



# Tapestry

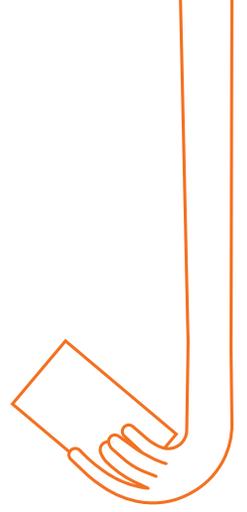
COMMUNITY CAPITAL

## Our Frequently Asked Questions

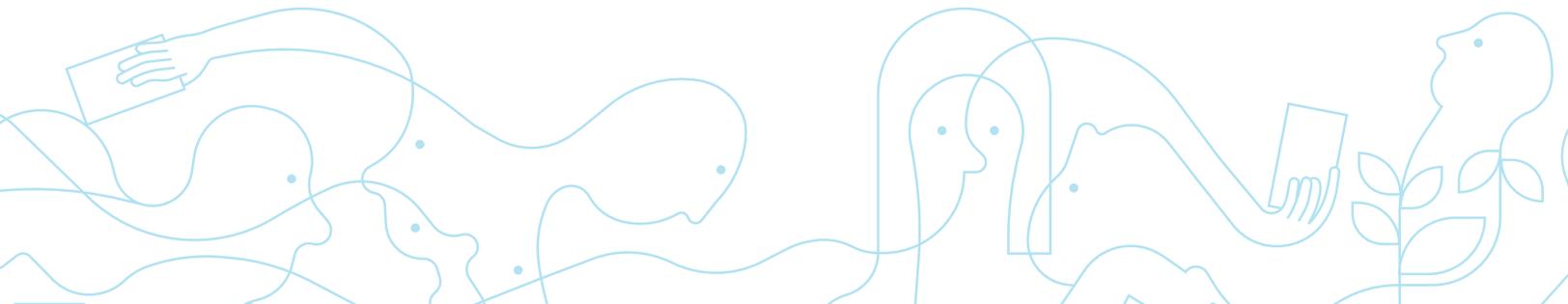
Are you interested in raising community investment?  
Find your answers here.

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## 1. WHAT IS A COMMUNITY BOND?

Community bonds are a social finance tool used by nonprofits, charities and co-ops to finance capital projects with impact. Similar to traditional bonds, they are interest bearing loans. The key difference — they provide investors with both a financial and social return.

Community bonds allow you to set terms that work for your project timeline and financial situation. You can define the price, interest rate, and repayment schedule. Typically, community bonds offer a lower cost of capital than other sources of debt, and provide capital faster than donation campaigns and grants.



## 2. WHAT IS THE TYPICAL TIMELINE FOR PREPARING A COMMUNITY BOND OFFERING AND SUCCESSFULLY RAISING THE NECESSARY FUNDS?

The duration can vary depending on your organization's level of preparedness and internal capacity. On average, organizations usually progress from their initial discussions to successfully reaching their investment target within a year.

Breaking down the timeline further, the period from conceptualization to campaign launch typically spans

4 to 6 months. This phase involves thorough planning, strategy development, and campaign preparation. Once the campaign is officially underway, it typically runs for another 4 to 6 months as the organization actively promotes the bond offering, engages with potential investors, and collects investments.

Many organizations continue to leverage bonds for funding future projects. In subsequent fundraising efforts, the timeline tends to be more streamlined. This is partly due to the presence of an established pool of supporters, being able to re-purpose campaign materials, and the possibility of reinvestments from previous bondholders, factors that collectively contribute to a faster fundraising process.



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### 3. WHICH PROJECTS ARE MOST SUITABLE FOR COMMUNITY BONDS?

The ideal project for a Community Bond initiative begins with a significant and meaningful community-oriented endeavor. It must have the potential to make a positive impact on the community to attract potential investors.

Additionally, such projects should incorporate a viable revenue model that can facilitate the repayment of investors. This ensures that those who invest in the project can anticipate a return on their investment over time.

Typically, Community Bonds are well suited for financing assets such as real estate or major equipment acquisitions. Projects with a minimum funding requirement of around \$500,000 or more are often considered ideal. It's important to note that projects without tangible asset backing carry a higher level of risk.



< Places for People raised \$850,000 to finance affordable housing in Haliburton, Ontario.



^ Propolis Housing Cooperative showcases their first community bond campaign, raising \$1.1 million to acquire land for a 50-unit affordable and net-zero housing development.

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### 4. WHO TYPICALLY INVESTS IN COMMUNITY BONDS?

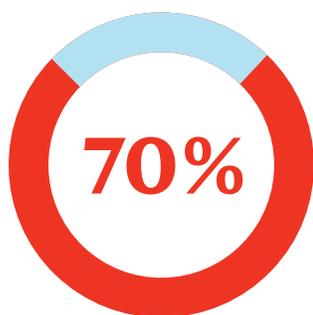
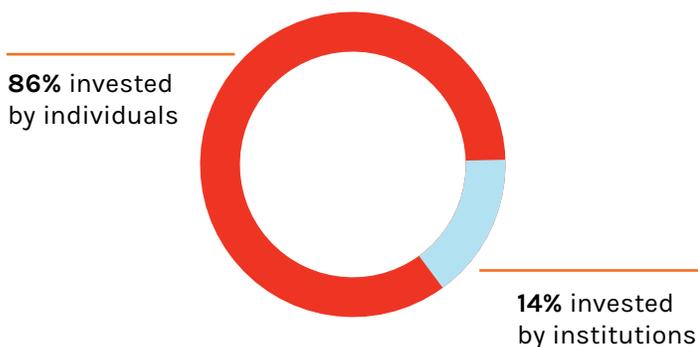
Community Bonds have a broad appeal and attract a diverse range of investors, casting a wide net that includes individuals, businesses, and institutional investors. This inclusivity enables a community-focused approach to financing, allowing everyone to participate in supporting meaningful projects.

**Retail Investors:** Community Bonds offer an accessible investment opportunity for individual retail investors who are keen on contributing to their communities. These investors typically commit amounts as modest as \$1,000, making it feasible for a broad spectrum of people to participate.

**Small to Medium Businesses:** Businesses, particularly those with a strong local presence, are often enthusiastic participants in Community Bond initiatives. They recognize the value of investing in projects that align with their community interests and may contribute substantial sums to support these endeavors.

**Foundations, Large Enterprises & Institutional Investors:** Foundations and larger enterprises also play a vital role in the Community Bond landscape. They frequently invest significant amounts, sometimes totaling several hundred thousand dollars or more. Their involvement demonstrates a commitment to community development and sustainable projects.

## Insights on Community Bond Investment:



When given the opportunity, 70% of investors choose to reinvest their funds when the bond reaches maturity.

\*based on the analysis of 4,000 community bond investments

## 5. CAN TAPESTRY ASSIST IN ATTRACTING INVESTORS OR CONNECTING THEM TO YOUR ORGANIZATION?

Tapestry currently carries out bond administration for an extensive network of over 4,000 investors. Our experience in this field spans various communities, including those new to the concept of community bonds. We bring a wealth of expertise to the table, offering valuable insights and best practices in sales and marketing strategies tailored to your campaign.

Additionally, we collaborate with a partner PR agency, which can provide support in garnering media attention and enhancing your campaign's visibility.

It's crucial to clarify, however, that the acceptance of investors is solely within your organization's purview. These investors are not our clients; our primary relationship is with your organization. We do not engage in any form of trading on your behalf, nor do we conduct meetings with investors. We fully adhere to applicable legal regulations, which restrict us from offering investment advice or addressing investment-related queries from potential investors.

## 6. WHAT ARE THE CURRENT INTEREST RATES FOR COMMUNITY BONDS, AND HOW DO RISING RATES IMPACT THEIR SUCCESS?

As of November 2023, interest rates for Community Bonds ranged between 2-5%. We have observed that increasing interest rates from the Bank of Canada translate to increasing rates for community bonds. It's important to note that there is a trade-off between the financial return on investment and the social impact of the project, a concept referred to as the 'social return on investment.'

In practice, this means that projects with a significant positive impact on the community may offer lower financial returns to investors. These projects are often seen as contributing to the greater good and are attractive to individuals and organizations looking to make a meaningful difference.

Conversely, projects associated with higher risks, particularly those lacking physical asset backing, may necessitate offering higher interest rates to entice investors. The goal is to provide a competitive return while acknowledging the increased risk associated with such ventures.

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## 7. HOW DO COMMUNITY BONDS COMPLEMENT DONATION CAMPAIGNS, AND CAN THEY IMPACT CURRENT DONORS?

The integration of Community Bonds alongside donation campaigns is a strategic approach that we've successfully employed. Our experience demonstrates that Community Bonds tend to attract a distinct category of supporters who often supplement, rather than replace, your existing donor base.

In fact, our campaigns have shown that Community Bonds typically bring in net new financial supporters for your organization. These individuals and entities not only invest in your mission through Community Bonds but often contribute more substantial amounts than the average donation.

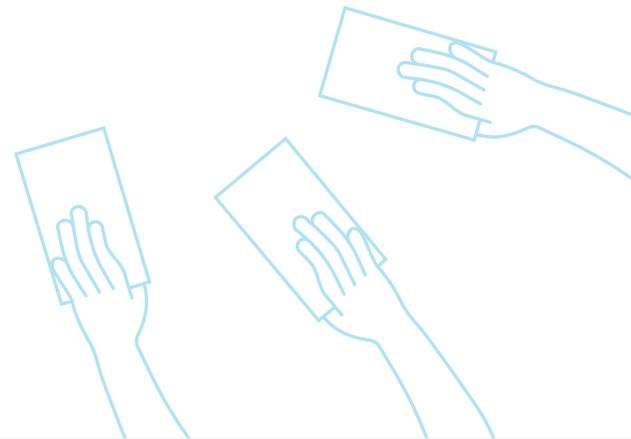
For more information, check out our blog on [how to raise donations and investment at the same time](#).

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## 8. WHAT ARE THE FEES TO WORK WITH TAPESTRY?

Tapestry operates as a nonprofit organization with a mission to democratize access to Community Bonds for organizations of all sizes. Our financial support comes from various partners, including foundations and the Canada Mortgage and Housing Corporation (CMHC).

Tapestry employs a fee-for-service business model to assist organizations in preparing and executing their Community Bond campaigns. The fees charged are tailored to the level of support required.



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## 9. DO COMMUNITY BONDS FUND INDIVIDUAL PROJECTS OR GROUPS OF PROJECTS?

Community Bonds offer the flexibility to fund either individual projects or a portfolio of projects, depending on your organization's goals and fundraising strategy. We've collaborated with clients who have pursued both approaches.

**Single Project Financing:** Some organizations opt for Community Bonds to fund a specific, stand-alone project. This focused approach allows for a clear connection between the bond offering and the intended impact of that particular project. Investors' contributions are directed towards a defined initiative, which can make the fundraising effort more straightforward and compelling.

**Portfolio Funding:** On the other hand, organizations may choose to aggregate multiple projects under a portfolio or fund structure. This strategy enables the bundling of several initiatives, often with common themes or objectives, into a single bond offering. Investors' contributions are then allocated across the various projects within the portfolio. Portfolio funding can be particularly attractive for organizations with diverse project needs or those looking to maximize the impact of their fundraising campaign.

The decision between single project financing and portfolio funding ultimately depends on your organization's mission, the nature of your projects, and the preferences of your investor community.

## 10. WHAT'S THE NEXT STEP AFTER LEARNING ABOUT COMMUNITY BONDS AND HOW CAN YOU GET STARTED?

Getting started with Community Bonds is a structured and guided process, and at Tapestry, we have a well-defined road map to assist you at every stage. Here's an overview of the next steps:

### **Workshop for Comprehensive Understanding:**

Typically, the next step is to participate in our workshop, where we'll take you, your team, and your board members through the fundamentals of Community Bonds in what we call 'Community Bonds 101.' During this workshop, we address common questions, provide numerous real-world examples, and engage in interactive exercises to ensure everyone gains a comprehensive understanding.

### **Readiness Assessment and Recommendations:**

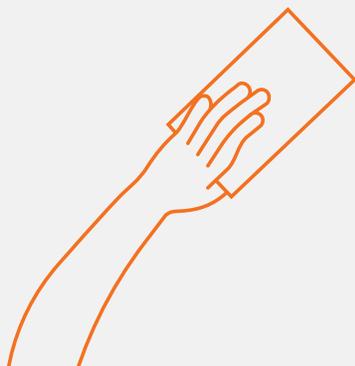
Following the workshop, we conduct a readiness assessment tailored to your organization's unique circumstances.

If community bonds align well with your project and organization, Tapestry will collaborate with you to plan and structure your campaign, provide guidance on presenting your investment offering to the community, and offer ongoing support in bond administration.



^ Impact investment showcase event in Toronto, Ontario.

**Tapestry**



## STILL HAVE QUESTIONS OR WANT TO TAKE THE NEXT STEP?

For more detailed information about our workshops, you can visit the [resources page](#) on our website. Here, you'll find additional insights into the workshop format and content.

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