



Guidebook and Resources for Starting Community Supported Enterprises

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Guidebook and Resources for Starting a Community Supported Enterprise

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Executive Summary

Slow growth or economic stagnation combined with population declines and an aging population is causing local officials and community leaders in many small rural areas to explore new ways to finance local businesses that have served the area for long periods but are now closing due to retirements of owners. In some cases, businesses such as grocery stores and restaurants will leave a void in quality of life if they close. The businesses often are small and have been owned by a family for many years but with no local family left to take over the business.

Residents, recognizing the importance of these businesses to local quality of life, have organized investor groups that pool funds to purchase and/or reopen the businesses. They hire an experienced manager who operates the business and pays rent to the founding organization. The resident investors are motivated partly by the perceived importance of the local business in preserving quality of life in the community. This is especially important in areas with substantial increases in elderly populations, many with limited mobility. Without access to basic services such as groceries and pharmacies, these residents will be forced to move to larger locations and will further aggravate the population declines.

These ventures are grouped under the broad mantra of community-supported enterprises (CSEs), but they can take many specific forms including cooperatives, limited liability corporations, and nonprofits. Common to all is that they have a social purpose such as building or maintaining quality of life, have direct investment by residents, and also operate a business venture that must be sustainable without future subsidies by investors. Cooperatives differ somewhat in that members pay regular dues and receive discounts on purchases or other dividends. In this case, an on-going source of revenue is available in case the business venture operates at a loss during some periods.

CSEs provide many types of opportunities for residents to build the capacity of their community and make it more viable in the future. Often, they invest relatively small amounts of money and do not expect to receive either a financial return or their initial investment returned. Instead, they want the convenience of a grocery store or other enterprise as well as value the comradery associated with participating in a community project.

This guidebook examines experiences of local groups that have started CSEs across the U.S. and describes the techniques or approaches used in the process. There is no one specific

way to organize a CSE and not all succeed, especially under adverse market conditions. So, the material in this guidebook should be seen only as suggesting approaches, rather than as a manual for starting and managing or operating a CSE. Rather, experiences are described and resources are provided for those interested in further contacting the groups involved. In total, more than 40 CSEs are described as to purpose, approach used, and outcomes based on personal or phone interviews and internet searches with follow-up discussions. The list is not exhaustive but describes a variety of approaches used and the outcomes.

Several principles or practices were identified in discussions with personnel that seem to have affected the outcomes. These are listed next and with more explanation later in the text.

Identifying a common need. Many CSEs in this guidebook came about because a local grocery store had closed, forcing residents to travel to obtain daily supplies. The case for a CSE as a financing method was relatively straightforward in these instances. In some events, making the case is more difficult and takes some ingenuity. Nevertheless, identifying and documenting the need for the service is perhaps the most important component in a successful CSE. Each community is unique not only in what it needs for a high quality of life but also in how residents will respond and in what services they are willing to invest. Thus, care and effort directed to researching the need for a service is a first step.

Selecting an appropriate business model. When the need for a service has been identified and sold to potential investors, the organizers must select an appropriate business structure. Cooperatives are an obvious choice for several reasons, including that they can provide membership dues that help finance the business during slack times. This business form, however, may not appeal to all groups because it may involve more commitments than investors are willing to make to patronize the operation.

Some residents may be more interested in a cash investment or donation to make sure the service is available locally. They may be less interested in a long-term commitment to the organization. In these instances, either a nonprofit or LLC may be a better approach. The former can provide tax benefits immediately, and the latter can provide a less cumbersome management approach as well as limited liability to organizers. All three forms can work, and examples are included in later discussions.

Researching the market. CSEs are just an alternative method of financing a small business and so must meet all of the market tests in terms of profitability and sustainability. They

offer several advantages, especially when investors do not expect a high rate of return on equity or any at all. Likewise, in some instances, financial institutions may loan funds to the CSE under a patient capital format aligned with Community Reinvestment Act provisions. The interest rate may be less, and the payback period may be longer, both of which can help a CSE. In addition, resident investors may be willing to donate time, helping with the business operations. When this happens, the CSE may be able to operate at a lower profit margin, which can offset higher costs of merchandise because of its small size.

In any event, it is paramount that organizers do due diligence in market research to make sure a market exists and understand which types of merchandise will be profitable. It is not always the case that reorganizing a grocery store, for example, in a CSE framework will make it sustainable, and this has been documented in several closures. The CSE must offer a variety of merchandise that attracts buyers in sufficient quantities that it can survive. The Vermont General Store model, for instance, relies on locally-produced items such as meats, cheeses, crafts, and produce, which expands its markets and builds interest among residents. Several CSEs provide community events such as dinners that add to the local quality of life and expand membership.

Competition for the local market is building from convenience stores and other places that now stock basic food items as well as serve a limited number of prepared foods. They have a small lunch counter that can become a gathering place for residents in some cases. Most of these franchises, however, have an expected return on equity that at some point may not be reached, causing the store to close. Residents own a CSE, on the other hand, so they may keep the operation going longer even at low rates of return. Part of their motivation is to stabilize, or even revitalize, the community and keep it as a place where future residents want to live.

Find and support local leaders. Convincing residents to become involved with, invest in, and patronize the CSE is key to success. Since the idea of residents investing in a store that is community-managed may be a new idea to many, it will require strong leadership from key individuals that have respect in the community. Some of these leaders may have had little or no experience with this type of activity and will need support from the community to be involved. Not all CSEs survive, so leaders associated with the venture can lose credibility without support from key local individuals and agencies.

Leaders often surface in early discussions of a potential CSE because of their commitment to community betterment and recognition of the genuine need by the community for

the proposed activity. These persons can become spokespeople for the project, but they must be assisted by others with technical experience and background. In other words, an organization must be created to design and implement the CSE activity. Members of the initial organizing group may well serve on a management or advisory board of directors later. This group will be key in selling the concept and bringing it to fruition.

Develop a sound financing and operating model. Each CSE differs in how it is financed, which is a testament to the flexibility of this financing approach. Resident investors are motivated mainly by a desire to provide access to a defined service that will enhance the community. Many candidates are likely investors, and they may surface as the announcements of the venture are released. Long-term residents who are financially comfortable may be interested in making sure the community is viable for their heirs. Young residents interested in making the area their home have a vested interest in promoting the area, partly to protect their investment in their home or business. Still others may have moved away but want to see their previous community prosper. Each of these groups are viable investors in a CSE to varying degrees, and a flexible financing schedule allows buy-in at different levels as shown later in examples.

Market the business and its services. A CSE, as with any business, must be marketed effectively, and the operator will likely be responsible for this task. However, since one purpose of the CSE initially was to improve the quality of life in the area, the organizing group will always have some responsibility for keeping the social purposes of the CSE in the limelight to encourage patronage. The small size of most of these ventures makes them very sensitive to market conditions as is true of any other similar-sized business. Community support including patronage even at higher prices than competitors in large cities will be essential, and this patronage can be stimulated by the community organization.

Possible Next Steps

Because a CSE is mainly a financing approach, there is no end to the types of businesses or services that can be created using this approach. With population declines expected in rural areas, basic social services such as health care will be threatened by shrinking markets. Telehealth has been a major breakthrough in some sparsely populated areas with positive results. This approach, without question, will be extended to other services. Other regions have experimented with delivering services using a bus or other arrangements.

Communities with empty space may want to consider using a CSE approach for a multi-purpose building that can be rented to various social agencies part-time. Medical outreach, counseling services, and other activities could be provided several days a week in a multipurpose building owned in a CSE arrangement. The rents from occupants can be paid to the organizing agency to cover maintenance, utilities, and other costs. Residents could invest in the CSE that owned and managed the building for several compatible uses. Users of the building would not have to cover the full costs when only part-time use is needed. More activity in the downtown area could provide traffic for other businesses and keep the area more attractive and viable.

Rural areas will face several adverse trends that will require innovative strategies to keep them not only viable but prosperous. CSEs are not the only approach needed. The local economy must be stimulated with jobs and private investment. However, a CSE financing approach can be an integral part of making the area a better place to live and therefore bring some stability.

Guidebook for Starting Community Supported Enterprises

Many small communities, especially in the rural Midwest, have underperformed economically in the post-recession period. They lost key employers such as manufacturing and natural resource businesses, and retail suffered with expansions in internet purchasing and expansions of trade in larger centers. Personal services such as health and education are now provided on a regional level, especially those involving specializations where rural areas have insufficient markets. These trends reinforced population declines underway for decades in many rural regions.

The Baby Boomer generation is now approaching retirement age with two significant impacts for rural areas. First, more residents on retirement incomes with reduced purchasing power will further weaken the local economy. Second, a larger proportion of elderly residents will require specialized services and convenient access to basic goods or they may migrate to larger areas with these characteristics.

A related factor is that proprietors of many long-standing local businesses are now approaching retirement age, often without heirs living in the area or others interested in running the enterprises. While still profitable even with smaller markets, these businesses are not large enough to attract outside capital. They are being replaced by multi-purpose businesses that offer limited amounts of basic services such as gasoline, groceries, refreshments, and so on.

While these convenience stores meet occasional demands of some residents, they are insufficient to accommodate the needs of elderly persons with limited mobility and access. Small long-term businesses often stocked specific items or delivered to customers when needed. Similar services are less likely in a franchise operation. Thus, without local intervention, businesses on which many elderly have relied will close, further reducing the attractiveness of the community, leading to further population losses.

Small communities have responded in several ways. One is to organize groups of residents to pool their funds and purchase or reopen a business in danger of closing or already closed. Each community-supported enterprise (CSE) is unique in its organization, goods and services provided, and financing arrangements. What is common is that groups of residents invest relatively small amounts and then, as a group, purchase and rehab the building to make it suitable for the next activity. Usually, the process involves leveraging the local investments with a loan from a financial institution. Typically, the investment group hires a manager with

experience to operate the venture, rather than manage it themselves. The merchandise and services may differ, but except for financing, the enterprise resembles the previous operations.

Community-supported enterprises is a somewhat ambiguous term because of the variety of ways a community can assist and promote a local business. Subsidized lands, property tax concessions, and donated services have been provided for many years. In the current project, the term CSE is limited to businesses in which residents invest directly, rather than through a city government or other public agency. Also, CSEs are motivated by a social purpose such as to build community capital and improve quality of life by retaining a business or service locally.

CSEs are distinct from strictly social organizations where a nonprofit organization operates a business venture to advance a public purpose such as reclaiming construction materials or reselling salvage materials from construction projects. Clearly, these operations have a business component with a social mission, but often, the operations are subsidized and residents do not invest directly in the business venture. Likewise, private companies may market their operations as community-supported enterprises when they form a club on a subscription basis and poll members regarding types of product to produce, as in the case of a micro-brewery. While members are engaged, they did not invest directly in starting the business, and the social mission may be missing. Thus, they are excluded in later discussions in this guidebook.

CSEs have existed for many years, but their method of financing changed with the advent of crowdfunding where a group of resident investors can post to a platform inviting other community members to invest in the venture. This approach facilitates fund-raising, reduces solicitation costs, and retains key CSE ingredients, including a social purpose and direct investments by residents. In fact, intermediary groups such as Milk Money (Vermont), The Local Crowd (Wyoming), and Community Sourced Capital (Washington State) help local groups successfully raise funds through crowdfunding types of efforts.

Purpose and Overview of Guidebook

In 2014, the North Central Regional Council for Regional Development published a report that examined 20 CSEs operating across the U.S., plus listed many others in operation at that time (Walzer and Sandoval, 2014). The CSEs mainly involved grocery-related stores and eating establishments typically in small towns. The enterprises fit the CSE model because they had local investment and were motivated by a social purpose, often to build social capital and

improve quality of life. In several instances, these CSEs have closed due mainly to adverse financial conditions but with important lessons learned in the process. Others are profitable and flourishing.

Growing interest in a CSE approach among public officials and community leaders generated interest in preparing a guidebook to help other groups chart a course to evaluate, and possibly start, a local CSE. Providing that assistance is the main purpose of this guidebook. It is not a manual providing a set course of action because each situation differs in market conditions, financial interests, and willingness of residents to invest or otherwise participate in financing the project. Nevertheless, common features among successful CSEs are highlighted in this guidebook.

The guidebook builds on the previous report by examining additional CSEs that vary in organizational structure, goods or services delivered, or financing approaches. In addition, more attention is paid to who was involved in the organizational effort and how the venture was marketed to potential investors. The intent is to provide sufficient information that readers interested in launching a local effort will gain insights into how to proceed even under different scenarios.

The following sections are organized to accomplish several tasks. First, readers can see common features or basic principles used in starting a CSE. In many ways, a CSE very much resembles starting any other small business. Perhaps the most distinguishing feature is the financing approach, which adds a step, namely convincing residents to invest small amounts of money, sometimes without expecting a financial return or even their money returned. Instead, the overriding purpose is to have local access to goods and services or otherwise improve quality of life.

Second, CSEs are organized in a variety of ways with information provided about how each organizational form works and the potential advantages of each. Many, if not most, CSEs described in this guidebook are cooperatives. Members usually receive a discount or other benefits and have a say in governance or electing a board of directors. However, the public can purchase from these CSEs, which broadens the clientele making them more profitable.

Third, CSEs vary in size and merchandise, so they are grouped by type with summaries of key features or management and marketing approaches. This discussion provides insights into approaches that have avoided pitfalls or obstacles that could limit successes or possibly cause

closures. In effect, the CSEs are presented by type, organizational structure, and financial approach followed by a brief discussion of ways they addressed key elements.

The fourth section presents a more detailed step-by-step process that potential users can follow in contacting residents and engaging them in the process. Several forms and references to supplemental resources are included to facilitate future efforts. The materials presented represent only a first step, and users must identify similar resources in their communities and find ways to bring the effort to fruition.

Principles of CSEs

CSEs have common features useful for other groups interested in using this approach in local efforts. The diversity of issues addressed plus the types of organizational structures and purposes used speaks highly of the versatility and potential for CSEs in community enhancement. These efforts blend economic development and business startup strategies, adding a dimension not present in all private business ventures.

High on the list of essential ingredients is recognizing a clear need for the product or service. Without this understanding, mounting a serious effort will be hard. Next, community engagement and active participation by residents in building the enterprise requires strong leadership from individuals or groups recognized for past involvement with successful endeavors. These principles may seem rudimentary and common to most local development projects but they are essential in designing and developing a successful CSE. Each of the core principles is briefly tabulated below and then discussed in more detail.

Accurately Assess the Market

An accurate assessment of markets for specific products combined with effective management practices is essential to success. Determining the potential for a CSE involves two components. A recognized need or deficiency in a specific activity or service in the community is imperative, and this need must be marketed throughout the community to mobilize residents to invest in the project. The need for an activity provided locally must be enough to cause a sufficient number of residents to invest and patronize the establishment once it is in operation. Because resident investors are not always well-versed in business practices, organizers must conduct an information or education process to control expectations and guide potential investors. This task is especially important because some people may see the venture as a

contribution rather than an investment. They do not expect a financial return but instead just want access to an important service. Since they are not making a continuing investment, they may pay less attention to financial sustainability, which in the long run may cause the business to not be profitable.

Several CSEs in this study were triggered by a grocery store closure. The potential inconvenience of limited access to basic food items motivated residents to invest or donate funds to reopen a store. It is important to clearly communicate the project as an opportunity for residents or potential investors to improve the community and make it more viable for future residents. However, they also must understand that the project will not regularly ask for additional investments and it must remain financially viable. This means that residents must patronize the business, even when the prices are higher than in neighboring communities.

Obtain Adequate Financing

A CSE, by its very nature, will face the normal difficulties associated with any small business and so must have a sound financial base to meet unforeseen issues. Lack of sufficient startup capital is an issue faced by many small businesses and also must be recognized in a CSE. Fixed costs can be especially difficult in grocery store operations especially when local groups take over or revive a recently closed operation. Several examples of CSE grocery store closures trace back to high replacement costs for worn-out freezers or building maintenance. Resident investors were not willing to continue investing after the excitement of reopening the store faded, and the financial institutions, at some time, must recover their investment. Thus, due diligence is especially needed in this phase of the project.

Direct investment by residents is only one of several approaches for financing local businesses in shrinking markets. Increasing use of crowdfunding platforms and the relative ease of reaching potential investors make this financing approach more popular, especially in areas with sparse, declining populations and small markets. Community and economic development practitioners can explore some of the examples shown later to determine whether crowdfunding approaches or some variant are suited to their area. These approaches are common with projects

that make a serious contribution to quality of life and can work with CSE approaches as well. Several examples discussed later illustrate some of these uses.

Select an Organizational Structure

The organizational structure selected for the operation is important for several reasons. For example, a cooperative may provide investors-customers with a sense of ownership, and spending at the store provides a return on their investment. A crucial element is that the general public, members or not, are able to purchase at the store, although they have less financial incentive. In addition, a cooperative allows more engagement in management practices by electing a board and other requirements that may not appeal to all investors. Nevertheless, investors as co-op members have an incentive to promote the CSE and contribute to its continuing viability. Especially important is that any organization is structured to minimize potential negative effects of disagreements within management, so ways to resolve conflicts should be included in the management design.

Support Healthy Economic Environment

Difficult economic conditions such as small and shrinking markets are often reasons why communities consider using a CSE approach to reopen or start a business. Especially important in rural areas is competition from businesses in surrounding areas where many residents in other small towns commute to work and shop. Thus, a newly-formed CSE must deliver a broad selection of goods and services at prices that can compete with the larger stores.

Similarly, a vibrant and viable economic environment in which the CSE is located is especially important to CSE successes since deteriorating economic conditions adversely affect all stores and make it more difficult to launch a new venture. In fact, this situation led to closings of several CSEs in Illinois. Even when the market has potential, misreading it and providing too narrow a line of merchandise will threaten a newly formed business. Most CSEs rely on external funds, such as loans from local financial institutions. Personnel in these banks and other agencies have experience in helping to organize and manage the ventures and can be valuable resources in startup decisions.

Engage Local Leadership

Discussions with experienced organizers and managers of CSEs emphasize the importance of involvement by local leaders with credibility in the community speaking for the project. In some instances, a person with a finance background or prior business experience as an investor or manager as the leader made the difference. Usually, the local leaders recognized the importance of the project to the future of the community, so the effort was driven mainly by the social purpose rather than the business components. In any case, gaining and retaining this credibility for long periods of time can be difficult but is essential for the project to flourish after the initial enthusiasm has vanished.

Many aspects of starting a CSE resemble those in starting other businesses, but there are several important differences. The need to work with the public as investors without a clear expectation of financial return can be challenging. While, initially, the public is excited about making a commitment to their community, they can soon lose interest without continued communication about success of the venture. So, regular communications to maintain a relationship with investors is especially important when they are not directly involved in daily activities or management. It is in these instances when engagement by local leaders is key to maintaining the momentum of the project. They are in visible positions and can communicate directly with the public as needed. As long as they maintain enthusiasm and commitment, other resident investors may be inclined to continue support.

Part of Broad Development Strategy

Research for this guidebook shows that a CSE approach works more effectively as part of a broader development strategy designed to promote the local economy. A CSE combines community development and economic development approaches and can supplement other strategies. One successful enterprise alone is unlikely to reverse a local economic downturn and without clear indications of success, may cause investors to lose interest. When not nested in a broader effort, it is very possible that the CSE will not survive shrinking local markets. This situation was experienced in several cases when grocery stores could not compete successfully with stores in surrounding towns and could not survive shrinking markets caused when local businesses shutdown and residents moved away. Thus, it is key that a CSE initiative is one of

several local development approaches underway and one of its main contributions is to promote local quality of life and make the community a better place to live and work for future residents.

The next section describes several organizational forms that CSEs can take, each with advantages for specific settings.

Organizational Structures

Successful CSEs have been organized using several different forms. A community can sell shares of stock for communal ownership or can financially support a new business through philanthropic or other avenues. The specific form in which a CSE develops depends on the preferences of local groups but some approaches may be preferred because of easier legal filings, liability, governance, and management structures. Cooperatives have been especially popular as an organizational approach and are discussed later.

CSEs are started as privately-owned businesses in ways similar to other businesses with traditional organization and structures. Other businesses have the common attributes of a CSE, although they are formed by a private entity or individuals and restrict the decision-making authority to these specific owners. The business focuses on the needs in the community, but the profits and management decisions are largely left to the owners themselves. Table 2 shows common business types used in CSEs, private or otherwise.

Table 2. Common Legal Business Structures

Business Type	Description
LLC	Limited liability of corporation with flexibility of partnership. Owned by “members” who can be individuals, corporations, or other LLCs (depending on state regulations).
Cooperative	Owned by and operated for the benefit of those using its services with benefits distributed among members. A board of directors typically manages members who obtain voting rights by purchasing shares.
New	Growers commit to supplying a specific amount of produce to a processing

Generation Cooperative	venture and participate in the profits according to their involvement. In this form, growers bring products to an incubator for processing and then market them commercially. Members share in the costs of maintaining the incubator.
Partnership	Two or more people share ownership where each individual contributes in all aspects and shares in profits and losses of the business.
Sole Proprietorship	Unincorporated business owned and run by one individual. Owner entitled to all profits and is responsible for debts, losses, and liabilities.
Nonprofit	Serves a public purpose and has special treatment under the law. Can make a profit but cannot be primarily for profit which is governed as to distributions.
Corporation	A traditional for-profit corporation owned by shareholders who are not held legally liable for the actions or debts of the business. Shares may be purchased by all and the number of shares owned by any one person varies.
Hybrid	An organization that combines traditional for-profit and nonprofit business practices and whose purpose may include a social or environmental issue.

Source: U.S. Small Business Administration (n.d.); Haigh et al. (2015); Hackman (2001).

Community-owned businesses are usually created to fill a void within a market where capital for new businesses is limited (Bloom, 2010). While similar in operations to other businesses, they are more closely associated with the town or area served because residents have more of a direct say in the operations, either through voting rights or election of board members. Likewise, they are created to serve a specific social purpose within the area served. Community-owned businesses fit into four categories (Table 3).

Table 3. Community Ownership Distinctions

<i>Cooperative</i>	Communally owned and managed business for the benefit of members
<i>Community-Owned Corporation</i>	Traditional for-profit corporation that integrates Social Enterprise principles
<i>Small Ownership Group</i>	Small ad hoc investor group that capitalizes and/or operates a business
<i>Investment Fund</i>	Community-based fund that invests debt or equity into a local business venture

Source: Bloom (2010).

Community ownership is illustrated in cooperatives such as The Merc Co-op in Lawrence, KS, and the Shrewsbury Cooperative, Pierce’s Store in Shrewsbury, VT. As with other cooperatives, members have voting rights, hold stock in the company, and share in the profits. Community-owned businesses can also involve selling shares in a community corporation. Residents invest a specific amount and become shareholders in the company. They have voting rights and are represented by a board of directors that manages the daily business activities. Depending on specific legal structure, profits may also be paid to resident-investors.

Small ownership group styles of CSEs involve a small number of resident-investors who launch a business or enterprise to meet a local social need. Some may not consider small ownership groups as community-owned businesses since they are not open to the entire community. However, they can be if they are created to address a community-wide (Bloom, 2010).

Members of a small ownership group may be active in operating the business or be silent partners, although they typically expect some form of financial return for their involvement. Somewhat different from this approach is a community investment fund that pools community resources to provide venture capital or loans to invest in community-based businesses. This approach allows residents to invest and be active in a business without requiring direct involvement in operations.

The ownership structure of a CSE can also change over time and *transitional ownership* involves a transfer from one form such as private ownership to another form, e.g., nonprofit or community-owned. This approach can be used to save and sustain a crucial existing business and then slowly transition it back to private ownership if and when it is financially stable. Although not classified here as a legal ownership form, examples such as Washburn Community Foods show where this approach was tried in a CSE initiative.

Additional descriptions of structures commonly used by CSEs are provided in Appendix One with more information about their formation and operations. The main point is to recognize the diverse ways in which CSEs can be organized and managed. In some instances, the distinctions are slight but have important implications for ways in which the enterprise is managed and its potential success. Thus, in starting a CSE type of venture, it is important to obtain qualified legal advice.

Hybrid Organizations

Hybrid organizations have different names in the professional literature but have a common goal of combining social impact initiatives with financial sustainability (Haigh et al., 2015). These organizations are distinguished from other businesses with similar social or environmental goals in that hybrids combine elements of both for-profit and nonprofit entities to create a business model that caters to traditionally underserved markets. Newer legal structures including Benefit Corporations, Social Purpose Corporations, and L3Cs supporting these practices have emerged and are being used in many states. These enterprises have an intrinsic social aspect in how they operate and provide legal inclusion of social causes and benefits associated with integrating these policies into business activities. They can be combinations of regular structures, such as corporations or LLCs, with the typical social practices found in nonprofits. More complete descriptions and comparisons of hybrid selections are provided later.

Hybrids can also develop under different conditions that create multiple for-profit and nonprofit entities. Subsidiaries can be created by a nonprofit (for-profit) to engage in other for-profit (nonprofit) activities. Since nonprofit organizations are restricted from engaging in certain financing activities due to tax exempt status, they may choose to organize as a for-profit entity and take ownership rights in the for-profit business (Morrison & Foerster LLP, 2013). An example of such an approach is the Latchis Hotel and Theater in Brattleboro, VT, which operates

a hotel and theater for-profit but is managed by a nonprofit organization. By doing so, the venture can pursue financing options not available to the nonprofit entity.

A for-profit business may act in a similar way to create a private nonprofit foundation. This private foundation is controlled by the parent company, and while it is eligible to receive tax-exempt status, it is subject to different regulations than typical charitable organizations (Morrison & Foerster LLP, 2013). It is important for an organizing group to fully examine these differences so as to maximize the opportunities for the business to succeed. Having legal counsel in the investing group or available for consultation is prudent.

Management & Ownership Combinations

The same individuals or group that create and own a business may also manage and operate it. Many CSEs listed in this guidebook operate in traditional ways, although some have created newer managing practices by combining elements of different entities. CSEs are often created through a community organization, such as a cooperative or nonprofit, that launches the startup efforts (Appendix Four). The CSE organizers can manage the business or hire outside management expertise as needed.

More often, a community organization owns the property and sometimes the equipment but rents the facilities or subcontracts with a private operator. These practices minimize the time spent operating the business and perhaps losses for a community. The CSE structure limits the liability for resident-investors to the amounts invested. If a business fails, the community still owns the land, building, and equipment and may create another business later if it so chooses.

Cooperative Model

The cooperative model is the most popular option among CSEs reviewed in this guidebook. As a cooperative, members manage the business through a board of directors who often live in the area and regularly interact with shareholders. Not only does this process build stronger support since individuals have a direct stake in the business, but it also provides for continued revenues through regular monthly or annual member payments. This steady source of revenues can offset operating losses from the business or can provide funds for expansion when needed. However, the membership dues cannot offset long-term business losses.

Cooperatives do not always succeed, however. Sometimes, the customer base beyond the members is insufficient to support the effort. In other cases, the members may not purchase in

sufficient volumes to provide a sustainable market. A cooperative requires management strategies that effectively assess market conditions, customer preferences, and competitive conditions. As with other stores, cooperatives can help shape their markets and align operating goals with those of the community shareholders once the business is in operation. The cooperative goals can include different focal points, such as wellness, education, or community gathering, which in some instances may become as important as the business goals but can lead the venture into financial difficulties if the business venture can't support the other incentives. The shared interests bring communities together and strengthen the CSE, which makes it a strong choice for communities committed to specific objectives.

Several examples of successful cooperatives are provided in later discussions. One brief example is the Neighborhood Co-op. in Carbondale, IL (pop.25,902). The co-op retains membership through a strong history of continued community engagement. Opened in 1985, Neighborhood Co-op grew both in physical size, with two moves to larger facilities and in social status in the community. It is a full-service grocery store with an expressed mission of providing healthy food to customers but also respecting the environment. It has received multiple environmental awards, plans to repay loans by 2019, and currently has more than 3,000 owners. (www.neighborhood.coop)

Nonprofit Model

The nonprofit approach is also commonly used in CSEs. Nonprofit organizations, often identified as a 501(c)3 or other 501 organizations, are supported with donations and grants and have a special tax-treatment features. Nonprofit grocery stores are sometimes CSEs with a strong focus on community and mission.

An important distinction between the two—cooperatives and nonprofits—is the loss of steady monthly revenue from members based on purchases. Instead, a nonprofit receives support from donors and leveraged funds at the start of the project. Depending on structure, investors may receive tax deductions because of the nonprofit status. Financing arrangements with investors can be set up in various ways so as to generate revenues as needed. In any case, as with all business models, a nonprofit must use sound business practices with a sustainable revenue structure. While specific organizational structures can offer advantages in different scenarios,

management practices and accurate assessment of market conditions ultimately decide the success or failure of operations.

In the case of Jubilee Food Market, a local faith-based organization created the Waco, TX, grocery store to overcome a food desert that affected the area. Initially, Jubilee raised \$900,000 to open the store. Through creative promotional practices, such as an Oasis Card where individuals who live close to the store benefit from discounts and availability of fresh produce through other store sponsored projects, the store has remained strong financially and meets its purpose. The success of the Jubilee Food Market in a large city illustrates how CSEs can be used to address neighborhood issues such as food deserts. The financing approach can be virtually the same as in a small community.

Limited Liability Company (LLC)

A Limited Liability Company (LLC) approach is used less often by CSEs in this guidebook. LLCs, owned by individuals, corporations, or other LLCs (depending on state regulations), have an advantage from combining sole proprietorship and pass-through taxation—which allows the entity to gain tax advantages through taxation on revenue individually—and pooled startup funds. However, they offer limited liability to investor-owners. LLCs are relatively easy and inexpensive to create, making them suitable for CSE operations. A potential difficulty is in raising additional funds when needed, especially in an organization where profit is not the main objective. Likewise, it may be more difficult to obtain favored tax treatment from a LLC than from a nonprofit. In any event, organizing a CSE as a LLC involves a strong commitment to community betterment or a social purpose as a crucial part of the venture.

Little Muddy Dry Goods in Montana and Cambridge General Store in Nebraska both have succeeded using a LLC organizational structure, but not many other CSEs in this guidebook followed this direction. Part of the reason may be that the LLC may not offer as many tax advantages as either the nonprofit or cooperative and can be cumbersome to manage with a large number of investors. Also, it may not appeal to investors interested in donating to a community purpose. However, it is not to say that LLCs should not be considered in organizing a CSE.

Action Steps and Key Roles in Starting a CSE

Previous discussions outlined various options for starting a CSE, and this section works through basic steps that can be taken during the process and illustrates how others have

approached the issues. Other resources are identified at various steps. This is an on-going effort, and new materials will be added as they become available. No one approach works in all communities, so these are only guides and users can adapt them to meet local conditions.

Identify Area Needs

Prior to starting a business venture, it is imperative to systematically examine community needs and how a proposed CSE will fit in and build on community strengths. Effects on other businesses and the effective demand for the proposed services must both be considered. In the case of Walsh Community Grocery Store in Walsh, CO, organizers recognized that many residents in the region had to drive 20 miles or farther to obtain basic groceries. The need for closer access sparked the creation of a grocery store that also carries related items. (Booth, 2009) In the case of grocery stores, proximity to nearest establishment, lack of healthy food options nearby, and community interest in new and alternative goods are usually strong justifications for starting a CSE. Thus, the potential spending on groceries as well as the nearest competition are important considerations.

At the same time, however, selling a limited number of basic groceries may not represent a sufficient market to keep the business profitable. When this is the case, organizers can consider a lunch counter, fresh meats, cheeses, and vegetables, delivery services to elderly residents, or other items identified in a survey of residents as missing in the community that they travel elsewhere to buy.

Lack of this merchandise does not necessarily mean a sufficient market exists to sustain a profitable business. In selecting merchandise to stock and sell, organizers must determine potential profit margins and threshold sizes needed for profitability. Industry standards are available for managing the operations. The Small Business Administration or the state Department of Commerce may have guides for starting specific local businesses. Pierce's Store illustrates this approach by contacting a local small business development center (SBDC) to help identify potential demand and is an example of how applying industry standards to evaluate current operations can help make the operation financially stable.

In other cases, a previous business about to close or already closed provides an opportunity for local groups to consider starting a new enterprise. An important consideration in this case is to determine reasons for closure, which can be partly determined from an examination of finances in recent years. Also to be considered is the extent to which the business

inventory has been kept current with new product lines and how they meet the changing characteristics of the local population. A new or reopened business may have to carry different types of merchandise, change hours of operation, or market the products in new ways such as over social media to catch the attention of younger residents or providing delivery services to meet the needs of elderly residents. The specific stimulus for starting the business venture may differ among communities, but what is especially important is that the effort motivates residents to become involved and invest in the project.

Select an appropriate business model

Once a potential venture has been identified and the lines of goods or services are determined, it is important to select a business model around which to organize the venture. The specific approach depends on the group involved as well as past experiences. For instance, many rural areas have had experience with cooperatives in the past, so they are comfortable with this model. Some investors may be retired and willing to be part of an effort to maintain the community for their children or grandchildren. This group may gain more from investing in a nonprofit to provide the desired services. Therefore, CSE organizers must weigh the pros and cons of alternative business models in deciding how to proceed.

The main attractions of a cooperative are a sense of ownership by investors as well as the incentive that additional purchases provide in discounts and dividends. The cooperative must be attractive to a large segment of the public in order to reach a threshold level of activity. In order to maximize continued participation by members, it must provide specific benefits from purchasing volume.

A nonprofit approach may offer tax incentives up front for investors not especially interested in continuing to patronize the store. But they can remain involved in the community effort by volunteering time and funds as needed. Plus, they benefit from the ability to purchase basic items locally but not engage in daily management decisions. The growing number of residents 65 years and older, some of whom are financially secure, makes a CSE type of approach attractive especially since the retired may be interested in giving back to an area where they spent a large part of their life. Thus, a nonprofit may appeal to wealthier residents interested in helping to make sure the community continues to remain attractive to future residents as well as obtain some tax benefits.

The LLC approach may appeal to small groups of residents interested in investing larger amounts of funds especially because starting a LLC is relatively straightforward and simple. LLCs are typically registered by a state agency and in some cases, can be started on-line. Profits are taxed at regular rates, but the venture may provide substantial depreciation and other expenses to offset profits. The main purpose of the venture is to provide a needed local service so profits, while needed over the long run, are secondary. Management of the venture is controlled by relatively few individuals, but the business operations can be relatively simple when an experienced manager is hired or contracted to operate the venture. Funds can be raised using crowdfunding or other alternatives.

Identify and Build Leadership

Strong and effective leadership is key in promoting community projects, especially when a relatively unfamiliar financing approach such as a CSE is proposed. Someone with business experience and an entrepreneurial spirit can become a spokesperson and a rallying point to motivate others to support the new venture. This person(s) becomes a central contact early on and helps facilitate the start-up process. The spokesperson need not be from a specific sector in the community and may not have played leadership roles in previous projects. There is some risk involved for a person to assume this role, even when enthusiastic, because their credibility will be damaged if the project does not succeed. Thus, it is important that the local champion have backup support from other groups. The main characteristics are that the person(s) is interested in the project with a time commitment to make it happen. Finding a spokesperson also provides an opportunity for the community to identify and support new leadership.

Examples in this guidebook illustrate how local leaders surfaced within the organizing group, which is the most likely place to start since they are familiar with project specifics and have already shown a commitment to the effort. Rallying around one or several individuals who can lead other key players not only provides structure but can generate enthusiasm for the project. While in many instances, the local leaders surface in early project discussions, identifying the most suited persons may not be as obvious. Hosting informational meetings in the community may identify others. A review of past projects may identify people who have shown success with similar experiences as well as those who played leadership roles. In any event, potential leaders must be encouraged and provided with back-up support and materials to help

market the project to the community. Time spent selecting and supporting the leadership team is crucial to the success of the venture.

Analyze Local Economic Climate

As noted earlier, the state of the local economy is crucial to the success of a CSE, and several cases documented in the examples section show that when the economy deteriorated, the CSE was not able to survive. These examples do not suggest that community leaders made mistakes in organizing the effort; rather, the economic environment several years later simply did not support the business venture. The same experience could have happened to a private business. Thus, it is important to not only recognize past trends and future expectations but also to understand where residents work and the likely competition from stores in those locations. Because a CSE is a small business, all of the management practices applying to these businesses pertain here.

Especially important is to understand the types of inventory that are likely to sell locally and the margins needed for profitability and sustainability. Industry standards are often available to determine threshold sizes needed for profitable operations. It is true that a CSE approach to financing that includes volunteer labor can reduce operating costs, but the costs of merchandise in small operations are likely to exceed those of larger stores in nearby communities where residents work or visit regularly. Allowing residents to invest in the business by donating time in operating the venture is attractive in several ways since it not only reduces operating costs but also vests more residents in the success of the operation.

Merchandise is usually priced according to customers, competition, or costs (Chase, 2008). Customer-based pricing entails selling goods based on willingness to pay for the perceived benefits. Competition-based pricing involves determining prices relative to similar businesses in the area, typically by matching the prices of other retailers. Cost-based pricing means setting prices to cover all costs required to deliver the good to customers and generate a desired profit margin. At a minimum, prices should be set to at least break even. Then, they can be increased to provide the targeted profit margin, given current competition and customers' willingness to pay. In some cases, a locally desired product can be used as a loss leader to bring customers to the store, and while there, customers will likely purchase other items with a higher mark-up. Because sales depend on competition in the area and customer willingness to pay, there is not a standard profit margin to set above the break-even price.

Profit margins also vary by industry, with some sectors such as real estate and information services typically running higher margins than retail sectors (Wood, 2018). For reference, a New York University researcher compiled information on profit margins by industry based on reports from publicly traded companies. The data is available at: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html. This information is descriptive rather than prescriptive and differs from unique experiences in CSEs but can provide general insight in determining prices.

CSEs, especially those in small markets, have to broaden their merchandise lines to provide multiple profit centers, some of which are directly linked to residents. The Vermont general store concept with a diversity of merchandise can be applied to other CSEs across the country to offset some of the price competition from stores in surrounding larger centers. Pierce's Store (VT) is a prime example where groceries, locally-produced merchandise, and community dinners are combined to make the general store a community center as well as a grocery store.

Cow and Quince (New Glarus, WI) has a special niche with locally-produced and organic foods. This operation is a combined grocery store and restaurant. It hosts regular dinners featuring special menus for members. The intent is to stock unique items that draw customers from the region rather than competing with local establishments. Because of the unique local merchandise, the store also attracts tourists to the area, further supporting the economy.

In designing and planning a potential CSE, organizers are advised to work with groups such as SBDC staff to examine several local conditions. First, examining population characteristics by age within a certain commuting area can suggest retail opportunities. Second, income levels of residents and possibly tourists should be considered in evaluating markets. Third, surveys of buyers in existing businesses (counter surveys) can help identify the types of products not currently available that potential customers would like to purchase locally. Fourth, a review of stores in surrounding communities can identify potential competition as well as business opportunities and potential markets.

The information gathered can be compiled and used to evaluate the potential for stores or businesses that offer lines of merchandise and services currently either not in the area or underrepresented. The more that organizers engage residents in planning and financing the operation of the store, the more likely the success in the future. Careful planning using solid data


rather than impressions is key to success in the long run. It is especially important to examine potential markets to make sure that the threshold size for operations can be met.

Replacing a lost local source for groceries is a popular stimulus that generates much interest in rural communities. So in working with grocery stores, organizers can analyze median household income (MHI) and consumption expenditures from the Consumer Expenditure Survey with spending data by region (<https://www.bls.gov/cex>). The expenditure data can be adjusted for local conditions and provide estimates for local purchases.

Several proprietary datasets also provide estimates of local retail sales by sector. Three vendors discussed below include Esri, EASI Analytics, Inc., and Woods & Poole Economics, Inc. All three sources offer one-time electronic reports by industry or sector for a target region at a reasonable price. Some universities have outreach or extension services that subscribe to these data sources and may share data as part of their economic development mission. They may also provide technical support for business related issues.

Esri, developer of the widely used ArcGIS software package for mapping and spatial analyses, offers Retail Marketplace Profile reports. These reports provide information on retail sales by detailed sector (e.g., lawn & garden stores, florists, etc.) for standardized or custom geographies. Esri data are available for cities, counties, states, and more specialized selections such as drive time regions (e.g., all retailers within a 30-minute drive from downtown). Esri also provides more specialized reports on consumer expenditures by category. For example, the Recreation Expenditures Profile provides estimates of spending for specific types of sporting goods and dissects entertainment expenditures into admissions for different types of events. Esri reports are currently available for \$50 each at. Figure 1 shows an example of the information available in a Retail Marketplace Profile.

Figure 1. Example Retail Marketplace Profile



Retail Marketplace Profile

Proposed Location: _____
 Ring: 1 mile radius

Sample Report
 Latitude: 41.87998
 Longitude: -83.63702

Summary Demographics						
2018 Population						66,358
2018 Households						38,440
2018 Median Disposable Income						\$76,752
2018 Per Capita Income						\$83,685
2017 Industry Summary						
	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$2,221,516,882	\$4,290,828,420	-\$2,069,311,538	-31.8	2,443
Total Retail Trade	44-45	\$1,978,547,729	\$3,168,175,130	-\$1,189,627,401	-23.1	1,288
Total Food & Drink	722	\$242,969,153	\$1,122,653,290	-\$879,684,137	-64.4	1,155
2017 Industry Group						
	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$405,950,654	\$72,255,592	\$333,695,062	69.8	26
Automobile Dealers	4411	\$339,050,001	\$48,590,576	\$290,459,425	74.9	9
Other Motor Vehicle Dealers	4412	\$30,955,986	\$16,044,263	\$14,861,723	31.7	8
Auto Parts, Accessories & Tire Stores	4413	\$35,944,667	\$7,620,752	\$28,323,915	65.0	8
Furniture & Home Furnishings Stores	442	\$65,734,248	\$119,666,311	-\$53,932,063	-29.1	101
Furniture Stores	4421	\$41,114,634	\$72,239,548	-\$31,124,914	-27.5	62
Home Furnishings Stores	4422	\$24,619,614	\$47,426,763	-\$22,807,149	-31.7	39
Electronics & Appliance Stores	443	\$75,788,393	\$174,461,806	-\$98,673,413	-39.4	81
Bldg Material, Garden Equip. & Supply Stores	444	\$108,735,377	\$74,388,346	\$34,352,031	18.8	64
Bldg Material & Supplies Dealers	4441	\$98,062,150	\$74,122,384	\$23,939,766	13.9	64
Lawn & Garden Equip. & Supply Stores	4442	\$10,673,226	\$0	\$10,673,226	100.0	0
Food & Beverage Stores	445	\$340,608,250	\$134,285,419	\$206,322,831	6.6	146
Grocery Stores	4451	\$297,862,054	\$208,609,693	\$18,256,361	3.2	83
Specialty Food Stores	4452	\$17,672,909	\$30,680,781	-\$13,007,872	-26.9	46
Beer, Wine & Liquor Stores	4453	\$25,073,388	\$25,998,945	-\$925,557	-1.8	16
Health & Personal Care Stores	446,4461	\$122,555,603	\$227,598,339	-\$105,042,736	-30.0	100
Gasoline Stations	447,4471	\$208,546,499	\$32,324,470	\$176,222,029	73.2	10
Clothing & Clothing Accessories Stores	448	\$117,539,146	\$354,169,091	-\$236,609,945	-50.2	336
Clothing Stores	4481	\$78,910,666	\$200,376,274	-\$121,466,108	-43.5	131
Shoe Stores	4482	\$16,678,707	\$28,724,951	-\$12,046,244	-26.5	23
Jewelry, Luggage & Leather Goods Stores	4483	\$21,970,274	\$125,067,866	-\$103,097,592	-70.1	182
Sporting Goods, Hobby, Book & Music Stores	451	\$94,304,498	\$148,777,624	-\$54,473,126	-46.5	102
Sporting Goods/Hobby/Musical Instr Stores	4511	\$44,004,656	\$54,823,428	-\$10,818,772	-10.9	52
Book, Periodical & Music Stores	4512	\$10,299,842	\$93,954,196	-\$83,654,354	-80.2	50
General Merchandise Stores	452	\$355,382,628	\$583,390,955	-\$228,008,327	-24.3	64
Department Stores Excluding Leased Depts	4521	\$254,661,645	\$448,855,258	-\$194,193,613	-27.6	21
Other General Merchandise Stores	4529	\$100,720,984	\$134,535,697	-\$33,814,713	-14.4	43
Miscellaneous Store Retailers	453	\$71,345,903	\$760,040,140	-\$688,694,237	-82.8	218
Florists	4531	\$3,953,897	\$4,308,316	-\$354,419	-4.3	23
Office Supplies, Stationery & Gift Stores	4532	\$13,086,509	\$50,242,236	-\$37,155,727	-58.7	57
Used Merchandise Stores	4533	\$7,712,831	\$8,257,439	-\$544,608	-3.4	16
Other Miscellaneous Store Retailers	4539	\$46,592,666	\$697,232,149	-\$650,639,483	-87.5	121
Nonstore Retailers	454	\$52,036,430	\$284,822,035	-\$232,785,605	-69.1	41
Electronic Shopping & Mail-Order Houses	4541	\$42,102,601	\$271,317,699	-\$229,215,098	-73.1	31
Vending Machine Operators	4542	\$1,607,312	\$0	\$1,607,312	100.0	0
Direct Selling Establishments	4543	\$8,326,517	\$13,504,336	-\$5,177,819	-23.7	10
Food Services & Drinking Places	722	\$242,969,153	\$1,122,653,290	-\$879,684,137	-64.4	1,155
Special Food Services	7223	\$5,499,770	\$17,445,318	-\$11,945,548	-52.1	14
Drinking Places - Alcoholic Beverages	7224	\$8,785,842	\$67,696,589	-\$58,910,747	-77.0	70
Restaurants/Other Eating Places	7225	\$228,683,540	\$1,037,511,383	-\$808,827,843	-63.9	1,071

Another information source is Easi Analytic Software Inc. (EASI), which provides retail sales estimates by broad store categories with five-year projections. These data are available for municipalities, counties, census blocks, and custom rings such as a 10-mile radius around a city. Below is an example retail sales report from EASI. They offer custom reports on request, and prices for their standardized reports typically range from \$20 to \$80 depending on level of detail requested (<https://www.easidemographicsondemand.com/>).

Figure 2. Sample EASI Report on Retail Sales & Projections

Description	2013	2016	2021
Demographic Profiles			
Dominant Profile: Wealthiest Households			
Retail Sales and Store Groups			
Total Retail Sales (including Food Services) (\$000):	19,957	18,130	22,971
Motor Vehicles Store Sales (\$000):	1,218	1,467	2,048
Furniture and Home Furnishings Store Sales (\$000):	0	0	0
Electrical and Appliances Store Sales (\$000):	571	544	530
Building Materials and Garden Store Sales (\$000):	0	0	0
Food and Beverage Store Sales (\$000):	559	580	661
Health and Personal Care Store Sales (\$000):	0	0	0
Gasoline Stations Store Sales (\$000):	11,400	8,384	10,240
Clothing and Accessories Store Sales (\$000):	0	0	0
Sporting Goods Store Sales (\$000):	0	0	0
General Merchandise Store Sales (\$000):	0	0	0
Miscellaneous Store Sales (\$000):	2,594	3,020	3,964
Nonstore Purchases Sales (\$000):	0	0	0
Food Services (\$000):	3,615	4,135	5,528

A third data source is Woods & Poole Economics, Inc. (W&P), which offers retail sales information by broad industry sectors with 10-year projections, although information is unavailable at smaller than county level. An advantage of W&P data over the other sources is that their reports include long-term projections. W&P sells complete economic and demographic data files for individual counties or core-based statistical areas at <https://www.woodsandpoole.com/our-databases/counties-metro-areas/>. Figure 3 shows an example of the data provided in W&P files.

Figure 3. Woods & Poole Data Sample

	2010	2018	2028
TOTAL RETAIL SALES, INCLUDING EATING and DRINKING PLACES SALES (in millions of 2009 dollars)	3819.032	4218.138	4627.01
MOTOR VEHICLES and PARTS DEALERS RETAIL SALES (in millions of 2009 dollars)	537.833	715.416	760.742
FURNITURE and HOME FURNISHING STORES RETAIL SALES (in millions of 2009 dollars)	75.979	96.247	113.625
ELECTRONICS and APPLIANCE STORES RETAIL SALES (in millions of 2009 dollars)	79.067	101.865	112.722
BUILDING MATERIALS and GARDEN EQUIPMENT and SUPPLIES DEALERS RETAIL SALES (in millions of 2009 dollars)	282.078	347.441	375.45
FOOD and BEVERAGE STORES RETAIL SALES (in millions of 2009 dollars)	510.5	553.85	563.044
HEALTH and PERSONAL CARE RETAIL SALES (in millions of 2009 dollars)	292.453	301.875	342.767
GASOLINE STATIONS RETAIL SALES (in millions of 2009 dollars)	581.087	462.945	510.991
CLOTHING and CLOTHING ACCESSORIES STORES RETAIL SALES (in millions of 2009 dollars)	132.713	147.796	158.071
SPORTING GOODS, HOBBY, BOOK, and MUSIC STORES RETAIL SALES (in millions of 2009 dollars)	67.788	84.493	85.418
GENERAL MERCHANDISE STORES RETAIL SALES (in millions of 2009 dollars)	719.05	729.764	842.448
MISCELLANEOUS STORE RETAIL SALES (in millions of 2009 dollars)	84.506	100.984	110.77
NONSTORE RETAILERS RETAIL SALES (in millions of 2009 dollars)	63.002	72.911	87.214
EATING and DRINKING PLACES SALES (in millions of 2009 dollars)	392.976	502.551	563.748

The wide array of data available can bewilder potential users not readily acquainted with this information. Thus, Figure 4 summarizes differences in information available from vendors of retail market data. Current prices listed are for individual reports, and they do not include potential cost savings by partnering with other agencies that already subscribe to the complete datasets. Likewise, the prices change over time, so it is important to contact a vendor when considering a project. Esri offers the most detailed information, but all information is for the current year. The price per report is comparable to EASI, which offers less detail but also includes projections. W&P is the most expensive option, but it offers projections over a longer time horizon than EASI. The most useful data source depends on local issues and the planning horizon. Not to be overlooked, however, is the availability of these data and others from groups such as Extension, community college agencies, or other higher education groups.

Figure 4. Summary of Retail Market Data Vendors

Data Provider	Level of detail	Data year	Projections available?	Price
Esri	Retail subsectors (e.g., health & personal care stores, furniture stores) down to individual products/services (e.g., movie tickets, bicycles).	2018	No	\$50 per report.
EASI Analytics	Retail subsectors	2016	To 2021	Contact EASI for custom reports. Prices typically range from \$20-80 for their standardized reports for a single region, depending on level of detail requested.
Woods & Poole Economics, Inc.	All broad industry sectors.	2018	To 2030	\$195 for complete data file for one region.

These figures can help organizers decide whether to start a general store with a broad range of merchandise or one limited to groceries or even focusing on organics. Local markets and consumer interests determine viability of the enterprise.

Observing local expenditure trends help the planning process and in making inventory adjustments, as discussed above. Local conditions will determine the viability of the CSE, so understanding economic conditions and trends is important to prevent later issues. Including people with backgrounds in business analysis or those familiar with local business conditions helps the planning process because these groups take a more objective approach to decisions and do not become caught up in the excitement and enthusiasm about the new venture.

Finding Suitable Funding Sources

Suitable and stable funding sources are essential to success with CSEs. Past experiences suggest that direct contributions (investments) by residents are the starting point, but most ventures require more than this source. Each CSE is unique in funding sources. Perhaps most common is to start with the initial investment by residents, which is then leveraged with a loan from a financial institution(s) in the usual ways. The initial investment can be raised in a variety of ways including crowdfunding sources such as the Local Crowd, a national program launched with funding from the USDA-RD (<https://thelocalcrowd.com>). Other states such as Washington, Vermont, and Oregon have statewide programs underway, so it is important for those interested in launching a CSE to examine these options.

Financing a CSE can be especially challenging due to the need to organize many small part-time investors caught up in the excitement of a potential community initiative. After the initial enthusiasm stops, organizers must sustain a level of interest that requires continued communication with investors and residents. Even then, large unexpected costs can be more than the initial investors are willing to pay. These conditions make accurate business planning upfront even more imperative.

Anticipating costs to repair equipment, pay an experienced manager, and designing an effective marketing plan to maintain customer loyalty are all items that may be underestimated in launching the effort. Professional guidance from a local SBDC or similar organization or from a retired business manager in the community can help in early decisions. They can be key to later successes but must be included when the venture is launched. Retired residents with both a wealth of practical experience and relatively flexible schedules sometimes are overlooked in designing community-based processes. Bringing these residents into the planning process early can gain a long lasting commitment, especially when they have longevity in the community.

Typically, CSEs will require more funds than generated in an initial fund-raising effort. The most logical source is to borrow capital from a financial institution. In some cases, the bank or lending agency can make a loan on favorable terms to comply with a Community Reinvestment Act (CRA) requirement. This can mean lower interest rates and a longer payback period (patient capital), which can be important to a fledgling business. This is also a situation where CSE organizers may wish to consider a cooperative business model with members paying dues regularly. Several examples are provided where the CSEs operated at a loss during certain periods but were able to move ahead knowing that the dues paid by members would carry the operations at least temporarily.

An alternative approach is to pre-sell products such as in Community Supported Agriculture (CSA) ventures, which provide upfront start-up funds but also maintain a steady clientele during the early years until the venture is stable and profitable. This approach, for instance, was used in the Hinesburg Public House project in VT, and the Mulefoot Gastropub project in Imlay City, MI. As noted previously, the business venture must generate a revenue stream that covers operating costs and other expenses. Not fully estimating these potential costs is a major factor contributing to business closings.

Partnering agencies can strengthen the startup and early years of a CSE. In the case of Lake Grocery in Willow Lake, SD, the partnership with Willow Lake Area Advancement (WLAA) provided guidance in recognizing and organizing donors. As an added benefit, the WLAA purchased the building so that Lake Grocery could rent space rather than purchase the building outright in the early phases of the project (Willow Lake, 2018). Partners in other situations can provide initial investments needed to launch the project, rather than provide operating support.

While not always considered a funding issue, controlling operating costs is a major factor in successful CSEs. Volunteered time has helped CSEs such as Pierce's Store remain competitive in meeting competitors' prices. Thus, subsidized rents on operating space, donations of land, and similar support are options to consider when planning a CSE. Many small towns have vacant or underutilized buildings in the downtowns, and some still meet building codes. Providing rent-free space can help launch the CSE as well as improve the appearance of the downtown space. Depending on organization type used, such as a nonprofit, these contributions

or donations may qualify for tax benefits. It behooves CSE organizers to examine these options in communicating with potential contributors.

In any event, the funding issue has many aspects, and organizers of a CSE will benefit from exploring unique local opportunities in their planning efforts. Of utmost importance, however, is that they keep long-term sustainability of the enterprise as the main target. The business must be self-supporting, or nearly so, in order to not have to ask investors for additional funds, which may weaken confidence in its long-term sustainability and deter future investment as well as discourage continued patronage.

Some organizational issues can be avoided by having a governing board that includes members with business backgrounds or management experience on similar issues. Local expertise in the community can be low-cost and avoid expensive mistakes later if the CSE encounters financial problems. A common mistake leading to start-up failures among small businesses involves not raising or having access to sufficient capital to successfully operate the business. Also important is to recognize when a venture is not financially suited to the area. Enthusiasm for the project has to be balanced with a serious recognition of its long-term viability.

Marketing the Project Effectively

After a business opens, effective marketing is crucial to long-term success. Marketing is especially important in sparsely populated areas that require greater patronage by a smaller population. Several approaches including social media as well as traditional print and electronic venues may be required. The more residents hear about the CSE and what it offers, the more likely they are to patronize the store and possibly become regular customers who will then be another source of advertising.

Reaching and engaging customers is key to success. This aspect places an additional burden on organizers to make sure that the CSE is a sound venture and financially profitable during a designated period of time. Reasons for closing a previous business should be examined carefully. In some instances, a private business managed by one person for a long period may have slowly lost market appeal. Customers may have allegiance to the previous operator but after an owner retirement do not transfer that loyalty to new operators, which adds another marketing dimension. This condition is especially important when a business has been closed for a long

period of time. Customers form new patterns of shopping and now have other sources for the products.

Likewise, consumer preferences continually change as do opportunities or places to purchase merchandise. Especially troublesome is the major invasion of internet shopping with quick delivery. Rural residents, even those with limited mobility, now have relatively quick access to merchandise purchased locally in the past. Thus, in deciding about the lines of merchandise to offer through a CSE, it is important to be sure the previous store did not close because of market conditions that perhaps were not recognized or fully understood. Even if the store was profitable, it still may need a broader base of merchandise to satisfy the interests of a changing population. Perhaps locally-produced relatively unique items hard to find on the internet or in other stores can make the local CSE more attractive to residents. Convenience and uniqueness of merchandise have been important in successful CSEs, especially when they faced price competition from stores in nearby larger cities.

Multiple profit centers within the CSE are equally important. Successful CSEs such as Barnard General Store in Vermont, for example, have the Vermont general store model with basic food items carried along with local crafts or unique items, meats and cheeses, fresh produce, and a lunch counter. They also sell gas. While the store was closed, organizers regularly stocked basic items and held events to maintain a presence in the community as a social gathering location. This approach builds a broader clientele and bolsters profitability during down times.

Inventory selections based on surveys of residents or expressed preferences have also been a useful strategy. This is true with Walsh Community Grocery Store, where store personnel explained that stocked items and quantities change often due to demand and efforts to meet customers' specific desires in an attempt to compete with larger stores (Booth, 2014). Thus, staying in contact with customers regularly helps identify possible new merchandise or ways to market to other groups. In other words, satisfied and dedicated customers are effective marketers for the CSE.

Local interest in starting or reopening a business using a CSE approach may indicate that the private market did not accept a previous business. Several grocery store examples discussed later reveal that previous owners decided to sell the business partly because profit goals were not met. The motivation of residents was to retain the business, but market conditions did not

change, making successful operation difficult even with lower profit goals and reduced operating costs. Thus, tight management practices or a different business model are needed to keep the venture viable.

Reopening a store as a CSE when it closed for strictly market reasons will probably not work. While a CSE can sometimes operate at lower costs, it still must pass a market test to attract capital and remain viable. The fact that CSEs are driven partly by social goals does not absolve them from meeting market conditions, which emphasizes the importance of customer surveys and other approaches to test the market prior to launching the venture. These activities also raise community interest and awareness in the project, which generates local enthusiasm for the effort and perhaps a higher patronage when the store opens.

Marketing must build on basic principles such as credibility, work flow, and brand awareness (AMA, 2018). CSEs have an advantage because of the engagement by residents who see the activity as needed in the community and are willing to be involved. Marketing in a rural environment follows these basic principles but has additional challenges. Comcowich (2018) claims that rural businesses should start with general marketing trends, recognizing that not all will apply to the local area. Loyalty is a focal trait of rural marketing, so it is important early in the process to have residents see themselves as having built the process. Thus, it is important to recognize national and state trends regarding preferences for products but equally important to supplement them with research on local buying practices. Many communities with CSEs are small, so local market research can be conducted relatively quickly and inexpensively. The fact that customers or potential buyers are asked for their preferences may also build more support for the operations.

Building a strong local identity for a CSE, perhaps with a well-written mission statement and values, can be an asset since residents in small communities take more pride in purchasing locally because they are or know community investors. Staying connected and building a local bond with residents can be a significant attribute for success since 87 percent of rural Americans reported they would rather support a local business than a larger brand, and 96 percent said that small-town innovation deserves more recognition (Comcowich, 2018). Building a local identity can also assist in gaining momentum and establishing the CSE as a fixture of a comprehensive community development initiative in which they want to be engaged.

Maintaining a long-term commitment even during disappointing financial times is crucial to success. Customers must be willing to patronize the store in sufficient quantities to keep it viable, and investors must be willing to stay the course after the initial enthusiasm has dwindled. Township Stores in Bonaparte, IA, illustrates a case where after 30 or more years, the store continues even though virtually all of the initial investors have left. The town has shrunk in population size and has experienced many store closings, but the CSE remains. This situation stresses the need to bring in new members or participants even if additional funding is not requested in order to replace previous customers who have left the community or have moved to other jobs.

A well-organized and managed CSE can achieve cost advantages from volunteer labor and possible collaborations with stores in neighboring communities. Small stores, however financed, often cannot purchase in large quantities to obtain quantity discounts on merchandise, so they have difficulties competing with larger stores. Sometimes, joint purchases with another small store in a neighboring area can reduce merchandise costs and benefit both stores. However, even in the best of cases, head-to-head competition with larger stores is probably not the best strategy for a CSE with a social purpose, so proprietors must find other ways to proceed such as selling unique local products or services.

CSEs, depending on organizational type, can offer several cost-advantages. First, when investors do not expect a financial return or even to receive their initial investment, a CSE can survive on a lower rate of return to capital. Usually, a loan to a financial institution must be repaid, but patient capital allows a longer payback period at a lower interest rate and requires less cash from operations.

Second, investors may be willing to invest time and effort to help manage the store, at least part-time. This approach reduces personnel costs, and the CSE can operate with a lower markup on merchandise. Some successful CSEs in Vermont employ an experienced part-time manager supported by a group of local volunteers with basic training in store operations, which brings business management skills at an affordable cost plus reduces operating costs. Retired residents in the community may have the time and be willing to assist in these efforts partly for the comradery as much as to be engaged in a community event. Therefore, it is important to involve them when possible.

Third, stocking unique locally made items not sold elsewhere in the area can make the store more unique plus build local support and staying power. While the profit margin on these items may be less, the inventory costs are also lower when the merchandise can be delivered on an as needed basis from a local supplier who now has a vested interest in the success of the venture. These specialty items may also appeal to tourists and visitors to the area, which further markets the store.

Along the same lines, a CSE can play other roles in community enhancement. For instance, if it sells locally-made products, there may be opportunities to provide classes in various crafts and then market the products through the store. There also may be opportunities to serve specific local groups such as the elderly by offering delivery services. Some CSEs host monthly or regularly scheduled events to build social capital, provide another profit center, and strengthen loyalty among customers.

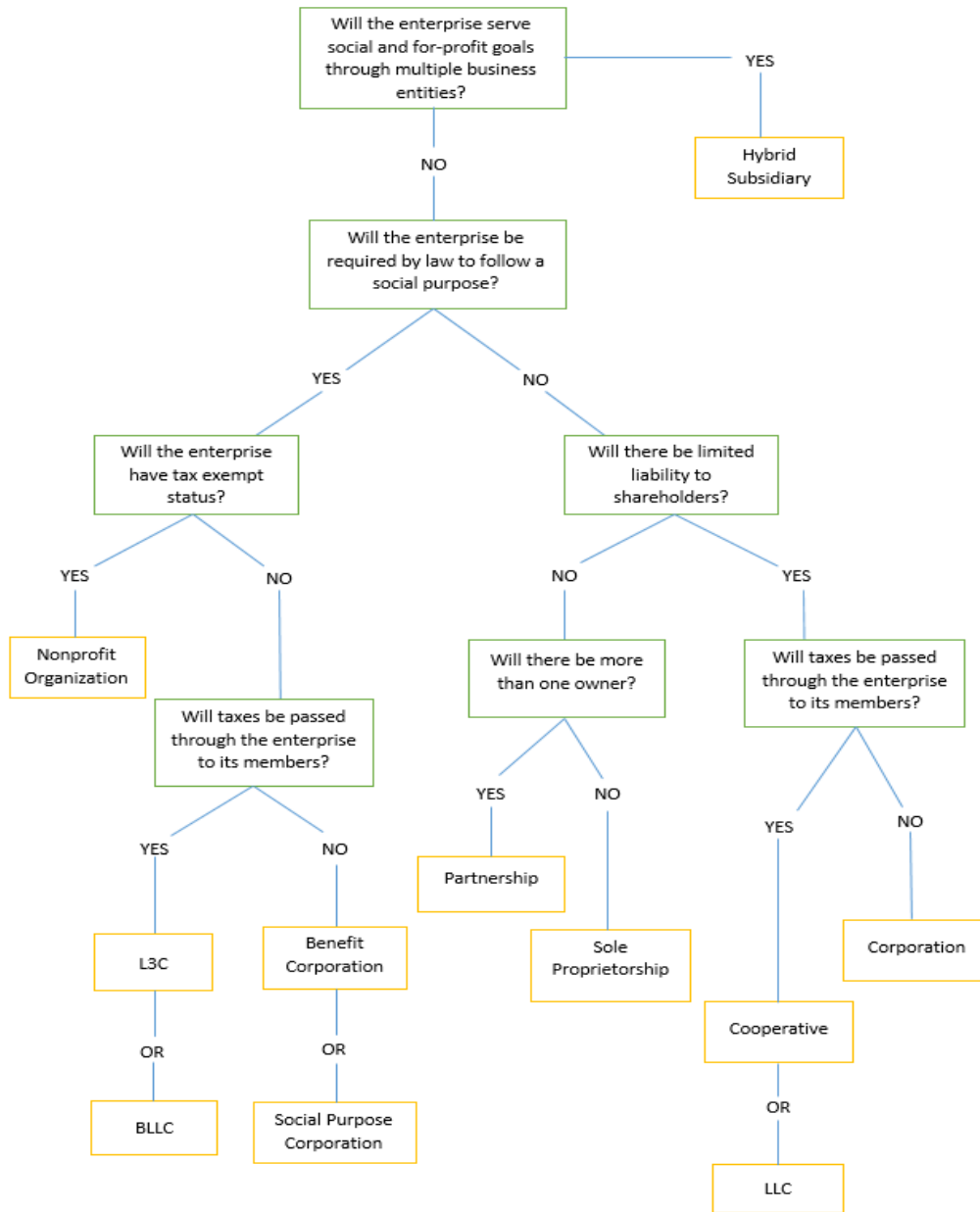
Communicate to Maintain Momentum

Remaining transparent with the community throughout the entire opening process—and after opening—is an important element in the successes of CSEs. With open communication, residents can not only see the final goal and future plans but they can also buy into the process by providing suggestions as well as investing time and money. CSEs do this through regular monthly meetings or newsletters. Some started a newsletter before opening to keep local investors informed and to simultaneously bring new community members into the project. Communication can be maintained relatively easily with effective results and for that reason should not be ignored during the hectic days of starting a new venture.

Selecting and Implementing an Organizational Structure

Selecting an organizational form is a primary step in forming a CSE. Many models are available for businesses, each with unique advantages and disadvantages. Navigating this process can be challenging, but answering several questions can help select the most suitable model for a business. Figure 4 follows *Which Legal Structure is Right for my Social Enterprise? A Guide to Establishing a Social Enterprise in the United States* by Morrison & Foerster LLP (2013) and can guide the process of selecting a model. More information about each approach is provided in subsequent pages.

Figure 4: Selecting a Business Model



CSE Startup: General Guidelines

Common steps are followed by many, if not most, CSEs in starting their operations. This list is not exhaustive, and more steps may be required for specific establishments or situations. These key focal points are useful as guides for action and will help navigate the startup process.

To start, establish and document the need for an activity that addresses local interests to affect the community financially and/or socially. In cases of food deserts, need is defined in areas deprived of nearby access to quality food, creating an unhealthy situation requiring intervention. For instance, food deserts were the driving need that motivated Jubilee Food Market and Community FOODS to open in an effort to address this concern. In a similar case, Lowcountry Street Grocery identified a need for fresh produce in a specific area affected by a food desert and further discovered that multiple areas in Charleston, SC experienced the same or similar issues. The solution was to create a mobile grocery by using a renovated bus to bring the groceries to the community. Food deserts are only one example of need in a community and how CSEs were organized. Nevertheless, it is important to recognize need to help organize a CSE that best benefits the community and begins as a strong component of the community.

Need for intervention can arise and be documented in many ways. Sometimes, individuals coalesce around a pending issue and form an organized group to discuss and address it as a community issue. In a case mentioned previously, the leadership of Jubilee Food Market included people engaged in the ministry and area businesses. In other examples, such as the Hinesburg Public House in Vermont, leaders were familiar with similar businesses elsewhere and were able to apply those practices locally. They cared about the local conditions and were interested in improving them using the tools available. Furthermore, they had the business acumen and skills needed to achieve their goals.

As seen in previous examples, leaders had backgrounds in business, education, management, law, outreach, or faith circles. A group of support players bring other skills which then translates into a team effort around a local concern. A common bond is the interest in making the area a better place to live and work (the social purpose). Depending on the operational model selected, the leadership team may be a board of directors, advising board, or another suitable group committed to the common goal.

A local champion or point person usually serves as a rallying point in the community. This respected person or group has credibility and provides an organized and streamlined

communication approach. In rural areas, the leader is a well-known person associated with the project and transfers credibility. Those involved in the project work with this individual directly and can shape the project in a relatively straightforward manner. In the case of Cow & Quince in New Glarus, WI, a first-time restaurant owner brought knowledge gained from working with the Soil Sisters, a local women's farmer initiative, and served as the local champion (McColl, 2015). She brought principles from this farmer initiative into the store, creating a structure and providing a singular source for communication and leadership as needed. Whether a CSE is a cooperative, nonprofit, LLC, or other business, the local leader can increase the possibilities of later successes.

Securing a location for a CSE can take several approaches, depending on available buildings in the community and the needs of the business. In some cases, such as with Township Grocery, the physical location provided both benefits and constraints because it is located in a building listed on the National Register of Historic Places. While such as location downtown provides serious benefits for overall economic and community development by making use of a historic space and drawing in additional support, it also can make repairs more expensive if they must meet specific standards.

Some CSEs, such as the Putney General Store, are in buildings owned by partners, in this case the Putney Historical Society, a 501(c)3 organization. This arrangement provides a stronger relationship with sponsors and may recruit other community members to support the CSE. It also allows for the enterprise to rent the building, which may benefit a startup by relieving financial stress in the early years.

Alternative approaches may involve a CSE working with a bank or other institution to secure funds for a loan to purchase the property or several partners buying or building a suitable site, such as in Community FOODS in Oakland, CA. Project leaders should review the options and decide with investors ways to secure a location most suited to the CSE in the long run.

Once these initial steps have been completed, along with other requirements unique to the business model used, forms and paperwork can be completed to establish the business. These forms vary among cooperatives, nonprofits, LLCs, and other models and so must be researched in more detail according to state statutes and regulations. Many organizational approaches have guides available online, and the forms required for establishing a cooperative, nonprofit, or LLC are outlined below. Other local business owners may provide guidance in this matter as well.

Checklist:

- a. *has a need or project been documented, and is there community support, including a willingness by residents to invest funds?*
- b. *has a person sufficiently committed to the project been identified and is willing to lead the effort?*
- c. *is a support group of residents willing to support the effort and understand what will be needed to make it succeed?*
- d. *has a serious and objective market evaluation for the project been conducted, and does it seem reasonable, given expectations?*
- e. *have financial institutions analyzed the potential CSE, and are they willing to not only loan funds but also provide technical expertise after the project has started?*
- f. *are buildings available in the community that might be used for the CSE operation? Is the owner(s) willing to participate in the effort in some way by providing low cost rent or willing to sell at less than fair market value?*
- g. *have the forms required for the type of business organization used been researched and filed as needed with the appropriate state or federal agencies?*

Cooperative Guidelines¹

While the cooperative model has been widely used in the CSEs studied in this project, some challenges can arise, particularly when a large number of members are involved. Especially important is to maintain continued interest in the project and retain a sufficient number of members willing to pay dues and patronize the business. Many of the activities involved in launching a CSE that were described above also pertain to cooperatives. Following are several steps to consider in launching a cooperative effort.

Begin by reviewing the benefits and opportunities provided to members of a cooperative as well as the constraints in operatives. Deciding the best avenues for a community and a business venture is a long-term decision based on a careful examination of the ability of the local group to manage the operation. Cooperatives may require more paperwork and accounting, for

¹ Information on the co-operative startup process has been gathered from *Co-op 101: A Guide to Starting Co-operative* (Co-operative Development Institute, 2012).

example, than a nonprofit. But it may provide incentives for members to continue patronizing the operations since there is a direct benefit from their purchases.

A startup committee can review the options and select a mission and values for the operation to start the CSE on a clear and positive tone. For instance, one value may involve providing healthy food to a community or preserving the environment such as with the Carbondale Food Cooperative discussed in the examples section of this report. Clearly stating these values may attract additional investors and build a strong base for the CSE.

The initial committee should include those with backgrounds in applicable fields and who are interested and well-informed about the goals. Usually, individuals with experience in business management, community organization, nonprofit management, and finances are strong additions to such a committee. In the case of a grocery store or restaurant, individuals experienced with local food systems or other applicable management practices can contribute to serious decisions.

Leaders should adopt long- and short-term operating goals to lay the groundwork for success. Products, services, community impact, and economic influence should be key concepts discussed in the early stages. Even a strong and well-managed enterprise may struggle financially if it does not provide a necessary product or does not recognize changes in local market conditions, some of which cannot be anticipated. Thus, serious planning in the early stages is crucial to the success of the venture.

In some cases, the philosophical approaches may reflect mainly the ideas of the leaders, but stating them helps the cooperative to better convey its mission to the community and bring more success in the future because of a clearly defined vision. Detailed market research will provide insights to better understand and prepare for business operations. In any event, the viability of the business must be determined prior to groundbreaking.

CSEs, as small private businesses, require economically viable communities to flourish, so conducting this research early provides insights into basic requirements for the business and its possibilities for success. Once startup materials are assembled, initial materials are organized, and an agreement is reached on goals moving forward, the initial members for the cooperative can be recruited. Typically, individuals purchase memberships that support the business and receive dividends or discounts on purchases. By contacting potential members early, CSEs can

gather funds to offset startup costs. Early members can be incentivized with meals, opening day discounts, and other perks depending on the CSE.

Along with the development actions underway, organizers must engage in serious strategic business planning since the business plan will guide the operations. Help with strategic planning is likely to be available from a SBDC or another similar agency in the area. Responsibility for preparing a strategic business is likely to fall to a management team such as the board of directors. The business plan must include realistic targets for sales, profits, and strategies for marketing the products provided as well as how the business venture will be financed over time. Industry standards or targets can be included in the business plan to provide checks on its progress and viability. Competition from other sellers must be recognized as well as procurement processes to be used with suppliers. It is especially important that the business plan be strategic and recognize the specific roles of the CSE in the community, how it will compete other businesses, and how it will maintain a consistent clientele. The business plan must also include an operating budget and marketing plan to guide operations.

Early leaders are likely to serve on the board of directors to manage the daily operations. However, it is important that this board has access, internally or elsewhere, to specialized talent on issues that will arise. The board of directors is the primary decision-making group for the cooperative, so it is key for them to be well-informed on management issues and know best practices to keep the operations running smoothly. With the board selected and in a leadership capacity, they can formally incorporate the cooperative and adopt bylaws.

Requirements for cooperatives can vary by state, so it is important to check with local authorities on procedures needed to complete this step. Bylaws stating governance and management practices will be prepared by the leaders. Fortunately, examples of bylaws and practices are available based on experiences of other somewhat similar organizations. Preparation of a business plan includes the introduction of products, services, and other items listed in the section above to solidify the next steps that the business plans on taking. With strong leaders and key business concepts in place, a business plan with an operating budget should prepare the venture to start.

Recruiting members is a constant issue in a cooperative business model since they are a continuing source of operating funds. While it may seem repetitive to continually be reminded to recruit new members, a constant growing base of cooperative members is also a way for a new

organization to build and show support in the community. This can be difficult before residents realize the potential benefits of belonging to the cooperative. In the end, the cooperative must provide merchandise or services at competitive prices or that cannot be obtained conveniently elsewhere. The Gleanery in Putney, VT, shows this through their continual engagement with the community and through various funding practices. The restaurant in its startup gained monetary security through a grant (Hirsch, 2013), community membership shares, and a Kickstarter campaign (James, 2012). These differing sources not only brought in funds but also generated a group invested in the business and likely to promote it.

Moving forward, the next steps involve securing a location, employees, and suppliers for the operation. Acquiring a suitable physical location, especially in a small town, can be an onerous task due to internal politics, building codes, parking, and other issues. Depending on the business and the community, it may be preferable to locate the CSE in the downtown area or near the center of the perceived market. In some instances, a landlord with a vacant building may be willing to arrange with the co-op to use it at a reduced rent, perhaps as part of membership dues.

Along with finding a suitable location, the board of directors must find a suitable manager, preferably one with experience. Several CSEs examined later in this report were fortunate enough to find a manager interested in relocating from a large city to a rural area for family or other reasons. In at least one case, the manager was provided with local housing as part of an attraction incentive. The manager, in turn, hires staff to operate the business. Because of the nature of a CSE being a locally financed business, it may be preferable to hire from within the community when possible since employees are then ambassadors for the enterprise.

With a well-supported planning process, including strong leadership, adequate financing, sound business strategies, and engaged partners, the CSE can be launched as a cooperative venture.

Nonprofit Guidelines²

Nonprofits can pose other challenges because of fundraising and relations with donors. Thus, nonprofits must also focus on transparency and commitment to the cause in order to have the

² Reference and guide on starting a nonprofit organization has been compiled from the National Council of Nonprofits (National Council of Nonprofits, 2018).

greatest social impact and success as a business venture. Nonprofits typically focus less on rates of return, but in the case of a CSE, the venture must be financially sustainable in order to continue. Thus, a nonprofit organization must operate the venture in much the same ways that either a cooperative or a LLC would. In a nonprofit organization, social impact and financial stability can go hand in hand but may require different types of management skills in operating the CSE. For this reason, it makes sense for a nonprofit CSE to hire an experienced manager to oversee the operations.

Basic steps in forming a nonprofit are available from several sources. For instance, <https://www.councilofnonprofits.org> provides information on each step with direct links to relevant forms and guides. Likewise, many regional nonprofits can provide assistance both in startups and managing a nonprofit operation.

The preliminary steps to identify the potential for a CSE operation described previously are essential for nonprofits as well. The differences focus on the type of organization that will be used in managing the venture. The main issues are identifying need in the community and willingness of residents to invest. The type of format is driven mainly by which form or business structure provides the benefits desired by investors. Barnard General Store, Barnard, VT; Lake Grocery, Willow Lake, SD; and Jubilee Food Market, Waco, TX were all driven by the closing of a store that had served area residents. For a nonprofit organization, the mission defines and drives the operations more than profit. This means “investors” must be motivated by the stated purposes and goals as well as perhaps by financial incentives such as tax deductibility. From a CSE perspective, the nonprofit model adds sound business practices to efforts aimed at addressing a community need.

A well-prepared and thorough financing plan is key to success in bringing the venture from concept to action. While a cooperative has members who contribute through dues and fees, nonprofits may rely more heavily on donations supplemented by sales from services. As a nonprofit, examine local resources and other agencies to learn innovative ways to interact with the community. From there, select a reasonable fund-raising approach and engage community leaders in planning specific events and/or campaigns. These discussions will determine viability to meet startup and operating costs. A business plan should include operating and financing plans that can make the venture viable as with most other businesses. Examples discussed in this

guidebook may provide insights into best practices or successful approaches used, although nonprofits are not as common as cooperatives in the CSEs studied.

Nonprofits require different forms to be completed for the venture to qualify for benefits to contributors or investors. Since potential tax exemptions are an attractive feature of nonprofits, it is important that the enterprise meet all the legal requirements which can involve substantial paperwork. In small communities with limited staff, it may be advantageous to work with an existing nonprofit through a partnership or extension of its activities, rather than creating a new legal entity for a specific purpose.

Reserve and/or register the intended name of the organization to add legitimacy and solidify the business. As a nonprofit, a unique and recognizable name is important for donors to easily make contact. Just as in other businesses, a recognized and trusted name is important to build support in a community. For these reasons, select and use a name that clearly relates to the mission at hand and long-term focus. This name must then be marketed extensively, probably through other nonprofit groups and clientele likely to donate.

If a CSE is to stand alone as an organization, then articles of incorporation as a nonprofit must be filed. The application may be handled through the Secretary of State or another agency, and the procedures vary by state. There is normally a filing fee associated with filing for nonprofit incorporation. Some states also require nonprofits to file ongoing reporting and compliance forms. A nonprofit should also prepare and adopt bylaws for internal use. These are usually adopted by leadership, which in the case of a nonprofit normally includes the board of directors and the primary staff (volunteer or paid) who guide the nonprofit through its basic values. These bylaws include the mission, values, intentions, restrictions, and regulations.

Finally, file for federal tax-exempt status to receive full tax advantages of the nonprofit model. Forms may include SS-4, 1023, 1023-EZ, 2848, and or 5768, with more information available at www.councilofnonprofits.org.

Limited Liability Corporation Guidelines

LLCs offer advantages of reduced liability for owners, flexibility in operations, and favorable tax treatment for owners in some instances. An LLC can be relatively easy and simple to start, although state regulations vary with additional steps required in some areas. Thus, it is important to check with local sources. Information on the steps to starting an LLC in this

document provides an outline that will apply to all LLCs.³ Starting a CSE as a LLC may make it more difficult to engage other residents in the operations, either as investors or volunteers. Not many of the CSEs identified in this guidebook used this format, but it should not be dismissed as it can be well-suited in other areas depending on local conditions and opportunities.

Many of the previously mentioned steps can also be followed with a LLC. Deciding on a business name for the LLC, ideally something easily recognizable and associated with the intent of the organization is important. In many states, LLC, Limited Liability Co., or other similar inclusion must be a part of the title. Suitable names can be identified using web searches or other state databases.

Register the business name with appropriate state/local agencies (registration guidelines differ by state). Determine individuals best-suited to be involved in the project and work with them to shape the operating agreement including purpose, location, and other characteristics. Articles of Organization form the operating procedures of the new corporation. These files should include the name and address of the new corporation, corporate purpose, the registered agent, and stock information. These papers are then filed with a state agency, and there is a fee for incorporation. An annual report with a fee is typically required, but in some instances, these requirements are relatively small and are available on websites. Depending on the mission of the CSE, other local permits and fees such as for preparing and selling food or liquor may be needed.

The diversity of CSEs examined in this guidebook speaks to their flexibility and usefulness for addressing local concerns. In most instances, the procedures for launching such an effort are not beyond the capacity of local leaders. Most important is the ability to accurately predict markets and economic conditions. Past experiences show that organizers have had to continually adjust operating practices in much the same ways as other small businesses in the area. The specific organizational structure can materially affect the strategies taken. A distinct advantage of a cooperative approach is the continued revenue stream from dues, but maintaining a continued interest by members has sometimes been difficult.

CSE Examples

The diversity of approaches used in starting and managing CSEs is illustrated in this section by profiles of 42 CSE ventures across the U.S. organized by organizational structure

³ Information on how to start an LLC is gathered from FindLaw's LLC Startup Checklist. (Limited Liability Company Basics, 2018).

when available. The information provided was gathered from personal interviews and phone conversations with personnel and supplemented by internet research. The information presented is accurate as of December 2018, but changing conditions can quickly make some specifics obsolete. For this reason, only the general principles and practices have been described. Additional information can be obtained directly from personnel in the CSEs, and contact information is included at the end of each profile.

Cooperative Models

Walsh Community Grocery Store—Walsh, Colorado⁴

The Walsh Community Grocery Store started when community leaders realized that other grocery stores had disappeared, leaving communities without access to a local site to buy basic items. In 2006, the only grocery store in Walsh, CO (pop. 512), closed for the first time since 1928. Since opening, the store had operated profitably, but now community leaders had to find a way to reopen the store using local investments. They initially discussed the store closing in a town meeting organized to determine feasibility and possible options. After several years of driving 20 miles to the nearest store, they decided to go against the feasibility study that said a grocery store was not likely to succeed and proceed with the project. An especially heavy snowy season motivated the community to support the grocery store even further.



Volunteers worked to start the project, doing much of the physical building preparation and other pre-opening tasks. The store opened as a cooperative with more than 300 shareholders investing \$50 per share and many individuals purchasing more than one share. Led by a small board of five individuals, including business interests, a farmer, a banker, and the mayor, the entire opening process from discussion to official store opening took approximately eight months. Slightly less than \$200,000 was brought in from sales of shares and was used along with a \$160,000 loan from the Southeast Colorado Power Association to open the store in 2008.

⁴ Current information and store logistics gathered from interviews with a founding member and the current store manager.

The store now operates seven days a week with 14 full- and part-time employees. With gross sales of more than \$1 million in 2008, Walsh Community Grocery Store remains sustainable. Nearly 220 transactions occur daily with a large variety of customers. Larger orders support the store as well, such as those from a school and a nursing home. The store manager for the past two years explained that the store is aiming for higher profit margins in the future; however, the current goal is to remain open and replace store equipment with more updated physical assets, such as new freezers and LED lighting.

Having a positive environmental impact is a focus for the store, with small steps making a large impact. In addition to replacing the physical elements of the store to be more energy-efficient, Walsh Community Grocery Store also recycles all plastics and cardboards after use and invites residents to bring recyclable goods to the store. Local involvement is a large factor in this success. Residents can interact daily at the store or at larger events such as the store's customer appreciation day where it serves hot dogs. The financial success of the store and widespread support from the community have been important in maintaining its viability.

Another important factor in the store's success is understanding local needs. The store bookkeeper explains, "It's a game every week to know how much everybody wants blueberries or strawberries. We don't normally get turnips in, but if somebody wants some, we'll buy a case and try to sell half a case to the nursing home. If we have leftover peppers and onions in produce, we can chop them up and sell them at the butcher counter for fajita mix. Too many cucumbers left? We can use them in salads" (Booth, 2009). The regular interaction and response to customers' interests is important for the store to maintain a strong customer base as well as compete with larger stores. The store will also deliver groceries to those in the town if they live too far away or are elderly.

Contact Info: 535 N Colorado St, Walsh, CO 81090

(719) 324-5421; walshgrocery@hotmail.com

Port Clyde Fresh Catch—Port Clyde, Maine⁵

On the East Coast, fishing villages are a large part of the local culture, community, and capital.

⁵ Current information and program logistics gathered from interviewing the president of Port Clyde Fresh Catch.

Port Clyde (pop. 341) is a fishing community located between Muscongus Bay and Penobscot Bay. Constructed in 2007 through a two-year process including licensing, training, and securing of a physical space, Port Clyde Fresh Catch opened in 2009. Historically, fishing and related activities in the various seasons dominated the community. Today, community supported fisheries keep this tradition alive on a smaller scale but retain this aspect of their heritage. Port



Clyde Fresh Catch members can buy on a weekly basis whatever is caught that week and in amounts desired.

In addition, through the “Fish Drop” program, which skips the shipping process completely by organizing a location in the community for residents to meet and interact, time is saved, which increases productivity. The Fish Drop program has between 50 to 100 patrons weekly with more steady numbers reaching nearly 100 during the summers. Twelve primary organizers began the process with seven remaining as of the time this report was written. Port Clyde created two revenue streams for local fishermen by both purchasing caught goods from the fishermen and the sales in the community. This dual-stream market was a major step in taking back the market for the small community fishermen and provided Port Clyde Fresh Catch with a means to take back the market.

Port Clyde Fresh Catch led community-supported fisheries (CSF) as the first in the nation through the Maine Fishermen’s Cooperative. Operating as an S-Corp, shares in the CSF allow for Port Clyde to fund fishermen with more stability. The organizational shift provided a large increase in profit as well by increasing gross sales. In the first year, the group caught and sold approximately \$10,000 of crab, which is small compared with an average of \$500,000 today. This growth allowed Port Clyde to adapt to changes in the market, whether the loss of the shrimp season in 2017 or by adding a Farm Drop, a virtual farmers market that allows an expanded range of impact.

A daily internal analysis examining mainly internal yield and market prices keeps Port Clyde both competitive and profitable. CSFs have been growing rapidly on the Coasts in the United States and elsewhere, providing other communities with the same shared success as seen in Port Clyde. 2018 brought the end of the first formal five-year action plan, focusing on developing and expanding markets. A relatively small operation has returned traditional heritage

to this small village through their operations. The Port Clyde Community Fishery aims to keep this growth going in the future.

Contact Info: 18 Lobster Pound Rd, Tenants Harbor, ME 04860

(207) 372-1059; support@portclydefreshcatch.com

Community FOODS—West Oakland, California

Much of California has thriving city markets, often reflecting strong markets and business opportunities and Uptown Oakland (pop. 41,582) is an example. Many restaurants and food markets have started and serve the surrounding community. With so much attention paid to these new, developing districts, however, residential districts with less development planned, including small scale projects necessary for health such as in West Oakland (pop. 25,000) can easily be overlooked.

The lack of a full service grocery in West Oakland seems unlikely since residents in this area spend on average \$58 million on groceries annually (Community Foods, 2018). However, West Oakland showed signs of significant health issues, including weight status. Many residents recognize the issue and are seeking education and food choices in increasing numbers. There are equally as many in the community trying to support and bring about an environment that adds values and renovates West Oakland.

Community FOODS Market, previously known as People’s Community Market, tries to serve the sometimes overlooked neighborhood of West Oakland. Initially developed by Brahm Ahmadi, the project tries to “...make sure this business conveys a message of inclusivity across a broad spectrum of community” (Fritsche, 2018). While others overlooked the West Oakland community for projects in surrounding districts, Community FOODS created a local market to not only help alleviate the food desert but also introduce healthy eating and food education to the neighborhood.



The venture succeeded by stocking only the top selling products, which offered two particular advantages. First, it allowed the store to cut back on stocking costs with a smaller and more intense clientele focused on fresher foods. Second, customers find what they like, given

that the stock is chosen based on their identified choices and past buying habits. This model integrates two major formats to focus on all needs. (Community Foods, 2018)

FULL-SERVICE FRESH FOODS FORMAT

- High quality fresh foods including produce, meats, and seafood.
- Produce sourced in bins directly from producers to increase savings for customers.
- Full-service integrated meat and seafood counter and full-service prepared foods department.
- Prepared foods department with a café, deli, and Grab & Go section.
- A Front Porch multipurpose social hall will feature an order window to the Café.

LIMITED ASSORTMENT GROCERY FORMAT

• Community FOODS aims to carry more focused items selected by working with their customers and key community members. This allows them to have less varied stock than other supermarkets, cutting down on inventory costs, all while still allowing them to meet the needs of their community.

• Packaged grocery, personal care, and household products will also be limited to the top selling items in any single category that offer the greatest value.

• Pallet floor displays merchandise products in their casings, reducing fixtures costs and increasing bargaining power with key suppliers.

Despite being housed in a small building, this approach allows the business to compete as a full-functioning market. In addition to a business model that provides base services at a level which benefits consumers, Community FOODS Market works with a Community Advisory Council (CAC) including West Oakland residents to gain insights into services that are well-received as well as those that need adjustments. The CAC provides residents with a sense of leadership in the community and direct ownership in the business.

The store was supported through “public offerings,” raising \$1.7 million in the first two rounds. These funds were not simple donations but investments that directly impacted the community. Community FOODS Market also provides a more concrete investment plan for those who wish to invest a larger financial amount, including a three-percent compounded interest rate, plus a one-percent store credit based on annual investment totals. A third round of funding in June 2018 finalized the funds needed to launch the store that opened in October 2018.

Community FOODS Market uses a simple goal with several strategies for success and an overall goal of becoming “More Than a Grocery Store.” Through educational programs and consumer impact, it can communicate its mission and have a positive impact on the community.

Community FOODS also plans to open a space called Front Porch to serve as a social hall for meetings, events, and other functions in the community (Community Foods, 2018).

Contact info: 1814 Franklin St #800, Oakland, CA 94612

(510) 995-7498; <https://communityfoodsmarket.com/>

Neighborhood Co-Op—Carbondale, Illinois⁶

Since opening in 1985 in Carbondale, Neighborhood Co-Op has continually worked with and for community interests. From the beginning, the store has focused on organic foods and natural practices. It gained enough support so that in 1997, it moved to a larger location next door. This move paved the way for a complete remodel of the store in 2000 (Neighborhood, 2018).



By 2004, the transition was made, and Neighborhood Co-op Grocery converted to a cooperative corporation recognized by the state of Illinois and in 2005 did not have sufficient space to meet the community demands. The store then moved to a 12,000 square-foot space in the Murdale Shopping Center. With this move, NGC became a full-service store with a grocery, café, and educational kitchen to hold cooking classes financed by owners and leveraged capital.

However, total sales from 2016 to 2017 decreased 2.5% (the City of Carbondale also experienced an overall decrease in sales of approximately 6%). Net income was approximately \$21,000 or 0.4% of sales in 2017 compared to a budgeted net income of approximately \$31,000, or 0.6% of sales for the same year. NCG is currently focusing on customer evaluations to more clearly understand operations and increase future sales.

Likewise, attempts are underway to attract more residents as customers. Currently, the customer base is bi-modal, mainly students and middle class professionals. The main customer base is middle-age and older with a heavy orientation toward highly educated white females between 45 and 65 years of age. The store hopes to attract and become a favored location for customers more diverse in age, culture, and backgrounds.

⁶ Information regarding current operations and status has been received from the current manager of Neighborhood Co-Op

Debt from the 2006 relocation project is planned to be retired within the next two years, much of which was helped by the community through interest free loans. The loan from the City of Carbondale will be retired by June 2019. Resident-investors are crucial in financially stabilizing the store and helping to pay down loans and debts. Shares are purchased for \$100 each, with Illinois residents allowed to purchase up to 10 shares. These investments keep the store operating and membership is growing with more than 3,000 active local owners.

As noted earlier, Neighborhood Co-op has environmental impact as a founding principle. In 2018, Neighborhood Co-op Grocery became the first store in Southern Illinois to receive a *Silver Level Green Chill* certification from the Environment Protection Agency (EPA). This award recognizes businesses that reduce in-store refrigerant usage by more than 65 percent. By using green refrigeration systems and regular maintenance, the Co-Op's refrigeration is more environmentally friendly, further increasing the attractiveness of the store to customers (Neighborhood, 2018).

NCG is an example of a cooperative that is creative and resilient in the face of a changing environment, while remaining true to having an environmentally conscious impact in business practices. It faces a serious financial issue, namely the seasonal population in the Carbondale area due to fluctuations in numbers of students enrolled at Southern Illinois University-Carbondale. These fluctuations left monthly profit less reliable than planned, and while membership fees provide some financial stability as a base for revenue, managing finances and sales is still difficult. Similar conditions would exist with other forms of organization, and the cooperative structure offers advantages because owners-members have an incentive to purchase locally and ride out financial setbacks.

Contact Info: 1815 W. Main Street Carbondale, IL, 62901

(618) 529-3533; info@neighborhoodco-op.com

Oneota Community Food Cooperative—Decorah, Iowa

Decorah, IA, a community with a population of 7,918 in 2016, has a cooperative with a long history of local involvement and healthy, sustainable food. The Oneota Community Food Co-op has specialized in organic, local, and sustainably produced products since 1974. With 4,995 members in the cooperative as of 2017, it has succeeded in becoming an important part of the community (Oneta, 2018).

Oneota does not require membership in the cooperative; however, membership includes benefits such as 5% discount coupons to be used once a month, free advertising through an in-store news bulletin, voting rights on board decisions and election, and direct ordering through product distributors. Oneota brings a unique set of benefits to others in the community while helping the cooperative and proving its value to the community. The cooperative offers a 4%-8%



discount for anyone who is a member of the cooperative who also volunteers time, allowing the cooperative to receive even further cost savings in regular tasks, such as stocking or at large events.

Oneota currently has positive earnings each year, but 2017 brought one of the lowest earnings after income taxes in the most recent years. From 2012-2016, the store operated with annual earnings of more than \$60,000. However, in 2017, it barely broke even. This difference in annual earnings is attributed to a major expansion program that will position the co-op for the future (Oneota Community Food Cooperative, 2018).

The cooperative focuses on achievements and future growth since managers note that many cooperatives now face more competition from Whole Foods and online retailers. Notable advancements include increasing the pay rate by 10% annually for lower paygrades during the past two years with an intent to bring the entire staff above the minimum livable wage for the area. It also intends to improve four-points on the Energy Star Business Rating, bringing the store to 96/100 (Oneota Community Food Cooperative, 2018). It takes special pride in supporting local producers, with \$1.2 million spent with producers within a 100-mile radius and 25% of total sales involving local products.

Oneota is involved in a major revitalization effort to better address the needs of members and the community. Tasks include updating the meat/deli departments as well as a renovating the café area. That expansion is in progress. It may consider renovating the entire store by 2020.

Contact info: 312 West Water St, Decorah, IA 52101

(563) 382-4666; gm@oneotaco-op.com

Stapleton Cooperative Market—Stapleton, Nebraska

Residents in Stapleton, NE (pop. 305 in 2010), brought a grocery store and deli (Cooperative Market and Deli) to the community after a previous store closed in 2015, with the nearest grocery at least 20 miles away. Volunteers in the community began the process with a survey of the neighborhood to determine possible interest and patronage due to the sparse population in the surrounding area in Logan County, totaling only 763 residents (Nicolaus, 2018).

After a survey determined that a grocery store was feasible, the volunteers began the procedure of organizing the business with a cooperative approach by writing by-laws and arranging financing with a goal to raise \$300,000 through \$500 stocks with a month. This approach, however, did not start well, and the initial planning effort generated only \$50,000 in approximately two-weeks with persistent efforts.



An anonymous resident purchased a 4,800-square foot building and made it available for a grocery store so that Stapleton could begin operations and continue until financial resources permitted purchase of the building. This step, along with some other slight modifications in the overall plan including product selection and other shifts, allowed Stapleton Cooperative Market and Deli to reduce its fund-raising goal to \$200,000. This revised goal and physical presence attracted substantial local interest, prompting 157 shareholders to invest \$210,000, pushing the store past the fundraising objective.

Ten original volunteers serve on the board of directors for the cooperative and meet bi-weekly. Volunteers were heavily involved in the start-up process to the point where the cooperative left the doors open for individuals to come in and clean, paint, organize, and prepare for the store's opening (Nicolaus, 2018).

From the start, the cooperative tried to promote partnerships, working with Ewoldt's Grocery in Thedford, NE, to have the cooperative's groceries delivered to Thedford and then transported to Stapleton (Nicolaus, 2018). The store continues to struggle with capital repair costs. It budgeted \$400 per month but spends nearly \$1,800 monthly due to issues such as coolers freezing over, spikes in electric bills because of older equipment, and general wear-and-tear on facilities. The store managers planned for the costs for these repairs and seasonal revenue

fluctuations but now need an additional \$83 per day in revenues to reach the monthly goal of \$38,000 to maintain the building for future operations.

Contact info: 230 Main St, Stapleton, NE, 69163

(308) 636-2999; stapletoncmd@gpcom.net

Renaissance Community Co-op—Greensboro, North Carolina⁷

Renaissance Community Co-op (RCC) uses a community support model to bring a healthy environment to a city of more than 200,000, with more than 35,000 in surrounding areas. The CSE brought the community together in creating and funding a grocery store in Greensboro, NC. It secured a physical space with more than 10,000 square feet through a community ownership approach. Since 2016, the grocery store's community investor count increased from 88 to 728 and is addressing the local food desert issue.

RCC is an example of advancing the goal of healthy eating by residents. The Co-op describes its mission as: "Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of the founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others." Through this approach, they experienced growth, success, and inclusion, helping to not only to draw a community into the business but also to foster appreciation of experience and positive attitude.

The Co-op has provided a strong community symbol as an entity that others want to participate in and represent. The growth in ownership gives Renaissance considerable local impact by supporting the community when a voice is needed or through free weekly fitness classes provided through the co-op. T-shirts and other promotional items help boost the image in Greensboro and the surrounding area and bring recognition for the communitywide efforts. Keys to success are that they address a well-recognized need and engage residents in a variety of activities. Renaissance Community Co-op as an organization has brought the community together with access to fresh food and pride in where they live.

Contact Info: 2517 Phillips Ave, Greensboro, NC 2740;

(336) 638-1722 <https://renaissanceco-op.com/>

⁷ Information retrieved from <https://renaissanceco-op.com/> (Renaissance Community Co-op, 2018).

Mad River Glen Cooperative—Waitsfield, Vermont

Mad River Glen gained recognition for high quality skiing in 1948 as a simple one-chair lift on General Stark Mountain in Vermont. As a unique location from the beginning, Mad River Glen is now highly-respected for not viewing skiing only as an industry but rather as a sport and working with nature instead of against it. In 1995, Mad River Glen transitioned to the future, partnering with skiers to form the Mad River Glen Cooperative, “... to forever protect the classic Mad River Glen skiing experience by preserving low skier density, natural terrain and forests, varied trail character, and friendly community atmosphere for the benefit of shareholders, area personnel, and patrons” (Mad River Glen, 2018). The cooperative still works toward building the best environment for skiers through skier ownership.

Mad River Glen Cooperative operates as America’s only skier-owned major mountain



through a standard cooperative system. A single share costs \$2,000 including options to pay \$50 per month with a down payment of \$150 and an 8.0% annual percentage rate, totaling \$2,150. Owners are expected to fulfill their advanced purchase requirement annually of \$200, which can be used for any services on the mountain.

This model has succeeded, as shown by the initial 23 years as a cooperative. Mad River Glen Cooperative has retired a mortgage, built credibility with management skills, and invested more than \$5 million in major projects from modern upkeep implementations to historic restorations, such as with the iconic single chair lift. In the next 20 years, the cooperative plans to spend another \$6.5 million on large projects including ski lift renovation and rebuilding the Patrol and Ski School Building.

Contact Info: 57 Schuss Pass, Waitsfield, VT 05673

(802) 496-3551; <https://www.madriverglen.com/>

Lost River Market and Deli—Paoli, Indiana

Lost River Market and Deli (LRMD) is a community grocery store operating in Paoli, IN (pop. 3,581), using a cooperative business model. Opening in 2006, Lost River gained traction with support from Orange County Homegrown, a community development organization. This stimulus resulted from successes with local farmers markets, demonstrated desire and need for



fresh produce, and encouragement for healthy eating (Lost River, 2018). The cooperative started with 344 members-owners. More than 1,000 members own the Co-op today, but as with many other cooperatives, the public is welcome to shop. It features natural and organic food plus local products in season and serves customers mainly in a six-county area. It

also does business with nearly 100 local and regional vendors.

LRMD currently has an operating deficit and is fighting an uphill battle to continue serving the community. The deficit is covered by members who feel access to the store is important, especially as a source of healthy food and a gathering place in the community. Residents and others can invest in and support the cooperative for as little as \$2 weekly or \$100 for an annual membership. Sustaining members receive additional benefits from the cooperative, including voting rights, coupons, a monthly 5% discount, quarterly community days during which shoppers receive 10% savings on all purchases, and special events such as dinners, wine tastings, and other community events throughout the year.

The LRMD bylaws allow members-owners to elect a board that focuses on the current needs of the community. The cooperative provides an online meeting strategy and voting process, allowing for greater discussion and owner engagement. Sixty-eight cents of each dollar spent in Lost River Market and Deli stays in the community through partnerships with local producers and other local services, which community members agree is a firm motivation to shop at the cooperative.

A cooperative must understand and serve clients well. Lost River uses a flexible and adaptable cooperative model to maintain support in the community and communicates regularly with members and residents. The customizable payment amount is beneficial as well. Lost River offers chances for residents to be involved with and support the community grocery store and expands its outreach and impact, which helps insure its success.

Contact Info: 26 Library St, Paoli, IN 47454

(812) 723-3735; email.lostriverco-op@gmail.com

Three Stone Hearth—Berkeley, California

Three Stone Hearth is a Community Supported Kitchen in Berkeley, CA, that was started in June 2006 by a worker cooperative involving five individuals (Three Stone Hearth, 2016). This establishment offers subscriptions for ready-made meals to be delivered or picked up on-site. Its menu changes weekly allowing it to offer a wide variety of items. Customers can also order specialty items, such as local cheeses, fermented sodas, and coconut oil. It offers classes focusing on sustainable methods of cooking, holds tours of the facility, and invites speakers to lecture on nutritional topics. As of May 2015, the cooperative had 15 worker/owners and employed 28 full- and part-time workers (Three Stone Hearth, 2016).



Contact Info: 1581 University Avenue, Berkeley, CA

94703 (510) 981-1334;

info@threestonehearth.com

Westwood Food Co-op—Denver, Colorado

The Westwood neighborhood close to Denver, CO, is a community located in a food desert where residents do not have access to sufficient, healthy, affordable food options because suitable grocery stores are too far away or permanently closed. In 2007, the community started to implement serious changes and formed a local nonprofit *Re:Vision* that has since created a backyard gardening program, one of the largest of its kind in the U.S. (Cargill, 2015). Recently, the group used Kickstarter and other financing methods to launch the Westwood Food Co-op, Denver's first community-owned and operated grocery store (Re:Vision, 2016). The Kickstarter campaign raised \$55,576 from 503 backers with

membership fees of cooperative members providing additional funds (Re:Vision, 2016). The co-op currently has 12 active board members, and measures are underway to move forward with the grocery store (Westwood Food Co-op, 2016).

Contact Info: 3738 Morrison Road, Denver, CO 80219;

(720) 465-9605 (<http://www.westwoodfood.co-op/>)

Home Town Market—Minneola, Kansas

Residents in Minneola, KS (pop. 724 in 2014), were concerned about the future of their town after the local grocery store closed and residents had to travel to buy basic necessities (KSN-TV, 2015). After being without a local grocery store for more than two years, the community started a community-owned store (Calderon, 2012). A board was formed and sold shares at \$50 to more than 260 residents raising \$200,000 for renovations and to stock the store. Residents also participated in the renovation process by volunteering their time and labor.



The Minneola community gained ownership through more than financial investment due to the physical involvement of residents in starting the store and the strong volunteer force that guided the entire process. Residents continue to support the Home Town Market to see their small town thrive and retain money within the local community. Local investment of time and money plays an important role in generating a commitment to success of the store.

Contact info: 135 S Main Street, Minneola, Clark County, KS 67865

(620) 885-4326

(<https://www.facebook.com/pages/Hometown-Market/166274336908489>)

Northeast Investment Cooperative—Minneapolis, Minnesota

The impetus for the Northeast Investment Cooperative (NEIC) began as a way for residents to invest in real estate and the further development of their community (NEIC, n.d.). The Northeast Minneapolis area had struggled with rundown storefronts and vacant properties when neighbors decided to take responsibility and formed the nation's first commercial property-investment cooperative. The area had had difficulties with investments in previous years resulting in many vacant buildings that discouraged further investment. One explanation is that the area was not sufficiently blighted to bring in public investment yet did not appeal to private investors because it was not expected to generate an adequate return on equity to warrant consideration.

The NEIC formed as a cooperative in 2011 to rehabilitate commercial properties in the area and sold shares of \$1,000 to join as well as additional shares of non-voting stock (NEIC, n.d.; LaVecchia, 2015). The cooperative started with 39 founding members who then elected a board of directors and adopted cooperative bylaws. In spring 2012, the NEIC was approached by the Recovery Bike Shop to partner on a renovation project (NEIC, n.d.). The cooperative signed a purchase agreement with 90 members committed to the effort. The NEIC sold Class C and D shares to raise additional capital for the project and eventually generated sufficient money to purchase two buildings. In a renovation financed with a 2% loan from the city and a loan from a local bank, they sold one building to the Recovery Bike Shop and leased the other building to two young businesses seeking commercial space (LaVecchia, 2015). Construction was completed in 2014, and the properties house businesses that have created jobs and invested in the community (NEIC, n.d.). As the first project was completed, the NEIC looked for further investment and development opportunities to bring additional employment growth in the area.

The NEIC illustrates one way in which a cooperative can address a unique local need by engaging local investors in a community revitalization project. This effort differs from many others in this guidebook since it does not sell a product or service directly to the public. Nevertheless, it is a community-supported enterprise with a social mission, namely to improve investment opportunities and employment growth in the area.

Contact info: P.O. Box 18082, Minneapolis, MN 55418

(612) 562-6342; info@neic.co-op

The Merc Co-op—Lawrence, Kansas

The Merc Co-op is a CSE in Lawrence, KS, that provides a place to eat, shop, and learn about sustainable food and products through a consumer-owned cooperative open to the entire community (The Merc Co-op, 2015). It started in 1974 as a volunteer-based buying club but in 1977, moved from a former member's basement into a previous grocery store location. During the 15 years at this location, it grew to 80 employees with nearly \$4 million in sales.

In 2001, The Merc moved into its current larger location, adding a meat and seafood department plus an on-site classroom. Currently, it is a thriving business with a growing membership base and higher sales. Benefits to members include discounts, coupons, focus group and survey participation, voting rights in elections, and eligibility to serve on the board of directors.

By joining the Merc Co-op, members not only benefit financially but also help support the community since it has a long history of community outreach and involvement including supporting local organizations by donating food and supplies. The store has a multi-purpose classroom used for cooking classes that are open to the entire community. It provides store tours and health lessons to nearby schools and oversees multiple school garden projects (Tevis, 2015).

Contact Info: 901 Iowa, Lawrence, KS 66044

(785) 843-8544; gm@themerc.co-op

Wolf Den Market –Arthur, Nebraska

When a small grocery in Arthur, NE (pop. 117 in 2017), closed, residents had a 40-minute drive to other places to buy basic foodstuffs (Eig, 2001). They were concerned about the economic health of the community as more businesses closed and the population declined further. The Wolf Den Market opened in 2000 as a student-run operation to help with the hardships of not having a local community grocery store (Buchman, 2014).

The store began as a project in the local high school entrepreneurial program with eight students who initially undertook a market survey to see if residents would respond positively to a new grocery store. The survey results documented that individuals favored lower prices and would be more likely to shop in Arthur if they felt they were helping students learn business practices in the process (Eig, 2001).

The students rented a house at \$200 a month to start the process. Donations of materials were provided by various groups including free installation of phone lines by the local telephone company, 1,000 free kilowatt hours a month for six months from the power company, shopping carts from a nearby Wal-Mart, and gravel for the store driveway from the county.

A cooperative was started to ensure community support with profits redistributed among members. Shares were sold to Arthur residents and a board of directors was elected. To circumvent high distribution costs, supplies are purchased from a grocery store nearly 30 miles away and volunteers help transport and restock supplies for Wolf Den (Buchman, 2014). While Wolf Den has three employees, it provides both employment in a small community as well as builds support in the area. This example further illustrates how a small community can address a serious local concern by rallying local residents to invest in the activity. Especially interesting about Wolf Den is that it brought students into addressing community needs and gave them a leadership role. This engagement also elicited a strong allegiance from residents.

Contact Info: 8 N. Highway 61, Arthur, NE

69121 (308) 764-2500

Garnet Mercantile –Ely, Nevada

Residents of Ely, NV (pop. 4,221), had to drive nearly 190 miles to buy clothing and other goods after a local J.C. Penney, the only department store in town at the time, closed (Rosenblatt, 2004). After failing to attract other large retailers, the community examined the Powell Mercantile in Powell, WY, for guidance in creating a community-owned store (Rosenblatt, 2004).

Town leaders formed the Community Owned Mercantile Project Inc. and sold \$500 shares to investors in Nevada. Fundraising efforts included newspaper advertising, community meetings, statewide calling, and word of mouth advertising. Nearly \$500,000 in support was raised, surpassing the original goal of \$400,000 (Sabo, 2014; Rosenblatt, 2004).

The Garnet Mercantile officially opened in 2004. Backers of the store had initial successes with the store's ability to cater merchandise to unique area needs and assurances that the store would be run by residents for residents (Rosenblatt, 2004). The Garnet Mercantile exhibited signs of difficulty during the 2009 recession, but its major hardship came in 2013

with a flooding due to a broken water main (Sabo, 2014). A large amount of inventory was destroyed, and the store remained closed for nearly six months during repairs. The store reopened and restocked lost merchandise while trying to rebuild its customer base.

Internet sales also had an impact on the store with more individuals preferring to buy clothing and other goods online. The store responded by focusing its inventory on items not typically bought online (Sabo, 2014). Store employees also used online methods to buy wholesale goods to restock sold merchandise. The Garnet Mercantile has had increased demand and sales by offering specialty and handmade items. Store profits are used for inventory or associated store costs.

Contact info: 363 Autumn Street, Ely, NV 89301

(775) 289-4636; garnetmercantile@gmail.com

City Market, Onion River Co-op –Burlington, Vermont

The Onion River Co-op began as a buying club in Burlington, VT, in 1973 and since then has had many locational and growth changes. In 2002, the co-op entered into an agreement with the city of Burlington to operate a grocery store on land leased from the city (City Market, n.d). This new location opened in February of the same year and significantly increased the size of the business. The new store, City Market, offers prices comparable to those of larger chain sellers which differs from the original Onion River Co-op that sold only natural foods.

An agreement with the city helped shape the current grocery store and business, City Market, Onion River Co-op. Ownership is structured as a cooperative with open membership and democratic leadership. The co-op has more than 11,000 members/owners (City Market, n.d). Members elect a board of directors to make decisions implemented by a general manager and staff. Members must sign up and pay an annual membership fee of \$15 but a full share in the co-op is \$200. Cooperative members can also earn money on their purchases through the Patronage Refund Program. In 2014, patronage checks were sent to 10,000 members with an average payment of \$93 (City Market, n.d).

City Market supports local growers and producers and donates to many local nonprofits, community fundraisers, and city events. The co-op directs its efforts to support programs that work to alleviate childhood hunger and promote sustainability in agriculture.

Customers are offered an option to round up grocery totals with proceeds paid to several nonprofits monthly. This “Rally for Change” program gives 50% of proceeds to a nonprofit that helps the local food system alleviate childhood hunger; 40% is given to the Chittenden Emergency Food Shelf; and 10% is donated to a nonprofit that meets the co-op’s global ideals (City Market, n.d).

With community ownership, the store can offer necessary products and services at reasonable prices and in ways that benefit the local area. Daily transactions in The City Market, Onion River Co-op average 4,500 with \$38 million in total sales in 2014 (Pollack, 2015). The cooperative also gained local and national recognition for its community outreach and financial achievements (City Market, n.d).

Contact Info: 82 S. Winooski Avenue, Burlington, VT 05401

(802) 861-9700; info@citymarket.co-op

Shrewsbury Co-op at Pierce’s Store—Shrewsbury, Vermont

The Town of Shrewsbury, VT (pop. 1,056), had a general store in operation since 1865, and the Pierce family had operated it from 1918 until the last family member decided to close it in 1993 (Shrewsbury Co-op). The store was an integral part of the social fabric of the community and a regular meeting place for residents, so there was concern about its loss. Fortunately, in 2001, a Pierce family member had left a bequest to the



Preservation Trust of Vermont to find a way for the store to reopen and continue operations, specifically to “draw the community together”. Two bequests were involved. The first bequest was a trust that provided \$15,000 to the store operator to pay taxes and other expenses to open the store. The second bequest established a Vermont Community Fund that provided matching funds up to \$30,000 for development efforts in surrounding communities.

In late 2007, the Historic Trust issued a request for proposals (RFP) from groups interested in purchasing and operating a grocery store in the building that had been idle since 2001. At that meeting, approximately 25 residents decided to organize a cooperative and respond to the RFP with several members taking the lead in designing the project. The members each contributed between \$10 and \$25 as earnest money. Initially, they had a target of \$25,000 that increased to nearly \$125,000 with contributions from area residents. A SBDC at a local college analyzed the demographics, estimated potential markets, and helped with a business plan. The organizers wanted to avoid debt to the extent possible. The planning process determined that 325 patrons within 3 miles of the store would have to spend an average of at least \$15 per week to make the store viable.

They filed the paperwork, set up a bank account, and completed the incorporation papers with the first meeting of the Shrewsbury Co-op held in June 2009. Members of the co-op pay \$25 per year each, and approximately 175 families hold memberships. The Co-op was not organized as a benevolent Co-op, so it pays property taxes and income taxes. In return, members receive a discount of 2% on sales but do not receive dividends. However, the Co-op is open for anyone to make purchases in the store.

Preparing the store for operations was a community event with 80 residents donating time and materials as needed on the first day. An inventory of \$10,000 was purchased to open the store. The business model is to sell products from the surrounding area such as meat, cheese, eggs, maple syrup, and artisan crafts on consignment to maintain close ties with the community.

The business opened after several delays and conflicts with operators, and in some instances, a minimum wage plus free housing was provided. Each of the first two managers left after approximately two years. The third, and current, manager is from the area, has previous business training, and is integrally involved in both the Co-op and the community.

The store has exceeded sales targets in the past several years. It is working to meet industry standards regarding profit levels and mark-ups while remaining competitive with other stores in the region. Efforts are underway to increase staff wages and to increase the discounts provided to members. Because of the small volume in the store, the cost of merchandise is high, so efforts are underway to tailor products sold to specific tastes of patrons. The initial

organizers preferred to restrict alcohol and tobacco sales, but they are now included in the inventory. The store contracts with a baker in a neighboring area for delivery of popular items.

The number of paid staff is small because volunteers regularly assist with various duties required in operating this type of business. Volunteers do not receive financial credit for their efforts and thus are essential to the success of the venture by keeping costs under control. The store has a licensed kitchen that offers opportunities for residents to make and sell products in the store. It is currently considering adding sliced meats and cheeses as well as hosting wine-tasting events. The store holds monthly community dinners produced by residents that build rapport and support among customers. Also under consideration is renovating another building on the property to expand the capacity to accommodate community events that the store could cater.

The store faces obstacles of other similar-size business ventures. The cost of merchandise is more expensive than in larger stores in nearby locations. The size of the market is small, which makes the store vulnerable to changes in the local economy. Shrewsbury lost population between 2000 and 2010, which affects the potential market, so effective management practices are essential to continue the store's success.

At the same time, however, several lessons can be learned from the experiences with Shrewsbury Co-op at Pierce's Store. First, the foresight of the Pierce family in making a bequest to see the store continue was crucial to its continuation. Second, the availability of a statewide agency such as the Preservation Trust to work with local groups to buy and reopen the store is important. Third, the willingness of residents to invest in the store and participate in the Co-op may well be the main ingredient in the continuation of a strong community asset.

Contact info: 2658 Northam Road, Shrewsbury, VT 05738

802-492-3326 (<http://www.piercesstore.com>)

Nonprofit Examples

Jubilee Food Market—Waco, Texas

Jubilee Food Market, located in Waco, TX, is a project organized through Mission Waco Mission World. Located near the center of Waco, Jubilee was created in a neighborhood to combat the food desert occupying the immediate area. Ten key players were on the initial

organizing team, including locals with backgrounds in architecture, construction, Christian outreach, and grocery management. This group formed Jubilee Food Market as a nonprofit grocery store, currently operating with goal of breaking even while juggling the repairs and responsibilities of the store.

Jubilee has operated since November 2016. Having raised \$900,000 to open, the managers decided on best uses for the funds raised through meetings with the community and a local group of leaders. Such community building and outreach efforts led to continued successes with Jubilee, moving the overall effort closer to the community goal. Jubilee Food Market serves the needs of the community with many residents enjoying social benefits from having a local grocery store. The store almost doubled its sales with opening sales in November 2016 totaling \$27,000 compared to nearly \$50,000 per month in June 2018. Jubilee introduced an Oasis Card system to promote shopping local as well. With this card, people who live within one mile of the store receive \$5 on every \$25 spent, while those who live outside of this range receive \$3. The store has held large fundraisers through Mission Waco for regular expenses and capital replacements, such as refrigeration and other upgrades.



Looking to the future, Jubilee Food Market and Mission Waco are creating other projects to help both the CSE and the community. Located next door, an Aquaponics Green House brings fresh produce that is sold in the store. Furthermore, through Mission Waco, there are plans to create an economic development center. Housed in a location previously a liquor store, this center would hold three stores which could help bring economic sustainability of the community.

Contact Info: Jubilee Food Market: 1505 n 15th St, Waco, TX 76707

(254) 537-1206; <http://missionwaco.org/jubilee-market/>;

Mission Waco Mission World: 1315 N 15th St, Waco, TX 76707

(254) 753-4900; <http://missionwaco.org/>

The Kitchen Table—Rochelle, IL

The Kitchen Table started from an idea and practice of a Rochelle family who fed members of their community (Rochelle, Illinois) in their home. Recognition of the local need led

them to create The Kitchen Table, a 501(c)3, with 2013-2016 focusing on the financing and opening process to bring the business to life.

The Kitchen Table pursues its mission “to alleviate local hunger by providing healthy meals through reduction of food waste in a family dining setting that builds community.”⁸ To



meet this goal, the restaurant operates with a pay-what-you-can philosophy, allowing individuals to give when they can and have an option for food when needed. This mission required significant funding to start since profits would not necessarily follow the trends of traditionally modeled stores in the startup phase given the open payment option.

Members of the community and often those who cannot pay for the meals on occasion volunteer help in the kitchen and restaurant to provide well-staffed meals. The Kitchen Table works with multi-tiered sponsors and donors to cover costs and fulfill its mission.

The Kitchen Table has also scaled its dinner services to allow for greatest long-term success through a well-planned schedule. It is open for dinner on Tuesday and Thursday of each week and on Sunday mornings for brunch.

Contact Info: 7034 S Klondike Rd, Rochelle, IL 61068

(815) 561-9074; <http://www.kitchentablerochelle.org>

KPFA Radio (<https://kpfa.org/>)--Berkeley, California

KPFA was started in Berkeley, CA, by Lewis Hill who sought to create the first listener supported, non-commercial based radio station in the U.S. (KPFA & Pacifica, 2016). The station first went on the air April 15, 1949, and has provided diverse programming on popular and controversial issues since its beginning (KPFA & Pacifica, 2016).

They also broadcast a wide mix of music, culture, news, and public affairs. Its mission includes the promotion of cultural diversity, freedom of the press, and community expression as well as contributing to an understanding between individuals with all preferences (KPFA & Pacifica, 2016).



⁸ <http://www.kitchentablerochelle.org/mission.html>

KPFA is labeled as “Community Supported Radio” and is one of a growing number of radio stations with a focus on community that rely on listeners for financial support (White, 2013). KPFA is viewed as a founder of on-air fundraising and to this day is solely supported by donations from listeners and like-minded foundations (History, n.d.; KPFA & Pacifica, 2016). The website offers various ways for listeners to support the station including fund drives, open contributing, sale of merchandise, and acceptance of vehicle donations (KPFA & Pacifica, 2016).

Contact Info: 1929 Martin Luther King Jr Way, Berkeley, CA

94704 (510) 848-6767; gm@kpfa.org

One Bistro—Miamisburg, Ohio/Xenia, Ohio

One Bistro, a restaurant located in Xenia, OH, and Miamisburg, OH, brought many new opportunities for involvement and community to the populations surrounding the businesses. Operating using a cooperative business model, One Bistro attracts individuals from the community as customers through unique payment methods, allowing for those from any income level to support the project in some way. In addition to widespread accessibility to dining and participating, One Bistro operates as a 501(c)(3) nonprofit organization, promoting individuals in



the community to give back both monetarily and through their time as volunteers. Through these varied options as well a firm operations strategy, One Bistro has the opportunity and tools for greater success in the future.

One Bistro focuses on healthy, affordable meals with a faith-based message. Terming themselves as a “Biznistry,”⁹ they aim to provide these meals to all through a multi-payment-option style of business, where individuals can pay what they can for their menu items on a shifting scale. If one can, One Bistro recommends that guests pay between \$6 and \$9 for meals, or any amount more if they wish to pay it forward for another guest. Individuals who cannot pay can volunteer time to pay for meal, helping to wrap silverware, set tables, clean, and restock.

⁹ <https://onebistro.org/about-us/>

This process allows people to be involved on their terms, bringing in many individuals while focusing on the core mission to help the hungry find a meal. Another successful factor for One Bistro is partnering with Door Dash, a home meal delivery service that can provide food for those in the surrounding area at their convenience, bringing in a wider-reaching audience and profit.

Funds for One Bistro are obtained mainly from customers in the restaurant and donations. The restaurant has a history of working well within the community on fundraising and support activities and has succeeded. Revenues have varied, 2015 raising nearly \$14,000 after expenses but less than \$16,000 below expenses in 2016. This loss did not result from reduced contributions or revenue; rather, it occurred because of higher expenses. Declining finances caused the Miamisburg location to close temporarily from September 2018 to the end of October 2018. The intent is to redevelop and reorganize for more profitable operations. However, the Xenia location remained open and continued its support for the community.

Contact Info: Xenia: 87 E Main St, Xenia, OH 45358

(937) 736-2358 (<https://onebistro.org/about-us/>)

Miamisburg: 110 S 2nd St, Miamisburg, OH, 45342

(937) 859-1165

Lake Grocery—Willow Lake, South Dakota

The Willow Lake community (pop. 263) did not expect to be involved in a collaboration to open a grocery store, and Willow Lake Area Advancement (WLAA), an organization focused on steps forward for the community, did not expect to manage it. A previous grocery had closed in 2008, making a new



grocery store a high priority in the community. The 45-mile drive to Huron or Watertown, two of the more prominent communities with access to groceries, added to the local interest. WLAA was given a storefront by a donor because of little or no interest from buyers in the property. So,

they took a leap of faith at the best option to move forward. WLAA took the lead on the project and hired a full-time manager.¹⁰

The WLAA is a nonprofit organization and used donations from the community to open the store with Lake Grocery operating as an independent unit. This partnership permits the grocery store to work as a nonprofit with donations and other support, while the store pays the WLAA rent for the building. The revenues create more opportunities for funding other business ventures. In addition to a full-time manager, Lake Grocery has two part-time employees and works with volunteers for the additional needs of the store.

Contact Info: 212 N Garfield Ave, Madison, SD 57042

(605)625-5011 (<https://www.facebook.com/WillowLakeGrocery>)

Barnard General Store, Barnard, Vermont

After 180 years operating in Barnard, VT (pop. 947), the Barnard General Store (BGS) closed in 2012 following several years of financial difficulties (Town Rallies, 2013). The store sold basic grocery items, had a delicatessen, and included boat rentals used at a beach area across the street. The owners had several operators in recent years and contacted the town leaders in 2008, indicating some financial difficulties, and asked for assistance. In the interim, local leaders contacted the Preservation Trust of Vermont to assist in organizing an effort to help engage the community in addressing the issue.



The BGS was a social center in the community, and residents were upset about its closing. These sentiments helped rally Barnard residents and finally created Barnard Community Trust (BCT), a 501(C)3 nonprofit, which several residents started under a mantra of “Save the Store.” Initial funds were raised with low membership fees (\$10) paid by

¹⁰ <http://dakotafire.net/article/lake-grocery-community-owned-success-story/>

approximately 500 residents. Encouraged by this support, the BCT made an initial offer on the property that was refused by the owners.

The store owners then placed the business and property on the market (\$750,000) at well above the appraised market value (\$450,000). The Preservation Trust was contacted for assistance in organizing community leaders since residents feared that it would be purchased by a national chain or possibly be redeveloped into other uses with a loss of the social capital. The property is adjacent to a state park and is an integral part of the area. The owners called a meeting of interested buyers with only one proposal submitted (\$500,000) using an option payment (\$20,000) and a six-month window to assemble the overall financing. Thus, the purchase process had started but the BCT had to arrange the remainder of the financing.

The Barnard Community Trust (BCT) raised \$300,000 through grants and private donations in its first year, and the previous owner assumed a \$200,000 one-year mortgage, which allowed the BCT to take control of the property (Friends of Barnard, n.d.). During the interim, the BCT kept the store open in the morning so that it was in continuous operation. Donuts and coffee were provided, and residents congregated on a regular basis, building additional interest and commitment in the community. In the course of a year, the BCT had raised \$50,000 to \$60,000 in small donations plus several large donations including \$50,000 and \$250,000 from families or former residents. As of the end of 2012, the BCT was still short of funds, but by August 2013, the funds were raised and the debt retired. Thus, the BCT owned the property, needing major capital improvements that were then started.

Once it owned the property, the BCT had to find suitable operators and issued a Request for Proposal for a store operator. During the interim, volunteers ran a small cafe on the property using donated goods from local businesses (Peterson, 2014). Residents also donated considerable time and talent to improving the store and preparing it for operations. The town eventually found managers with previous store experience who were looking for a business to operate.

The business opened in September 2013 and currently has between \$800,000 and \$1 million in annual sales. A standard 10-year lease arrangement was set up with the option to renew two additional times. The current relatively low rent will increase slightly when a certain level of sales is reached, and the operator can sell the store operation with approval of the

BCT, which owns the real estate and building, pays property taxes, and covers insurance premiums. The financial returns to the BCT are from rental fees paid by the operator.

The store purchased merchandise from Associated Grocery Stores of New England, which offers technical assistance in management practices and also provide interim management in the event a change in operators were to occur. Residents responded well to the new managers who in turn tailored their business practices to needs of the Barnard community. The lease requires current owners to maintain the popular beach area nearby the store (Peterson, 2014). An important component of the store is an emphasis on selling local foods purchased from several cooperatives in the region.

Several lessons to learn from the Barnard experience include the importance of local leadership not only in launching the effort but also in maintaining enthusiasm for the project. The BCT has a 10-member board. Finding an operator(s) with previous relevant experience in the grocery business was essential as was the technical assistance from statewide organizations such as the Preservation Trust with both technical knowledge and contacts. Specialized legal knowledge and advice with operational issues such as writing leases and working through financing arrangements are important in situations where community leaders are unfamiliar with some of these issues. An organized capital campaign at the start rather than a piece-meal approach might have made the project move more quickly.

The BGS is part of a larger community and economic development effort. The BCT is currently considering an application for a Vermont Downtown Program sponsored by the Vermont Agency of Commerce and Community Development. The BGS contributes heavily to the social capital in the community, is a regular meeting place, and provides access to essential goods for residents and surrounding areas.

Contact Info: 6134 VT-12, Barnard, VT 05031

(802) 234-9688; barnardstore@gmail.com

Guilford General Store, Guilford, Vermont

Guilford (pop. 2,121) is in a relatively rural area in southern Vermont with relatively easy access to larger communities. The area had several businesses including a hardware store and a general store in close proximity that provided access to basic services. The Guilford Country Store provided groceries and other items plus a place where residents could congregate, so it played an important role in community life and stability in Guilford.



The owner of the Guilford General Store passed away. The surviving spouse was unable to continue the business and decided to discontinue operations and sell the property. This situation concerned Guilford residents since the area had no zoning regulations, which would allow developers wide discretion over what could be done with the properties. A national chain had already shown interest in the property, and there was some fear that the site would be converted to other uses and purposes, causing Guilford to lose a long-term business and historic landmark.

The Friends of Algiers Village (FAV), created in 2004, became interested in the local situation and launched a “save our village” initiative to purchase four deteriorating buildings with the idea that this historic area could be preserved as a gateway to the community. The Guilford Country Store remained closed for three years while FAV tried to raise local funds for the project. The Windham Housing Trust (WHT) in Brattleboro had been a major collaborator, with FAV buying and holding properties until WHT could develop them for affordable housing. Likewise, the Preservation Trust of Vermont provided technical assistance and guidance in the project.

The FAV organized an effort to purchase the Guilford Country Store at \$300,000, of which \$240,000 was the fair market value and \$60,000 was goodwill. A local bank held a \$140,000 mortgage on the property. The Vermont Housing & Conservation Board (VHCB) granted \$70,000 for acquisition with the requirement that a historic façade easement be placed on

the property. A large local donation of \$60,000 was provided, along with many donations from local donors and beyond. After purchasing the property, FAV raised another \$600,000 (to date) to rehabilitate the failing structure, \$100,000 of which came as a no-interest loan from a friend of the project. The final financial restructuring occurred in 2013 with \$300,000 as a mortgage from the same local bank and the remaining \$600,000 from donations and multiple grant awards.

Major local fundraising efforts with broad-based participation had occurred including local school children making a video about the project, which along with other efforts increased “buy-in” from the community. Initially, there were 225 regular donors per year who did not receive a discount on purchases or expect a financial return. However, since FAV is a 501(c)3, donors can qualify for a tax deduction.

Housing in the area is relatively expensive so there was some interest in making housing more affordable, which provided additional opportunities for FAV to collaborate. They partnered with Windham Housing Trust on two projects to build 24 affordable housing units and help stabilize the community. Thus, the Guildford project involved collaborations among private groups, state, federal, and local agencies.

By 2013, FAV owned a historic building, containing a century-old general store with land that they could lease to an operator and obtain rental revenue. They next had to find an operator with both the knowledge and finances to start the business. Fortunately, they found a family in Manhattan with 12-years of experience running a catering business and market. They had recently relocated to the area and were interested in operating a business. A lease agreement was reached, and the business reopened in 2013 after being idle for 3 years.

FAV maintains the building and makes major capital improvements. Two residential rental units above the store contribute to the cash flow. Likewise, other groups participate in the venture. For instance, there is a large amount of snowmobile traffic in the area so they donated the labor and some equipment to install a gas pump at the store. Other residents contributed time and money toward reviving both the business and the building. The overall goal by FAV to obtain a positive cash flow has been achieved. Since residents are strongly committed to having a General Store in the community, regular fundraising efforts continue. Plans are underway to add a deli and a bakery in the store. The upstairs portion also could be converted into a co-working space that would appeal to local entrepreneurs.

The Guilford Country Store (business) has issues facing many small businesses, namely high cost of merchandise and small markets. There is interest in expanding this business to increase the prepared food and catering activities provided as a way to generate additional profits. FAV is considering leasing additional space to a baker who could complement the Country Store business. Competition from larger operations limit the profit potential of the business; thus, it needs multiple profit centers. Rents from apartments plus a possible co-working space and other developments help stabilize the cash flow and eliminate the need to seek support from local fundraising.

Contact Info: 475 Coolidge Hwy, Guilford, VT

(802) 490-2233; guilfordcountrystore@gmail.com

Latchis Hotel and Theatre in Brattleboro, VT

The Latchis Hotel and Theatre in Brattleboro, VT (pop. 7,414), opened in 1938 and has continued as a major architectural fixture in the downtown since that time, hosting major theater events and other community activities. It is an Art Deco building, one of only two in Vermont, is an area landmark, and was named after an early family member prominent in the community. Its impact extends well beyond Brattleboro and into Southeastern Vermont. The Latchis family owned and managed the theater until the property needed major repairs, and they put it on the market in 2001. It included a 30-room hotel, three retail spaces, a full-service restaurant, and three operating movie theaters (Bruhn, n.d.).



After a feasibility study by the business community, the Brattleboro Arts Initiative (BAI), a nonprofit organization that included Arts participants and patrons, collaborated with the Preservation Trust to purchase and restore the theater and hotel in 2003. This project was part of a major revitalization effort for the city of Brattleboro, which had experienced several business closures. The Latchis Theatre, along with several local movie theaters, competed for first-run movies as well as provided live performances. However, because of its long-term

status in the area, a downtown hotel, and major Art Deco architecture, it had a special presence that enabled BAI and other organizations to solicit donations and investments in the restoration.

The Preservation Trust of Vermont provided a five-year no interest loan of \$550,000 to assist in the \$1.4 million purchase price and support needed to manage the project, fundraise, and provide an operating reserve. A state appropriation of \$300,000 was obtained with \$450,000 provided by foundation and corporate grants. Individual contributions raised an additional \$300,000. More than \$1.3 million was raised in this effort plus \$550,000 in loans to launch the project. In addition, a federal grant of \$300,000 was obtained.⁸

Two organizations participated in the project. The BAI changed its name to Latchis Arts in 2012 and as a nonprofit, owns all the shares in the Latchis Corporation, a for-profit organization with a 10-person board of directors, which owns the building and manages the theater and hotel business. Latchis Arts has a 10-member board representative of the community including not only Arts patrons but representatives of other professions as well. This board interacts with a donor list of people interested in preserving the Latchis and conducts fundraising efforts for special projects as needed. In essence, it creates and maintains a public awareness for the complex. The nonprofit organization receives revenues from the operations of the properties but does not manage the properties directly.

The Latchis Corporation is a for-profit entity with responsibility for managing the theater, hotel, and other operations. It has a board of directors from the community and hires a hotel manager as well as a theater manager. A general manager works one-half time for each organization. The corporation pays rent to Latchis Arts for use of the property as well as pays fixed dividends to the nonprofit organization and a surcharge based on ticket sales. These revenues provide approximately one-half of the operating budget for the nonprofit. Other sources of funds include concessions, an ATM rebate, and direct donations from several annual appeals.

The Latchis also has had major capital improvements since it was purchased. Between 2003 and 2014, a total of \$2.4 million was spent on building improvements and safety upgrades—some of these funds were obtained from grants or donations and others from the operations of the hotel and theater. In each case, they represent additional investments in the community.

In addition to being run as a profit-making business, the Latchis also provides opportunities for local groups to use the facilities as fundraisers. In these events, the theater receives the first \$500 in revenues, and local sponsors receive the rest. In certain instances, the scheduling of nonprofit uses may have to yield to for-profit events such as the opening of a major film or similar activity.

The story of the Latchis Hotel and Theatre illustrates the importance of collaboration, not only among public and private organizations but also direct involvement by the federal government, statewide foundations, and state government agencies. The for-profit and nonprofit partnership arrangement of the Latchis as well as its ability to reach out to other businesses indicates the importance of integration into the community. The successes in the past decade have now led to a new strategic planning effort to address the next several years. Efforts to use the theater facilities more completely during daytime hours, provides more access to community groups interested in renting space for meetings and events, and address capital needs are all included in the strategic plan (Latchis Strategic Plan, n.d.).

In the case of Latchis as a CSE and its impact on Brattleboro, the early intervention by the Preservation Trust to help initiate, organize, and support local efforts was key to the success of the project. A project of this magnitude in a community of Brattleboro's size and location is an important local economic development effort. The fact that it can be operated as a business that pays taxes and generates other sources of revenue to local governments plus provides a social gathering place and helps other nonprofits raise funds is important to the economic prosperity of the area. This is especially true because it attracts revenues from surrounding areas as visitors attend events and stay at the Latchis.

Contact info: 50 Main Street, Brattleboro, VT 05301

(802) 254-6300; <http://www.latchis.com/>

⁸ Based on materials obtained in personal interviews with Latchis personnel.

Putney General Store

The Putney General Store is the oldest continuously operating general store in Vermont, and started in 1796. As with many Vermont general stores, in Putney (pop. 2,702) it was a social gathering place and contributed heavily to the social capital and quality of life in the area. It provided access to basic groceries and other items to area residents. A major fire in 2008 destroyed the facade and gutted the interior of the building but part of the structure could be salvaged. The loss caused significant concern among residents. The insurance proceeds were inadequate to rebuild, and the owner had too much debt to take on a rebuilding effort so additional capital had to be raised to reopen the business. The building sat idle for several months.

Because of its importance to the community, the Putney Historical Society (PHS) was contacted by the Preservation Trust of Vermont and encouraged to acquire the property and stabilize it with the potential of resale.

Instead, the PHS decided to return it to the former status as a general store with expanded merchandise. The purchase price for the building was \$105,000 and the estimated cost of the entire rebuilding process was nearly \$500,000. They proceeded with reconstruction efforts using donations from community members along with grants and loans from the Vermont Housing and Conservation Board, the Vermont Community Development Program, the Vermont Community Loan Fund, the



Preservation Trust of Vermont, and the Windham Regional Commission. The PHS is a 501(C) 3 and could accept donations from residents and other groups.

Work continued until the structure was nearly complete in November 2009 when an arsonist burned the building to the foundation, forcing the PHS to start over. The outpouring from the townspeople was significant as was their commitment to bringing the General Store back to life. The Preservation Trust of Vermont assisted PHS with organizing and evaluating

planning options for another reconstruction. Fortunately, in this case, the insurance coverage was adequate so the losses were not as serious as in the previous case.

The Preservation Trust of Vermont also provided a small grant to help launch the effort and secure other funding including a \$160,000 federal grant from the Village Revitalization Initiative through Senator Leahy's office. Vermont's Community Development Program recommitted its 2008 Community Development Block Grant and increased it from \$200,382 to \$287,382 to allow for construction instead of rehabilitation. The total cost was estimated at \$1.3 million to rebuild and increase operations. The PHS wanted to minimize long-term debt to keep the rent reasonable for a store operator over the long term.

Publicity about the fire and its impact on the community helped fundraising efforts. The main donations (more than \$420,000) came from more than 350 residents, both current and past, who wanted to be a part of the rebuilding project. Other grants came from the Woodtiger Foundation, Block Foundation, Thomas Thompson Trust, Pepsi Refresh, Brattleboro Subaru, and Chittenden Bank, among others. The PHS owns the building and the property with a mortgage of \$230,000. They purchased used equipment to outfit the store and issued a Request for Proposal from interested store operators. By December 2011, the PHS was in a position to reopen the store.

The first operator did not succeed and in 2013 sold the business to an experienced pharmacist in Brattleboro who was interested in setting up a pharmacy on the second level of the store. Residents have responded positively to the store, but as in many small businesses, the cost of merchandise is relatively high, making it difficult to compete with other stores in neighboring cities. The store is successful but operates on a tight margin; since it is still young, the future is not completely clear. The management has changed again, and the store no longer has a pharmacy.

Putney residents commute to other areas to work and have access to many stores. The cost of housing is relatively high in Putney which could limit its future growth potential. In a small store, payroll costs can be a substantial expense especially when the store is open long hours for customer convenience. Its close proximity to neighboring towns such as Brattleboro means stiff competition. Nevertheless, at this time, the store continues to operate and provides a quality and essential service to the community that in turn makes it a more attractive place to live and raise a family.

Important lessons from the Putney example are similar to those in other examples. A local champion and residents committed to the future of their town are crucial. This was especially borne out in Putney after the second fire. Leaders and residents did not give up. Rather, they rebuilt a second time and continue to patronize the store. Putney may have had an advantage because it was experienced with other CSE projects and may have been more inclined to take this route.

Equally important in this case is the strong help provided by state agencies such as the Vermont Community Development Program and VHCB as well as private statewide nonprofits such as the Preservation Trust. While financial assistance is crucial, the expert guidance provided and the contacts with other federal, state, and local agencies were essential for the PHS to succeed with the project. This point has come up in nearly every discussion with local agencies involved with CSEs. It starts with recognition of a need or crisis, a willingness of residents to collaborate, local leadership, participation by private agencies, and support by other governmental units.

Contact Info: Putney General Store & Pharmacy; 4 Kimball Hill, Putney, VT

05346 (802) 387-4692; <https://www.putneygeneralstore.com>

Red Paint Creek Trading Post and Pantry—Lodge Pole, Montana

In a town currently operating with no stores, Red Paint Creek Trading Post is designed to provide the community with groceries and other services for the first time. Lodge Pole, MT (pop. 265 in 2010), is located in northern Montana, and the closest large city is Great Falls (pop. 60,000) located 200 miles away. The nearest store is located in Malta, MT, 51 miles away. This distance led the Lodge Pole community to see that adding a grocery store would benefit not only community residents but also those around them. Operating as a nonprofit organization based on the cooperative model, the store began the process of opening in 2014 and officially opened in July of 2017.

The store experienced difficulties when opening, many stemming from the sparse resources and the rural nature of the area which they were trying to offset. From the start, organizers recognized these issues such as when a grant required that they have three quotes

from three different companies for the project. Some companies were unwilling to write a quote because during the time frame for the project they had projects in larger cities. They managed to work around this and other similar conflicts, relying on volunteer efforts (Cloud, 2017).

The trading post is in a building of 5,300-square feet with approximately half of the space used by the store and half by a food pantry with a commercial kitchen. The store carries locally-grown produce and local meats, as well as dry goods. The Fort Belknap Community Economic Development (FBCEDC) received a \$35,000 Native Agriculture and Food Systems Initiative grant from the First Nations Development Institute of Longmont, CO. The grant funded the commercial kitchen equipped with National Science Foundation-certified equipment to increase the food capacity for the Red Paint Creek Trading Post and address local needs for healthy food options. The commercial kitchen now permits locally-grown food preparation, preservation techniques, and culinary classes. The store plans to have 24-hour gas pumps to attract more traffic through the community and perhaps create opportunities for other businesses.

Contact Info: 3527 Monument Peak Rd, Dodson, MT, 59524

Examples of CSEs Organized as LLCs

While LLCs are less common in the CSEs studied in this project, they have been used in some cases. Following are several examples.

Sitka Salmon Shares

Sitka Salmon Shares is a community-supported fishery that provides a variety of fish, caught and processed through sustainable means, from Sitka, AK, to the Midwest. The idea for Sitka Salmon Shares began in 2011 when a Knox College professor and students visited Sitka where they studied wild salmon populations and the environment of the large salmon reserves there (Sitka Salmon Shares, 2015). They then devised a way to connect the consumption of fish to conservation efforts and sustainability of Alaskan fisheries.



This CSFishery is membership-based, allowing customers to purchase a “share” of salmon and other types of fish delivered directly to a member’s home. Enrollment comes in various monthly installments and is available at different pound levels and types of fish at prices ranging from \$14 to \$22 per pound. Members also receive other perks, such as special sales, cooking classes, recipes, fishermen events, newsletters, and exclusive pop-up dinners.

Sitka Salmon Shares tries to build strong communities of consumers in the Midwest plus support thriving fishing communities in Alaska. The company works with a small number of fishermen-owners who catch the fish and then keep 20% of the harvest’s final retail value (Sitka Salmon Shares, 2015). The fishermen use practices that minimize the ecological impact of the harvest and preserve the fish populations for future generations. In addition, 1% of company revenue is given back to fishery conservation efforts and habitat protection, and the company also pays to offset the carbon released during their product’s distribution.

Contact Info: 109 South Cherry Street, Galesburg, IL 61401

(309) 342-3474; salmonsupport@sitkasalmonshares.com

Toulon Grocery (Currently closed and exploring options to reopen)

Toulon, IL (pop 1,292), has been active in a CSE since December 2006, when Stark County Ventures, LLC, was created to help promote business ventures within Stark County. Following the closing of the only grocery store in the community, a four-person leadership team organized a community meeting under the guise of the LLC. At this meeting, nearly 50 persons committed \$30,000 to begin the process of purchasing the store and finding someone to operate it. Eventually over \$80,000 was raised to purchase and renovate the building. The local investors were not promised a financial return, and the main motivation was access to a grocery store in the community to stabilize the current population and attract new residents. Several tenants attempted to run the store but quit and in one instance, abruptly left the community. Thus, residents had been through several disappointments with bringing a grocery store to the community. Then in August 2012, a grocery store operator in a neighboring town agreed to run the store and succeeded. The store in the neighboring community was connected

with *SuperValu*, a grocery distribution franchise which helped stabilize prices for the Toulon store.

However, in June 2014, the building burned, facing Stark County Ventures LLC again with a decision as to whether or how it could replace the store. The executive committee working with the store immediately called a meeting of members to decide its fate. In a unanimous vote, members decided to explore various avenues to replace the store. Preference was to rebuild on the same Main Street location. The decision was to replace the store at a cost not to exceed \$520,000 with the capital raised in several ways. The two main sources involved the insurance money and help from the Toulon Tax Increment Funds (TIF) District. The city of Toulon provided access to \$310,000 in TIF over a 10-year period. A third way was to ask for additional funds from current LLC members and selling more shares.



The State Bank of Toulon also provided a short-term loan to cover possible shortfalls. The store was rebuilt with support of nearly \$500,000, using as much local labor as possible. The new store opened in March 2016, was leased for \$500 monthly during the first six months, and then, the monthly rent increased to \$1,000. The lease agreement would be revisited after three years. The intent was for the operator to purchase the building. However, that arrangement did not work out.

Initially, the store operated at a profit by stocking mainly convenience items for residents who did their main shopping at larger stores in the area. The store carried popular brands of merchandise but did not stock a disproportionate amount of locally-grown foods or organic products. It had a small eating area that provided free coffee, access to a microwave, and other features to make it a gathering place in the community. The store offered pizza, fried chicken, and deli sandwiches on a carry-out basis plus a small liquor department. A delivery service was also considered.

The operator faced significant repairs on fixed equipment such as freezers and decided to close both the store in Toulon and nearby Wyoming for lack of profitability. The store was

challenged to retain a core group of residents as customers and compete with larger stores where residents work and do their main shopping. The store closed in 2018, but the organizing group did not give up and is currently reviewing several options including re-opening the store with broader lines of merchandise, finding another operator to take over the enterprise, or making the building multi-purpose and rent to other businesses. As of December, 2018 a decision had not been made. Nevertheless, the strong commitment shown by investors even without promise of a financial return is a positive sign for this CSE in whatever form it finally takes.

Contact Info: 125 W Main, Toulon, IL 61483 (309) 386-5691

The Scale House (Formerly Claire's Restaurant)

Claire's was a Community-Supported Restaurant started in May 2008 in Hardwick, VT, by four partners including a chef and another store owner (BALLE, 2012). Initially, organizers considered a co-op as a business form but decided that an LLC would be the most suitable way to manage the project. In turn, the community wanted to support a business that keeps money local, and with the creation of Claire's, 80 cents of each dollar spent would stay within the state. The community and owners began raising money in 2007 and formed two separate entities: Hardwick Restaurant Group LLC and Claire's Restaurant and Bar LLC (BALLE, 2012). One LLC owned the building and equipment in order to keep it within the community, and the other owned the actual business. They financed this initiative in several ways including:

- Community-Supported Restaurant (CSR) subscriptions: 50 people bought CSR Subscriptions, providing Claire's with \$50,000 in operating capital. Subscriptions cost \$1,000 each, and could be redeemed once per month, 10 months of the year, \$25 at a time, for four years.
 - Coupons were transferable, e.g., to family members
 - Strict schedules as to control cash flow were maintained
- Community Lenders: 10 people loaned Claire's \$5,000, providing \$50,000 in operating capital. These simple loans were not guaranteed and were to be repaid with interest after 5 years.

- Grant: The Preservation Trust of Vermont, recognizing the importance of a vibrant restaurant and community gathering place to the economic and social vitality of a downtown, provided a grant for the first year of rent.

Claire's was profitable for at least five years but management differences caused it to close. During this time, a pizza establishment started and competed but apparently was not the main reason for closing. Cost overruns and other management issues led to less than expected outcomes. At some point, investors were unwilling to add money to the operations, and other investors were not forthcoming. The issue was more management differences than lack of market. This suggests the importance of finding initial investors but also in organizing the operation so that internal issues can be resolved quickly without threatening the viability of the venture. It also shows the importance of a solid business plan that effectively guides the operations.

After the restaurant closed, a local entrepreneur experienced with marketing seafood had pop-up dinners that were well-received in the community. In July, 2018, the restaurant reopened as The Scale House, a Farm/Ocean to Table bar and restaurant with limited hours. The environment is "an informal, family friendly, pub-style restaurant, where the community can congregate over great food and spirits." The current operator has experience in the restaurant industry and specializes in fish and other seafood as well as local meats and vegetables. The focus is to serve mainly local products. Initial reviews have been positive, and the hours have expanded to where the restaurant is a major fixture of the community.



Contact Info: 41 S Main St, Hardwick, VT 05843-7100

802-472-7159 <https://the-scale-house.business.site/>

Alternative Ownership Forms Using Community Support

Other arrangements have also been used to start CSEs, depending on local interests and financial opportunities available. Several are briefly described next with contact information.

Township Grocery

White's Shopping Center was a major retailer in Bonaparte, IA (pop. 426), and closed in 1986 when the family that owned a significant number of buildings downtown retired (Bohri, 2010). Facing an economic downturn due to several store closings, Bonaparte residents started a local nonprofit, Township Stores Inc., to address concerns about traveling long distances for basic items. Through this organization, residents raised approximately \$100,000 in capital in sales of \$2,000 shares to 50 or more community members (Mitchell, 2008). The capital was then used to renovate five historic buildings to house several new businesses, including the Township Grocery (TG). TG was organized as a cooperative to stock a complete line of groceries.

TG continues to sell groceries but with a shrinking market due to demographic changes, retirements, and other reasons that could not have been fully anticipated. Nevertheless, TG provides an example of the long-term evolution of a CSE because it is an early example of residents investing money to support a local commercial venture and has continued for more than 30 years.



It also is important because TG is one of relatively few businesses still operating on the main street, weathering long-term declines associated with very small towns. The 1993 Flood had a serious impact on Bonaparte because it is located on the banks of a river. Major damage occurred to several buildings, including Township Stores. The building in which TG is located is listed on the National Register of Historic Places, which makes repairs more expensive which, in addition to its relatively small size adversely affect the profit margin.

Earlier, Bonaparte had embarked on a full-scale Main Street revitalization program that provided an infusion of new energy into the community. These efforts included restoration of a former opera house and expansion of the Bonaparte Inn (Bohri, 2010). Retirements, competition from large stores within relatively easy commuting distance, and internet shopping decreased the markets for these stores, causing them to close. In some instances,

establishments such as the Bonaparte Inn now operate on a limited schedule and are available for scheduled events.

Membership in the National Main Street program was discontinued in 2015, which meant fewer promotional events to draw people to the downtown. While TG continues, changes in the economic environment with the opening of several large discount stores in recent years have reduced its profitability. Nevertheless, it continues to operate as a full-service store, selling fresh meat, produce, and similar items and providing the convenience of not driving 30+ miles to larger stores.

Members of an Amish settlement in the area rent shelf space for locally-grown or locally-made merchandise. At the same time, however, these residents also market their goods directly to the public, which competes with the store, and they purchase bulk ingredients at discount stores. TG is unable to purchase many locally-made items at retail price and then resell them to the public in competition with local vendors. Likewise, the cost of merchandise in a small grocery store is high relative to large stores, which squeezes the profit margin for Township Grocery as in other small scale groceries.

The future of TG and similar local CSEs depends on the economic viability and health of the community. While Bonaparte clearly has less economic activity than when TS started, there are several signs of vitality. For instance, three buildings in the downtown sold in mid-2016. One has an antique store, and another has a pottery shop. Another pottery co-op plans to open. In some instances, these entrepreneurs are former Bonaparte residents who moved away but have returned. While some of these businesses will be seasonal or open only part-time, they still will bring more traffic to the downtown and benefit TG.

The continuity of TG illustrates the importance of several factors. First is the immediate need for a service. Conditions differ now from 1987, and residents need not rely on TG as they had previously. Second, the surrounding economic environment is crucial. Other stores have closed, reducing local employment, which further reduces the market for items sold by TG. Likewise, with employers gone, residents now commute elsewhere to work and purchase in those locations as well as possibly over the internet, but the internet is less likely to directly impact grocery items. Third, the high school in Bonaparte recently closed, which also reduced the local traffic and activities in the downtown. Fourth, operating on a small scale, as seen in

other examples, means high operating costs and more difficulty competing with large stores in nearby areas.

These factors are not unique to CSEs but again illustrate the difficulties in managing small businesses, however financed. The fact that initial investors did not expect a financial return and did not make a large initial investment means that CSEs can continue longer and contribute to the community. The future of TG depends heavily on other factors in the community. Few original investors are still in Bonaparte, so a new group of energized residents interested in pursuing the vitality of the community is essential to keep communities such as Bonaparte economically viable. In any event, it successfully met its initial purpose more than 30 years ago and continues to serve the community.

Contact info: 104 Washington Street, Bonaparte, IA 52620

(319) 592-3555

<https://www.facebook.com/TownshipGrocery>

The Mercantile

Correctionville, IA (pop. 805 in 2016), launched a community-supported initiative after losing a local grocery store to a fire and being without one for more than three years (Gallagher, 2013). Residents in the community worked with the Correctionville Economic Development Corporation (Cedcorp Inc.), a not-for-profit community group, to obtain donations to build and start a new store (IGIA, 2014). The building is on a location near the original grocery. Through fundraising efforts and donations, the group raised \$120,000 or more to start the store, with other funds coming from loans and grants (IGIA, 2014).



Volunteers helped in every step of the store's creation including construction, cleaning, shelving, and stocking the merchandise. A local trucker donated time and equipment to transport the shelves and other fixtures. Many store fixtures were purchased from other stores going out of business or remodeling. Organizers were very cost-conscious in the activity, which also built confidence of residents in its potential to succeed.

The store focuses on providing a wide variety of fresh cut meats and fresh produce as draws for residents. It includes diverse merchandise, including health related items, paper products, and a wide variety of frozen products such as take-home dinners. The managers are local to which much of the success of the operation has been attributed. They intentionally incorporate customers' preferences to keep the merchandise selection current and attractive for residents in order to compete effectively with larger stores in the Sioux Falls area.

The managers entered into a ten-year lease agreement with Cedcorp Inc. to repay the group and become owners. The community organization then reinvests in the community (Gallagher, 2013). Concern was expressed about rising costs of merchandise because of the small store size as well as increased competition from larger stores in the surrounding area that can offer lower prices. However, the Mercantile offers several strong features that can be emulated by other groups considering a similar approach. They sell a broad selection of merchandise including fresh meat and produce, which offers several profit centers. In addition, residents-customers have confidence in the local managers who stay in regular communication regarding preferences and services desired. Building this allegiance is crucial for any CSE operation, especially one that has to compete with larger centers.

Contact Info: 319 5th Street, Correctionville, IA 51016

(712) 372-9752;

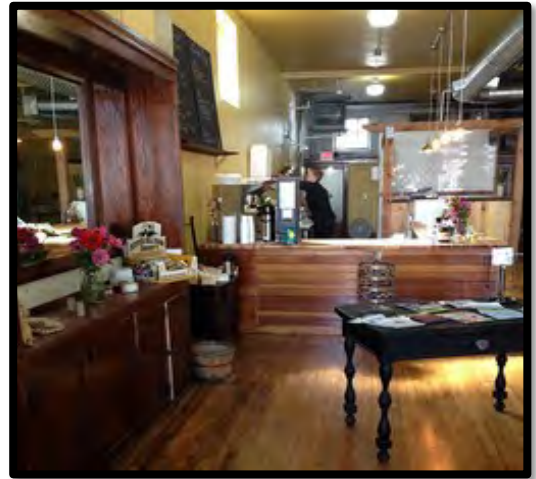
mercantile@ruralwaves.us

Cow & Quince

Cow & Quince started in September 2014 in New Glarus, WI (pop. 2,172), by a first-time restaurant owner and member of Soil Sisters (soilsisters.org), a women's farmer initiative for sustainable agriculture (McColl, 2015).

The business, located in a 1930s building in New Glarus that formerly was a grocery store in the heart of downtown, is a market and a restaurant. It is designed to provide a farm-to-table experience with locally prepared “sauces, bread, jams, desserts, and fermented delicacies.” The main ingredients are local and organic food products grown on nearby Wisconsin farms. Monthly dinners with several courses at a fixed price are prepared and require reservations. In addition, an annual members’ dinner is provided for participating members.

The Cow & Quince has several forms of memberships incorporated into the financing plan. A *community* membership provides a 10 % discount on meals and other items in the market plus a 15% discount on the prix fixe dinners. *Full Membership*



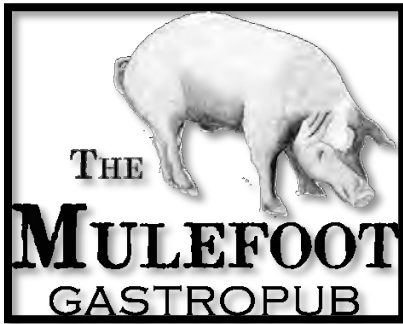
provides a 15% discount on all grocery, market, and restaurant purchases plus 15% discount coupons (transferable) for the prix fixe dinners. These members also receive two invitations to the annual members’ dinner. When joining, members receive a \$25 gift card, which provides visibility to a wider audience. Suppliers are also offered a “farmers membership” that invites them to take part of their receipts in credit at Cow & Quince.

The business stocks other items made locally, so it represents a community-supported business and a source of local merchandise for tourists. They engage the community in raising capital and in creating an awareness of sustainable food practices. New Glarus is home to several local community efforts including the New Glarus Brewery with a well-known product and a marketing strategy that concentrates on sales in Wisconsin. Combined, these ventures make New Glarus a significant tourist attraction.

The Cow & Quince also supports community improvement issues. A new processing kitchen funded by a grant from the USDA’s Local Food Promotion Program makes a canning facility available to producers. These services expand the exposure of the store and further illustrate a commitment to inform the community about the accessibility and affordability of local food and organic food, plus in the process add to the local economic stability of the area by purchasing locally.

Contact Info: 402 2nd Street, New Glarus, WI 53574
(608) 527-2900;
info@cowandquince.com

Mulefoot Gastropub



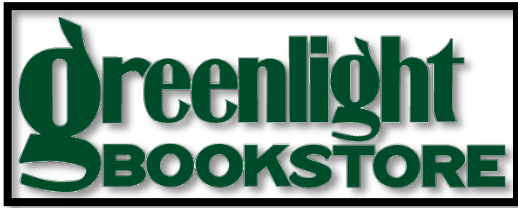
The Mulefoot Gastropub is a farm-to-table restaurant in Imlay City, MI (pop. 3,579 in 2016). The restaurant makes everything in-house and by-hand with ingredients purchased from local farmers and producers (Hernandez, 2015). The restaurant, including walls and furniture, was built entirely by local labor. The funding model for the restaurant is modeled after the traditional Community-Supported Agriculture. Shares are sold at \$1,000, \$2,500, and \$5,000 allotments and repaid in 20-24 monthly installments of food, alcohol, and other products. Approximately 20 shares were sold, providing the \$80,000 needed to build the restaurant. The Mulefoot Gastropub was profitable in the first two years of operation and moved to a new location in the downtown area of Imlay City. The 2016 building provided more space and features, while maintaining the value of the historic building in which it resides at the time (Wearing, 2016). The additions to the building include a private dining area, outdoor seating, an open kitchen, and a chef's table. The community and restaurant patrons continued to support the business through this transition. The Mulefoot Gastropub moved nearer to Imlay City's downtown to reopen as Hiram's Tavern, a more casual eatery.

Contact Info: The Mulefoot Gastropub
596 S Cedar Street, Imlay City, MI
48444 (810) 721-1019
mike@themulefoot.com

Hiram's Tavern
244 E. Third Street,
Imlay City, MI 48444 (810) 721-1019

Greenlight Bookstore

The independently owned Greenlight Bookstore is in Fort Greene, Brooklyn, NY (Greenlight Bookstore, n.d.). In 2008, after winning \$15,000 from the Brooklyn Business Library's Power Up business plan competition, the two owners began discussing plans to open a forward-thinking, independent bookstore. At the same time, the Fort Greene Association (FGA) surveyed the community to identify establishments that residents wanted in the neighborhood, and the overall consensus was a bookstore. The FGA then contacted the owners



to see if their idea could be implemented, and the parties agreed to start the project.

The FGA held an event for the new bookstore in September 2008, and more than 300 community members attended to show their support (Mitchell, 2010). At this event, the community lender program was launched. This initiative asked individuals to loan \$1,000 or more to help start the bookstore, which would be paid back quarterly at a pre-determined interest rate from 2.5 to 4%. Lenders also received additional perks including a discount on all purchases until complete repayment of the loan as well as advance notice of bookstore sales and author appearances. More than \$70,000 in startup capital was raised in this community lending program. In addition to financial support, community volunteers also participated in the design and construction of the bookstore, including painting, cleaning, and sorting books (Greenlight Bookstore, n.d.).

In the summer of 2015, the Greenlight Bookstore repaid the remaining community lender loans and announced plans to open a second location in another neighborhood. The second store's arrival to this neighborhood has had positive support and encouragement from local community organizations and will be structured to meet neighborhood needs, in the hopes of becoming a "true community space" (Greenlight Bookstore, 2016). The owners reopened the community lending program to help finance the new store and as of May 2016 had raised more than \$150,000 in community loans from 55 (mainly resident) supporters.

Contact Info: 686 Fulton Street, Brooklyn, NY 11217

(718) 246-0200; info@greenlightbookstore.com

Hinesburgh Public House, Hinesburg, VT (<http://hinesburghpublichouse.com/>)

The Hinesburgh Public House (HPH) started on December 2, 2012, on the site of a former cheese processing plant in Hinesburg, VT (pop. 4,396), and operates as a B-Corp with the principles of a CSE. Planning and organizing the business took 12 months. Gaining local community development was a major goal from the start since the business is organized as a Vermont Benefit Corporation and was an outcome of the owner's previous experience with Ben and Jerry's franchises and a triple bottom line. The owners also had experience with socially responsible businesses and previously had owned a restaurant.

Familiar with operations of the Bob Cat Café in Bristol, VT, the HPH owners invested approximately \$250,000 and obtained a bank loan for \$100,000. They then pre-sold meals to the public at \$500, expecting to receive \$550 in return (10%). The 80 initial investors could renew their investments at a later date. The



nearly \$40,000 that was obtained from investors was used as operating capital and provided a market test for the viability of the socially responsible business. The business has a five-person board of directors, including the two owners, and holds regular meetings with its "stakeholders," who participated in the initial solicitation of funds.

The business charter clearly identifies main stakeholder groups: local food producers, guests, HPH staff, local community builders, area producers, and investors. The overall intent is for the business to be financially sustainable but also to contribute to the overall betterment of the nine surrounding cities: Hinesburg, Starksboro, Monkton, Charlotte, Shelburne, St. George, Williston, Richmond, Huntington, and Bristol. It accomplishes this mission by working with nonprofits in these communities, helping them raise funds as well as making contributions to the area.

In addition to serving the general public, which is the mainstay of the business, the HPH also provides special support to local groups with an annual budget of less than \$500,000; serve the targeted communities; and are nonprofit or tax-exempt and nonpolitical. The underlying premise is that these organizations improve the quality of life by adding to the social

capital in the area. To meet its social purpose mission, the HPH hosts several regular events and activities.

On the first Tuesday of each month, HPH partners with a local nonprofit in a fundraising venture named “community dinners” that involve a three-course, locally sourced dinner for \$20, in addition to the regular menu. The local nonprofit markets the event and receives one-half of the revenues generated. Thus, if 100 patrons attend the event, the nonprofit receives \$1,000. In addition to raising funds, this event provides the local organization an opportunity to inform the public about its purposes and activities. The community dinners are also a way for HPH to gain exposure, attract new patrons, and reduce the need to advertise. The dinners help all groups named in its stated mission.

Another regular event is “Burger Night,” held on Mondays and provides hamburgers for \$7. This event is targeted to the less fortunate in the community and not a regular clientele. However, it reaches into the community to meet a social need and has become popular. Both events are subsidized by the owners to improve quality of life in the area and fulfill one of the goals in the business plan.

Overall, the HPH has been profitable with revenues of approximately \$1 million per year, although the early years involved some adjustments in finding appropriate staff. The business model is to promote from within, which not only addresses one of the identified groups to be served but also provides access to well-trained management. The community benefit reports required as a Vermont Benefit Corporation show that the five targeted clienteles are being served with management metrics indicating that the business is performing according to expectations or above during certain seasons of the year when the tourist traffic changes. Customer evaluations also have been positive with repeat trade at expected levels. The performance of the business exceeds expectations by the restaurant industry as a group.

Several lessons can be learned from the experiences with HPH. First, a champion for the project with a background in the industry was important. In this case, the owners were long-time residents of the community and had experience working with a socially responsible company. Those ideas applied easily to the Community-Supported Restaurant.

Second, a restaurant filled a void in the community that did not have many other alternatives as social meeting places. The HPH met that need by engaging residents in the

local decisions. The owners continue to work with residents by offering meeting space, communications with “shareholders” and incorporating their ideas into restaurant operations.

Third, the mission and vision for the venture are clear and well-communicated to both staff and guests. The regular community dinners, hamburger nights, and similar events are used effectively in marketing efforts, which offset other traditional market costs. In essence, the community has a stake in the restaurant, and local nonprofit groups are an effective part of the overall marketing efforts. Both the restaurant and the nonprofit groups benefit from this relationship.

Fourth, an obstacle common to most small businesses is the high cost of inventory, namely buying from local suppliers and producers rather than cheaper large volume suppliers. In addition, the staff is paid above the going wage, which is another operating goal. However, this buying approach is an integral part of the CSRestaurant and can be partly incorporated into the overall operations and marketed accordingly. Likewise, there is minimal direct local competition, which gives the business an advantage.

Finally, the extensive experience of the owners with a socially responsible company prepared them well to start the HPH. They are open-minded to the needs and interests of the community. Being organized as a Vermont Benefit Corporation provides both a setting and a reinforcement for engaging the community in the restaurant decisions and activities as well as requiring the Corporation to produce an annual report to the community on the services provided. In turn, the designation is used in marketing the business.

Contact Info: 10516 Suite 6A, Rt. 116, Hinesburg, Vermont, 05461

802-482-5500;

<https://hinesburghpublichouse.com>

The Bee’s Knees

The Bee’s Knees (<http://www.thebeesknees-vt.com/>) originally opened in Morrisville, VT, in 2003 as a cafe. The cafe soon became a place for community members to eat and socialize where employees and customers could interact. The small size of the restaurant could not accommodate the demand. The kitchen was too small and a larger seating area was

needed, but funds to remodel were not readily available (Roman, 2009). The owner considered selling the business but was convinced by community members to try a community-supported venture instead.

The owner started the sale of Community-Supported Restaurant certificates of \$1,000 to finance the expansion, and in return, investors would receive \$1,080 in food vouchers. The restaurant also obtained unsecured loans of \$5,000 from customers to be repaid with a 4% return and an additional 10% discount on food purchases (Roman, 2009).

The Bee's Knees remodeling effort began in December 2007 with an expansion, and the cafe remained open during most of the construction efforts. Community volunteers helped in the project to ensure that the opening was on schedule. Renovations added to the restaurant's available space and created outdoor seating along with a better functioning kitchen. The restaurant reopened providing a community-centered meeting place and helped the local economy by supporting farms, artists, and musicians in the area.

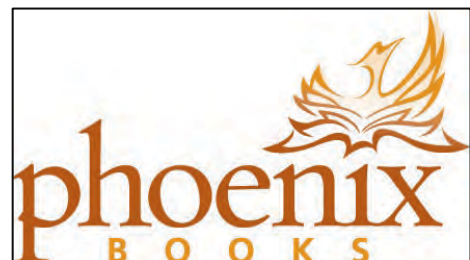
The restaurant closed in November 1, 2015. While the website still exists, information regarding reasons for closure were not available.

Phoenix Books

Phoenix books is owned by two partners with three locations in Essex, Burlington, and Rutland, VT. The business began in 2007 with the opening of the first location in the suburban area of Essex. Then in 2011, a closure of a major bookseller left the nearby Burlington area without a bookstore. The owners considered moving the location of Phoenix Books to a larger market area but then decided to open a second location there instead.

Hoping to avoid a costly and time-consuming market study, the owners decided to implement a community-based approach to help finance the new bookstore based on the philosophy described in *Locavesting* (Cortese, 2011) and on expert legal counsel

well-versed in Vermont legislation and practices. Previous backgrounds in nonprofit development and fundraising enabled the owners to raise the capital quickly and launch the enterprise.



The following options were made available to community members interested in becoming involved:

- Option 1: Individuals loaned funds at 4% interest as ten year notes. Nothing is paid within the first five years. Accrued interest is paid in the following five years and then the principal and interest. These investors also had the option to convert the note to an ownership share, although as of now, no one has.
- Option 2: A pledge of \$1,000 allowed individuals to pre-buy books and hold a book club membership with additional store discounts.
- Option 3: An annual membership costs \$20. Individuals could pay \$100 to purchase a membership for five years.

Fundraising events were held in people's homes to obtain more support and advertise the business to the community. The owners also accommodated the financial abilities of community members, encouraging them to invest only what they could afford. Other residents invested multiple amounts. Nearly \$360,000 was raised from large increments offered through Option 1 with the remaining \$65,000 from smaller pledges in Options 2 and 3. The total raised was \$425,000.

The closing of a Borders store also offered a unique opportunity for Phoenix Books to secure relatively inexpensive bookcases and materials needed for their new bookstore. They purchased and stored them through in-kind help from a friend. Space was secured one block away from a major marketing location where a space of 7,000 ft. was rented at \$11/foot, well below the going rate of \$25/foot rental in the area. The Burlington Store opened in May 2012.

In November 2014, one of the owners was contacted by representatives from Green Mountain Power in Rutland, VT, to possibly open a third location there. Green Mountain Power was helping to revitalize Rutland after the town suffered economic declines and other issues. Rutland had two independent bookstores that had since closed. The community had secured support from 30 members who had committed to pledging \$1,000 each to the new store with widespread support from important community leaders. A \$10,000 grant to open the store also had been secured. The intent was to run the bookstore with local management, so the

owners sought a local business partner to be part-owner and manage the Rutland store. That person invested \$50,000, which would be fully recovered within 3 years and would control 20% of the business. The Rutland location opened in September 2015.

Phoenix Books has done well. The Burlington store is financially stable with sales of nearly \$1 million. Their numbers increased substantially from May 2012 to the spring of 2015 and in 2015 jumped 17% over previous years. Investor support is positive, and customers have shown additional support by keeping their money within the business. A majority of the initial pre-buyers who invested through Option 2 have all or mostly spent their store credit. The stores host an assortment of events, including sessions with authors to discuss their novels. They also have a program with local authors to help them publicize and sell their works using featured sessions at the stores.

Contact info: Phoenix Books Essex (<http://www.phoenixbooks.biz/>)
21 Essex Way #407
Essex, VT 05452
(802) 872-7111

Phoenix Books Burlington
191 Bank Street
Burlington, VT 05401
(802) 448-3350

Phoenix Books Rutland
2 Center Street
Rutland, VT 05701 (802) 855-8078

Little Muddy Dry Goods

Little Muddy Dry Goods was created by necessity when the rural town of Plentywood, MT (pop. 1,918), faced the closure of the local Stage department store. The closure meant that residents would lose convenient access to gifts, clothing, housewares and related items (Mitchell, 2003). Town leaders also feared additional economic downturns as residents left to shop for other goods and services, essentially taking commerce and money away from Plentywood (Bohrer, 2004).

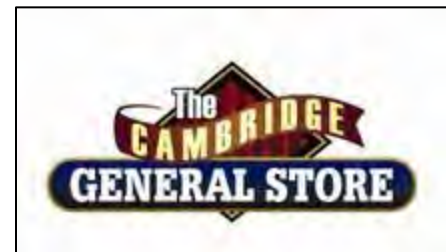
The former department store manager proposed a community-owned store concept where shares would be sold to residents to open a new department store (Mitchell, 2003). Community leaders created a LLC and sold shares at \$10,000 (Bohrer, 2004). A total of 18

shares were sold to community members with many shares purchased by groups of residents (Mitchell, 2003). The store opened in 1999, a few months after the offering in a 10,000 square foot location. Although not highly profitable, Little Muddy Dry Goods filled a community need for residents in Plentywood. This department store is one of the earliest CSEs researched in this project, and the model for its creation has helped to set a precedent for other similar enterprises in other areas.

Contact Info: 122 North Main Street, Plentywood, MT
59254 (406) 765-1721; muddy@nemont.net

Cambridge General Store

In 2010, residents in Cambridge, NE (1,038 in 2016), were concerned about the local effects of a major local store closing. Members of the Economic Development Board tried to contact other similar chains such as Dollar General but were unable to convince them to come to



Cambridge due to its small size. The Economic Development Board researched ways to create a community-owned store and contacted community members through surveys and town meetings (Discoe, 2011).

They also met as a community to propose creating a LLC. By the close of the meeting, the group had raised \$50,000 (Discoe, 2011). All community members were given an opportunity to invest in the new store for a minimum of \$500, and by March 1st, more than \$260,000 had been raised. Volunteers cleaned and painted the store as well as helped unload and stock inventory. A contest was held to determine the name of the store.

Contact Info: 714 Patterson Street, Cambridge, NE 69022
(308) 697-3308

<https://www.facebook.com/CambridgeGeneralStore>

Great Scott! Community Market, Winchester, Illinois*

After more than a year without a grocery store, residents in Winchester, IL (pop. 1,500) wanted to avoid the half-hour drive to Jacksonville to buy groceries. In March 2017, the Winchester Civic Group contacted the Illinois Cooperative Development Center at the Illinois Institute for Rural Affairs to discuss the potential of starting a cooperative grocery store. More than 100 people attended the initial meeting to hear basic requirements for a grocery store to succeed. At the end of the meeting, participants enthusiastically signed up to serve on a steering committee to guide the project.



The IIRA Cooperative Center director had a decade of experience owning and managing a grocery store in a nearby community of 2,900 people. This experience provided an opportunity for technical assistance not only in both starting and managing the store. The first task was to prepare a business plan for the enterprise. It was clear that if they simply duplicated the business plan from the previous store, the new venture would likely fail. Instead, a new business plan was prepared to allow the store to compete with others in the area.

Since a nearby store carries many dry and frozen products at low prices, the planned store would carry fresh produce, meats, and dairy products. Because “ready-to-eat” foods are the fastest growing segment of the grocery business, the planned store would include a small deli with these options. The store would purchase produce, meat, and other goods from within a 50-mile radius of Winchester to limit distribution costs, provide fresher and healthier foods, and benefit producers in the region financially.

The store did not aspire to be like a major grocery chain or an urban organic food cooperative. Instead, as the manager said, “We don’t have a whole lot of space to work with so, basically, we concentrate on the basics and having everything you’d need to make a meal.” The business plan also called for minimizing overhead costs. So when retail space on the town square became available at a reasonable rent, it was selected as the store site. New, energy

efficient refrigeration was purchased to lower electric costs that are significant in the grocery business.

The Winchester example demonstrates how important social capital can be in starting community-supported enterprises. Volunteerism greatly reduced the start-up costs and made the project work. A local attorney handled the legal work to form the cooperative on a pro bono basis. A banker helped with the financial plan and the bank later made a loan to the store to purchase a van. Both also worked extensively as volunteers in remodeling and setting up the store.

Many others contributed to the store's opening. A local business installed a new HVAC system at cost. The local Chevy dealership sent employees and equipment to move and install the new refrigeration units. The dealership also sold a van to the store at wholesale price. Carpenters moved walls in the building and constructed custom shelving for the store center. The store was truly a community project.

A key step was raising sufficient capital. With this effort led by the local bank representative and the attorney, the community response was very positive. Investors realized this venture would not be lucrative, but that it would improve the quality of life in the community. Approximately \$80,000 was raised within several months which was sufficient to meet start-up costs. Then, a membership campaign began. More than 100 people enrolled as members paying a \$100 membership fee, raising an additional \$10,000 to be used as working capital. Investors in the Winchester area ensured that the store truly is a community-owned and operated grocery store.

It was named Great Scott! Community Market due to its location in Scott County, Illinois. Because the investment in the new HVAC system boosted the value of the property, the landlord agreed to reduce the rent to \$200 per month. Next door to the Great Scott! Community Market is a locally-owned butcher shop. The same woman who manages the butcher shop also manages the grocery store and is assisted by five part-time employees. Also, volunteers work occasional hours at the store. By minimizing overhead expenses, the store can be profitable with sales in the vicinity of \$25,000 per month.

The Great Scott! Community Market opened on the town square in Winchester in August 2018. Its interior is simple and reflects a comfortable old-fashioned atmosphere. It has

large front windows that display the grassy park in the square across the street. The downtown is active with people patronizing the grocery store and nearby businesses or visiting the courthouse. At this point, it is the only store in the county in which residents can purchase fresh produce.

The president of the grocery's board of directors, said he's proud of the work the community has put in to making the market a reality. "The store has been really lucky to enjoy the support of everybody that put in their time and made the extra effort to bring the store into fruition." The store is meeting its sales targets and seems to be well-positioned to sustain its operation.

Contact Info: Great Scott! Community Market
11 East Market Street, Winchester, Illinois 62694
(217) 730-0103
<https://www.facebook.com/great.scott.market>

*This section was prepared by John Gruidl and Sean Park, IIRA Illinois Cooperative Center

Examples Using Kickstarter

The Gleanery

The Gleanery is a Community Supported Restaurant in Brattleboro, VT (pop. 11,607 in 2016), that uses surplus and unneeded crops from neighboring farms to prepare meals. Personnel create menus based on crops that farmers can provide during various seasons. A major café in the community had recently closed, which triggered preparation of a business plan by three owners of the restaurant.



They then entered an annual competition hosted by the Brattleboro Development Credit Corporation and Strolling the Heifers, winning a \$5,000 startup grant (Hirsch, 2013). Later, they created community membership shares of \$500, \$1,000, and \$1,500 to help the restaurant through its first three years. This initial investment guaranteed membership that would be paid back monthly through food credits and other activities including special dinners, classes, and food baskets. A

Kickstarter campaign was also used. The owners secured more than \$10,000 from online backers who were reimbursed with a variety of rewards depending on donation level (James, 2012).

The partners worked with a local architect to design the restaurant, and residents donated time and materials to help build tables and counters. Mugs are made by students in a local pottery school, and studios donate leftover materials for plates, dishes, and bowls (Hirsch, 2013). The entire process was started with an overall theme to reuse and not waste, and that approach continues today.

Contact info: 133 Main Street, Putney, VT 05346

(802) 387-3052; thegleanery@gmail.com

Lowcountry Street Grocery—Charleston, SC

Lowcountry Street Grocery (LSG) uses several fundraising techniques found in crowdfunding, community-supported agriculture, and farmer’s markets to provide healthy food options to the city as a whole as well, as the food deserts in the southern part of Charleston. Located in the southern portion of the coast in South Carolina, Charleston had an estimated population of 134,385 (2016). Starting in 2016, LSG began serving the Charleston community through a mobile market approach. According to its mission statement, “[they are focused on] providing isolated ‘food deserts’ with access to healthy, local produce, and nutritional education while concurrently stimulating our local economy” (Barrow, 2018).

Beginning with Kickstarter, LSG opened the funding period from April 3rd, 2015, to May 5th, 2015. Operating with three tiers with backer benefits in a “FundTheBus” campaign, including incentives ranging from branded hats to a personally selected location for the bus to stop, LSG raised \$47,002 from 551 backers in a 32-day campaign.¹¹ One year later (April 2016), the bus was officially mobile and making sales. It sold out of products within the first hour of opening (Barrow, 2018).



¹¹ <https://www.kickstarter.com/projects/1212557452/lowcountry-street-grocery-mobile-farmers-market/description>

Setting up at seven locations throughout Charleston, LSG uses a bus to bring a farmer's market to the people, rather than people coming to the market. The 1988 bus is outfitted with produce, butchery, bakery, pantry, and refrigerated dairy sections. With an awning affixed to the exterior of the bus, the mobile market can expand its produce outdoors and can also sell flowers. Mobile checkouts are used, with a fixed register available indoors as well.¹² LSG works with 20 local farms and producers and allows for the community to suggest other local providers to expand their wares regularly (Barrow, 2018).



LSG is firmly grounded in collaboration and connections with their partners as illustrated by its 31 community partners and community-supported grocery (CSG) program, which offers bundled fresh products from local suppliers in three sizes: single for \$30, double for \$50, or family for \$75. LSG illustrates the versatility of the CSE types of initiatives that are especially important in meeting the unique needs of communities or neighborhoods.

Contact Info: 1630 Meeting Street, Suite 109, Charleston, SC 29405

info@lowcountrystreetgrocery.com

Mobcraft Beer

Mobcraft Beer is reported to be the first completely crowdsourced brewery (Mobcraft Beer Inc., 2016). It used the equity crowdfunding platform CraftFund and raised \$67,000 by selling shares in the company to 52 investors (Hurst, 2015). This intrastate campaign was one of the first of its kind, and Wisconsin was an early state to adopt a crowdfunding law. Mobcraft Beer has won silver medals at the Great American Beer Festival and was named the top brewery in Wisconsin through *ratebeer.com*. They hold contests where individuals submit ideas for beers, and the ideas with the most pre-orders are brewed. This subscription-based method is similar to other Community-Supported Breweries that have become popular in recent years. The brewery works in conjunction with House of Brews, also in Madison, to create and supply their products.

¹² <http://www.lowcountrystreetgrocery.com/the-bus/>

Recently, they were on the television show *Shark Tank* but turned down the initial offers received (Mobcraft Beer Inc., 2016).

This funding approach, while interesting and useful to consider, is not in the strictest sense a CSE as used in this guidebook since the community purpose or social mission is missing. Nevertheless, it illustrates a creative use of crowdfunding and many of the techniques could apply to CSEs.

Contact info: 4539 Helgesen Drive, Madison, WI

53718 (608) 535-4553;

beer@mobcraftbeer.com

Next Steps and Challenges

In addition to the principles outlined above, local organizers must consider other factors important in successful operations and design an action plan best suited to local characteristics. Below are several options that have worked in other instances.

Consider providing mixed services

Many local businesses start with one purpose or goal in mind but soon realize that they must address multiple local needs, including providing benefits both to the business and to the surrounding population. Some grocery stores have shifted to a general store business model with a wider selection of merchandise to broaden their market potential and make them more financially viable.

On a larger scale, it may be feasible to use CSE financing approaches to accommodate other community needs. For instance, if small communities have only part-time medical or health services, it could be possible for a CSE to construct or organize a multi-purpose building that could be rented part-time to health services, counseling activities, or other social purposes. Each agency would rent the building for one or two days per week as needed to provide services that the community can afford. This might provide services that otherwise might not exist locally, and the agencies providing the services would pay only for space needed. The local CSE group would finance the operations from the rents obtained. Given that many small towns have vacant but useable buildings, this approach could increase traffic downtown as well as provide convenient public services, especially for residents with limited mobility.

Provide a gathering space

Often, communities especially in rural areas have few places to gather and build social capital. This can be an important contribution of a CSE when it provides space for the residents to participate in community activities such as dinners or other events. These efforts build the community support that was so essential in launching the business initially. This kind of community space exists in the coffee corners, lunch counters, or even other places with chairs and areas to converse. In fact, several franchise general stores or convenience stores have adopted this approach as a way to market their operations. While important to the community, franchises may also compete with CSEs trying to provide more comprehensive services.

Consider non-traditional methods

Various non-traditional approaches to starting or replacing local businesses have been used, but some of the most successful involve local leaders attempting to meet a growing concern in the community. There is no one approach suitable for non-traditional projects; however, if an idea arises and gains community support, it may be the best course of action for a CSE. Fortunately, CSEs have the flexibility to use a variety of approaches.

An example is the Lowcountry Street Grocery (LSG), which recognized a local need for fresh produce and other foods in Charleston neighborhoods. CSE organizers created a fresh market using a converted school bus rather than a permanent location. This approach can reach more areas in the city by moving between physical locations. LSG also opts to bundle many goods into ready-to-purchase packages. These “baskets” include mainly produce and other small food items. The simple change in bundling food saves the business money and avoids food waste, which can lead to major losses in food-related businesses. It also provides a convenient way for shoppers to conduct business quickly and easily, which is attractive to many customers and meets some advantages of shopping in large, chain businesses.

Maintain active community involvement

Engaging residents and community leaders has been a consistent strategy used in successful CSEs, although they differ in approaches. Most important has been a transparent process where resident-investors had input into how the CSEs were created and managed. Especially important in some cases was involving trusted residents in managing the operations. This approach gave the enterprise immediate credibility. It also encouraged management to stay

in contact with residents in selecting types of merchandise to stock and sell. The Mercantile in Correctionville, IA, is a one example of effectively using these approaches and there are many others. The common characteristic is that the CSEs engaged residents from the start and found ways in which they could participate in the effort.

Available Resources

A variety of materials are available to assist in organizing and starting a community-supported enterprise. A strong first step is to compare different organizational models and determine which is best for the community. Different examples of these models have been discussed. Several other resources are shown in the references section of this guidebook. An annotated bibliography of those with direct applications is shown next.

Emergence and Growth of Community Supported Enterprises

A 2016 project (Walzer and Sandoval) laid the groundwork for many discussions in this guidebook. It compares different ownership models plus discusses innovative approaches used in launching CSEs. Some of the examples in the 2016 report have been reproduced here. Nevertheless, it is a useful companion volume for the current guidebook. See: <https://www.cgs.niu.edu/Reports/Emergence-and-Growth-of-Community-Supported-Enterprises.pdf>

Shrink Smart

The importance of maintaining quality of life in small communities unlikely to attract large employers has been promoted by David Peters. Based on a comparison of small communities in Iowa, his work shows that it is possible to lose population while still improving quality of life. Maintaining a high quality of life is essential to retaining local populations especially at a time when populations are aging and a larger proportion is retired with more flexibility in where to live. Key attributes of towns best suited for the principles outlined in *Shrink Smart* include those with agricultural roots, high community participation, and open-minded individuals. Residents in shrinking smart communities have more public and private investment, more civic engagement, and more groups actively involved in trying to improve the community. CSEs fit well into this scenario because maintaining a high quality of life means

maintaining access to basic goods and services, some of which will leave as business owners retire. See: <https://www.futurity.org/smart-shrinking-towns-1901902-2/>

Defining the Value of the Cooperative Business Model: An Introduction

Many CSEs use the cooperative business model focused around investor ownership, gleaned knowledge from the owners and often using this knowledge to supplement a strong board of directors. This Center for Cooperatives at University of Wisconsin Madison report lays out the values of cooperatives in detail with a clear picture of what being a cooperative entails. The discussion includes cooperative business assets, member assessment, and member needs. The report also provides more in-depth sources on cooperative business and traditional practice. See: http://www.uwcc.wisc.edu/pdf/Reynolds_WhitePaper_values.pdf

Nebraska Cooperatives Council

The Nebraska Cooperatives Council provides supplemental information on the formation and steps needed for success of cooperatives. Their website also includes more in-depth details on agricultural and partner-based cooperatives, providing for insight into a locally based network of cooperative businesses. Cooperative maps and fact sheets are on their webpage, allowing for specific analyses of local and regional cooperatives and their operations. See: <http://www.nebr.co-op>.

How to Start a Non-Profit

Nonprofits are also a common approach for CSEs. The U.S. Small Business Administration has materials that provide insights into various aspects of successfully starting a nonprofit business, with keys to success and practical steps. Information is provided on defining objectives, working with a board of directors, various types of legal structures, and tax specifications. Likewise, links are included for additional information on nonprofit structures with start-up guides. See: www.sba.gov.

A Brief Introduction to Limited Liability Companies

LLCs are another business model used in organizing CSEs. They have similarities to other models with legal protection, tax advantages, and other benefits. Fraser, Wilson and Brian shed light on basic LLCs and focus on the various legal protections. Their materials are included in this guidebook (Figure 4). See: info@fwblawtx.com

Small Business Today

Small Business Today Magazine is a general resource providing insight to the ins and outs of small business operation and strategy. Information provided can include plans from startup to retirement and transition, along with resources for client retention and articles on many specific topics related to managing small businesses. See: <http://sbtmagazine.net>

Rural Grocery Initiative

The Rural Grocery Initiative coordinated by Kansas State University provides many resources including success stories, additional initiatives and practices, and statistics to help those attempting business startups such as a CSE prosper. Many CSEs are local groceries, so the Rural Grocery Initiative website has a tool-kit plus information from an annual summit to help local CSE organizers. See cecd@k-state.edu.

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