspx?NID=327](http://www.cityofsidney.org/index.aspx?NID=327)



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## Future of Main Street?

Local Stock Exchanges?

- Listing company shares
- Providing price information
- Facilitating trade (for a specific region)
- Liquid (in theory)
- Investment not speculation/trading
- Resources
  - ✓ <http://lancasterstockexchange.org>
  - ✓ <http://hilocalexchange.org>
  - ✓ <http://thesvx.org>
  - ✓ [www.missionmarkets.com](http://www.missionmarkets.com)



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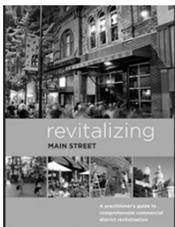
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## Resources from National Main Street Center

- National Conferences
  - Main Street: Detroit, MI, May 18-21, 2014
- Online Tools:
  - [www.preservationnation.org/main-street](http://www.preservationnation.org/main-street)
  - [www.mainstreet.org](http://www.mainstreet.org)
  - MS list serve
- Publications:
  - Revitalizing Main Street
  - Main Street Now
  - Archive of Main Street News
- NMSC On-Site Services
  - Consulting & Technical Assistance
  - Training & workshops



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**BARMAN**  
Development Strategies, LLC

The previous presentation was originally developed by  
**Todd Barman**  
while with the National Main Street Center

It was redelivered for this Virginia Main Street Essentials Workshop with permission

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