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2019 Local Investment Networks (LIN) Assessment

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Washington State University (WSU) and the Association of Washington Cities (AWC) continue the collaboration to establish several Local Investment Networks (LIN). This document achieves a two-fold purpose: 1) provide an update on the current state of each LIN that is developed or evolving, and 2) offer lessons, observations, and strategies to incorporate into refined products for implementation in future communities. The following networks are included in this assessment:

- Chewelah/Davenport Network
- Clallam Opportunity Investment Network (COIN)
- Methow Investment Network (MIN)
- Thurston Investment Network (ThINk)
- Ferry Investment Network (FIN)
- Pateros/Brewster Network (RIVER LIN)
- Emerging LINS: Spokane Greater Area, Cle Elum, and Cowlitz

This assessment and analysis utilized a mixed methods approach with qualitative and quantitative data. Meaning, this assessment leveraged interviews and data collection techniques from each of the above networks on four central topic areas.

- 1) The aspects of each phase of each project that have worked well.
- 2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.
- 3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.
- 4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

Funding for travel in 2020 will help solidify the emergence of new networks and continue to recruit new municipalities. The LIN concept is generally very well received, and it is better understood that the local champion is central to successful networks and sustainable programs.

2019 Local Investment Networks (LIN) Assessment

Below is a list of the themes (in bold) emerging from interviews with local champions and representatives from each of the LINs. These themes are collections of past and future suggested focus areas for continuing to improve the LIN model. Each theme contains suggested action items built on interviews and economic data.

Values and purpose

- Regarding the local champion's role, communities need to take time to clearly emphasize and communicate the values and purpose of a successful LIN network.
- LINs should cultivate members with a strong pride of place driven by social purpose and community.

Community readiness

- Local champions need access to quality workforce and economic data that is specific to their city, township, or unincorporated municipality.
- Members should build community partnerships that support the development of the network and benefit from an established core group.
- Funding for the local champion is an important aspect in sustainability and ongoing success.
- Look for organizations whose values align with LIN and whose leaders can develop a sense of ownership in the network.

Proof-of-concept

- Capacity of local borrowers is determined by more frequent or comprehensive trainings on how to make an "ask."
- Capacity of prospective investors with more frequent or comprehensive trainings on how to evaluate a borrower and determine commercial viability.

Structure

- Support to fund the local champion can be found in economic development centers, chambers of commerce, or other local non-profits.
- Legislators suggested formal rules, regulations, and funding to strengthen the work of WSU and AWC.
- Local champions are THE DIFFERENCE in success and sustainability. Again, it was determined there is a great need to develop a plan for the ongoing administration/management of the network that includes a long-term funding strategy.

Momentum

- Embed more informal processes for members and investors to connect, get to know each other, and build stronger relationships within the network operating structure over time.
- Maintain a consistent schedule of events leading to more opportunities for investors and businesses to connect with each other.
- Find ways within the community through existing organizations or social organizations that businesses and investors can get connected beyond the LIN through informal social gatherings and events. The FIN discovered prevention coalitions and business outreach were beneficial in a remote, frontier community.

Continued support

- Access to new or updated products from WSU/AWC have been requested. TwispWorks and FIN requested support with access to employment and economic data.
- Feedback loops, peer review, faculty mentoring, and support networks (e.g. FIN and RIVER LIN shared online resources and attending virtual meetings) in order to build an ongoing feedback mechanism between each network and WSU/AWC (e.g. surveys, best practices etc.).

Outputs/Outcomes/Impacts

*** At least 98 members across four networks**

*** More than 28 pitches from local businesses**

*** 15 deals funded by network members**

*** At total of \$1,124,000 invested in local economies**

*** Between 39-48 jobs created and maintained**

Network Interviews: Below are detailed summaries of the data obtained from the interviews with representatives of each of the four networks along with a brief introduction of each network for context.

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Chewelah/Davenport Network:

This network was launched four years ago and has been challenged with sustainability and identifying a new local champion. There was initial success at the start but the network faded away after its first spotlight event. The mayor and other business leaders were planning events and revitalization but lack of funding for travel and faculty support have resulted in delayed progress. The initial local champion, Krisan LeHew, an entrepreneur and community leader in Chewelah owns a vibrant local café/restaurant ChewVino. Ms. LeHew is always willing to help but has limited capacity to champion the administration of the program.

- 1) The aspects of each phase of each project that have worked well.
 - WSU Extension faculty in Stevens and Ferry County collaborated with elected officials and community members to respawn the following initial outcomes:
 - An introductory ignite presentation on Local Investment Networks in concert with the Chambers of Commerce that attracted 100-150 people from Chewelah/Davenport areas.
 - Introductory workshops for both business owners and investors put on by WSU/AWC.
- 2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.
 - The network is still vital but requires significant time, energy, and resources to re-engage members.
 - A lack of funding for the local champion and challenges centralizing a coordinated effort impeded the revitalization.
 - There was no sustained momentum for the network as a result of not having a network lead with the time to dedicate to the network's ongoing development.
 - A lack of continued engagement from community members beyond the initial events organized by Krisan.
- 3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.
 - An active Chamber of Commerce that supports the network.
 - Without funding, the community believes that having a dedicated and passionate person that has motivation, time, social capital, and a deep knowledge of the community is critical to revitalization.
- 4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).
 - Members believe the program can be revitalized to once again achieve the initial outcomes from the following:
 - 100-150 attendees at the ignite presentation
 - 6-8 members and 5-6 pitches from businesses at the spotlight event
 - 3 deals resulting from the spotlight event



Clallam Opportunity Investment Network (COIN)

This network started four years ago led by a community member, Karen Westwood. Karen had started another lending club called Local Dollars and Sense in Port Angeles the year before and was familiar with alternative investment platforms. COIN now sits with the local EDC.

1) The aspects of each phase of each project that have worked well.

- The very first presentations by WSU/AWC went well with a decent turnout.
- Creating a steering committee that created the membership application and the loan application.

2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.

- No one was doing the follow-up after the first presentations to capture that initial enthusiasm.
- It was difficult to get the word out to local members and borrowers (e.g. only one article in the last 2 years about COIN with minimal response; outreach to Rotary, Chamber of Commerce with no response; original lenders that were involved were not really committed to developing deal flow).
- The network mostly consisted of friends and family around Karen Westwood.
- Investors who signed up are not actively participating. They may not have known enough about investing to feel confident about engagement (e.g. Karen asked how the members felt about taking security/collateral on loans and only got one response).
- Opportunity Zone fervor has superceded interest in COIN.
- The already established Local Dollars and Sense investment club may have caused competition as opposed to synergy (e.g. the investment club has had 13-15 inquires, made 7-8 loans for a total of \$75,000 all via word of mouth referrals from friend-to-friend).

3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.

- Building the capacity of members of the network on an ongoing basis.
- An engaged membership.
- Having buy-in from local political and community leaders.
- Finding a community champion that is great at Public Relations.
- Fostering a grass roots effort grounded in a value system like the original LION in Port Townsend (e.g. sense of community, social good first and foremost).
- Funding for entities like the EDC to drive and maintain the networks.

4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

- 8-9 members
- 3 pitches from the initial spotlight event
- No deals resulting



Methow Investment Network (MIN)

This network started three years ago led by TwispWorks, a local nonprofit in Twisp that serves as a community center and gathering place. Don Linnertz is the Director and is also the community's local champion for the investment network who has a goal of \$3.3M in investments in three years.

1) The aspects of each phase of each project that have worked well.

- WSU faculty have been extremely accessible and supportive by providing quality information and offering assistance at each phase (e.g. questions were answered in a timely manner and this responsiveness helped encourage the first phases of implementing this opportunity).
- The introductory and training sessions were resourceful and supportive with ongoing attendance and support from WSU faculty, while including Mr. Linnertz in the AWC Annual Conference.
- A less formal approach to implementation has been very effective (e.g. hosting 'soft pitch' events in the "speed dating" format where investors are divided into groups of 3-5 and businesses have 10 minutes to pitch and answer questions before moving on to the next group. This helps businesses refine their pitch and establish more of a personal connection with investors).
- The momentum from having a core of very active members has led to a pinnacle use case scenario that has vitalized the FIN AND RIVER LIN.

2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.

- Quality data for labor and the local economy is not current or is expensive to obtain. WSU faculty could assist with improving support in the LINS if this data became more accessible.
- Getting all of the members to make loans is still a challenge with some improvement, though.

3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.

- Quality data for labor and the local economy is not current or is expensive to obtain.
- A feedback mechanism for continued learning on improvement (e.g. survey).
- Strong culture of civic and philanthropic engagement.
- Clear boundaries for the network (geographic area of coverage).
- Regular meetings and social gatherings.
- Staff time dedicated to maintaining network momentum.

4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

- 40 members
- 120+ inquiries since inception
- Numerous deals resulted in \$1,800,000 in funded projects
- More than 50 local jobs created

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Thurston Investment Network (THINK)

This network started 2 years ago and is led by the Thurston County EDC's Center for Business & Innovation. The individuals who were instrumental in starting the network are Celia Nightingale and Aslan Meade. Aslan Meade is currently the point person for the network.

1) The aspects of each phase of each project that have worked well.

- Good mission alignment with the EDC (e.g. building capacity for regional businesses).
- The network concept matches the services already offered via the EDC.
- Being connected to the Center for Business & Innovation, there was already a pipeline of businesses to plug into the network.
- WSU/AWC were excellent at the beginning for sharing information and ideas.
- EDC attorneys were available to create and review the legal documents needed.
- Members have developed a community through member socials.
- Members have been helpful in promoting the network and bringing in new membership and funding.
- The EDC board and director see great value in the network's potential.

2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.

- Some members just want to see investment deals and make money and do not prioritize local focus or social purpose.
- Vocal members are saying that the pitches from the businesses are not good enough.
- There is no funding or revenue to support the network.
- Aslan does not have the time to follow up with the businesses who expressed interest in accessing the network.
- Momentum is starting to fade since there is no way to maintain or grow the network without dedicated staff (e.g. there are 6-7 businesses that reached out and there was not enough human resource capacity to follow-up with them).

3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.

- Members with wealth and means to invest.
- A champion to call attention to the network.
- A pride of place, sense of community amongst the members.
- Well coached businesses on how to pitch to investors.
- A consistent funding stream for the network.
- Staff to maintain and grow the network.
- Marketing/story-telling on social media.

4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

- 44 members
- 5 pitch events
- 3 deals funded totaling \$150,000
- Estimated between 7 - 16 jobs created

Ferry Investment Network (FIN)

Ferry County is an extremely remote and isolated frontier community with only one incorporated municipality, Republic, which is also the county seat. Until recently, WSU Extension faculty have been challenged to align University demands with local sentiment. The discussion about this network began 3 years ago. Despite having the State's highest unemployment and significant downturns in the economy from loss of industry, early adoption was resisted because community leaders were known to say, "People don't want anyone knowing who has money." After successful deployment of the TwispWorks LIN by Don Linnertz the LIN project was adopted and formalized once community and economic development efforts were formalized by a group known as Ferry County Sunrise. This group of planners were supported through an MOA with the county to improve economic development at a local level with leaders who live in the community. The establishment of the FIN led to rapid evolution of the RIVER LIN, herein discussed below.

1) The aspects of each phase of each project that have worked well.

- For the last few years, WSU faculty have promoted the LIN concept throughout the community to include the Colville Confederated Tribes. These early conversations and efforts informed the possibility of a team led approach to local champions.
- WSU faculty have been extremely accessible and supportive by providing quality information and offering personalized assistance at each phase (e.g. support with marketing, support with meeting facilitation, support with web development, providing research and evidence based best practices, and by answering questions in a timely manner which led to the launch of this program putting locals out front in early Fall 2019).
- The introductory and formal training sessions with the local champion were resourceful and supportive with ongoing attendance and support from WSU faculty, while including significant mentoring from Mr. Linnertz of the TwispWorks program. This support resulted in the first formal discussions leading to the launch of the program.
- A less formal approach to implementation has been very effective and a soft launch has helped drive membership through an online application that protects the status of prospective investors.
- A soft launch has helped businesses refine their pitch and establish more of a personal connection with investors the local champion.

2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.

- Ferry County is historically disenfranchised by outside involvement.
- Quality data for labor and the local economy is not current or is expensive to obtain. WSU faculty could assist with improving support in the LINS if this data became more accessible.
- Getting all of the members to make loans is still a challenge with some improvement, though.

3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.

- Funding the local champion was absolutely necessary to launch of the FIN program.
- There have been multiple requests from community leaders for access to quality data that is expensive or difficult to obtain for current trends.
- Buy-in from anchor institutions and significant formal or informal community leaders was essential to the launch of FIN.
- Disenfranchised by outside involvement it was important to members to have clear boundaries for the network (geographic area of coverage).
- Emphasizing the importance of a "deregulated" investment network resonates loudly in this community disenfranchised by outside involvement.

- The FIN success was predicated by the importance of funded staff time dedicated to maintaining network momentum.

4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

- 20 members
- 12+ inquiries since inception
- 3 anonymous deals funded



Pateros / Brewster (RIVER LIN)

This rapidly evolving LIN is nestled in the valley of the Okanogan Highlands next to the Columbia River. The communities are surrounded by commercial orchards. Pateros and Brewster have strong social capital alliances. Meaning, everyone knows each other and works to collaborate across many lines, as evidenced when the community was ravaged by wildfire in 2014 and 2015. The two towns have rallied to form the Rural Investment Ventures for Economic Resilience (RIVER) LIN. Their mission states, "RIVER LIN connects local individuals and businesses with capital and resources, to achieve business success and encourage community prosperity."

1) The aspects of each phase of each project that have worked well.

- WSU faculty and Don Linnertz have been great resources and support.
- WSU faculty have been extremely accessible and supportive by providing quality information and offering personalized assistance at each phase (e.g. support with marketing, support with meeting facilitation, support with web and logo development, providing research and evidence based best practices, providing SWOT analysis materials, and answering questions in a timely manner).
- The introductory and formal training sessions led to a team approach with the local champion. This support resulted in the rapid launch and formal discussions leading to preparation to launch in early 2020.
- A soft launch has helped businesses refine their pitch and establish more of a personal connection with investors the local champion.
- Support from Don Linnertz and the FIN have improved community engagement and online resources.

2) Challenges that existed in developing, implementing, or sustaining investment networks and how those challenges were addressed in the partner communities, as well as what gaps remain.

- Getting all of the members to make loans is still a challenge with some improvement in late 2019, as they prepare for a formal launch in 2020.

3) Key attributes/characteristics that communities should have in place to maximize the success of a Local Investment Network project.

- Funding the local champion was not necessary but would have supported a more robust program.
- A team approach to the local champion concept, champion coaching, and support from neighboring LINS has been extremely beneficial.
- Emphasizing the importance of a "deregulated" investment network resonates loudly in this community.

4) Description of the outputs/outcomes/impacts (e.g. # of attendees, # of members/investors, # of inquiries, # of applications, # of pitches, # of deals funded, total \$ loaned, # of jobs created, # of businesses started or expanded etc.).

- 10 members
- 10-15 inquiries since inception
- Prepared for launch in 2020