Dave Boyle Community Shares

[00:00:00] Welcome to Communities Building Homes, a new podcast brought to you by community led homes North Yorkshire and East Riding.

In this podcast we're going to meet people who are at the forefront of doing, supporting and enabling communities to make great housing for their local area, building new homes or refurbishing old buildings, people who are truly making homes to live in and meeting local housing need. I'm journalist and presenter Peg Alexander and today my guest is Dave Boyle.

Dave is the director of the Community Shares Company, a consultancy that supports community enterprises to raise money through shares. It's a type of investment and a way to fund community enterprise, sometimes called the future of social enterprise finance. Dave has [00:01:00] worked on some of the UK's most high profile community share issues.

Hastings Pier, which was the first in the UK, and Port Patrick Harbour, the first in Scotland. He's also helped Britain's first community owned pub, The Bevy, and a host of other projects such as shops, sports clubs, halls, and of course, community led housing. Dave, welcome to the podcast.

Thank you very much for having me, Peg. Nice to be here.

Dave, start off by kind of explaining exactly what community shares are and how it all works.

Okay, so I'll try and keep you this kind of high level as possible, but community shares are a form of patient equity capital. And those three words are really important. It's capital and it's not a donation, and it's equity because you become an owner and a shareholder and a member of the organization and it's patient because it built to have people investing in something and they're happy to sit with you on the journey towards you [00:02:00] becoming a sustainable community business over the long term.

It's not like debt finance, which is often very quick turnaround or high interest rates. It's patient and it's low cost. So most community share offers are paying sort of in the region of maybe two to 4 percent per year to their investors, which stacks up pretty favorably with debt. Especially unsecured debt.

And instead of the funding being provided by a faceless institution from who knows where, the money comes from your strongest supporters. People who are investing because they can afford to, but the reason why they're specifically investing in you is because they are really wanting to live in a world where you succeed.

where you achieve your goals, you raise the money you want, and you're able to develop the sustainable business, what you've been promising people you can develop, if only you had the money. It uses the same legal structure as things like credit unions and building societies, and in many cases it looks quite a lot [00:03:00] like the way in which you might save with a credit union, where your savings with a credit union are essentially your shareholdings in the credit union.

Unlike the credit union, the money is turned into something else. So when you put your money into the credit union, you can take your money out. Whereas with a community led housing project, the money's taken as cash and turned into bricks and mortar, and that creates issues about how can we get our money out because it's not existing in cash anymore. So the returns from the business are what fund your ability to get your money out. And because that may or may not happen, and it may or may not happen to the level everybody was hoping for, that makes it risky in the sense of you know, the value of your investment may never pay itself back, but that's what creates the alignment.

So you've got people who are willing you to succeed because if they're going to see any of their money ever again, they need you to succeed and they become your advocates and your supporters and they look to see what help they can give [00:04:00] you as opposed to sitting back crossing their arms and basically saying don't care just give me the money give me the money.

Is it not, though, dead risky for people who are investing?

Because as you were saying, you know, the returns that people are investing aren't going to be as great as in other investments. And a lot of the time they are investing in community projects. So they might be invested in groups of people who, as a group, aren't that tried and tested. They're not tried and tested, but because the people who are investing have a really close link with the people who they're investing in, they kind of, you know, to use some sort of well worn phrases, they've kicked the tires, they've looked under the hood.

It's always cars for some reason, which he used as a metaphor, but basically, you'll have a share off a document which sets out the proposition, but at the heart of it, you're investing in something which you've probably been watching grow. You've been seeing it tweeting, you've been seeing it growing itself on social media, and you know many of the people involved, and therefore you've got a kind of, an instinctive level of [00:05:00] trust.

And if you don't trust these people, you don't go there. But if you do invest, it's because you actually know that whilst it's risky, you believe in these people, and you believe in this business, and you believe in this way of building housing, and you're prepared to trust people. And if, you know, that's not enough for a lot of people, and those people will not invest in your share offer.

So whilst it is risky, the people who are going in as investors are completely eyes wide open. And sometimes they're prepared to take a punt because they want to live in a world where this becomes normal and they know that maybe they're going to have to put their shoulder to the wheel a bit more than they might like to do.

I mean, to be fair, I invested in one. I didn't invest very much, but I invested a bit in one and I've kind of mentally written off any return from it, not to say that there won't be from the investment because I was invested because I wanted to support the project.

Exactly. And that's the overwhelming majority of people investing in these projects are exactly doing it for exactly the same reason as you Peg.

They just want to see it[00:06:00] succeed and they invest a small amount of money because they kind of calibrate. How much am I prepared to sort of not get too upset about if I never see it again?

But as you say, they are regulated, aren't they? They are regulated and they do hopefully pay a return. Have we got any ideas on what percentage of them are paying the returns?

Well, because it's a relatively new sector. There are, you know, there are lots of people who've launched share offers and the vast majority of share offers because they're helping start new businesses, they will have as in their offer, sort of documentation, a comment along the lines of we're going to spend the first three to five years just building the business.

And so we're not going to be in a position to pay returns back to you. Until we've sort of seen whether this thing works, housing, however, is one of those areas where it is actually quite a solid investment proposition. You know, if you're buying a local community pub or a cafe, you've got to be good at running a cafe or a pub, and you've [00:07:00] got to know that you've got a market for what you're doing.

Everybody knows there is a housing crisis in the UK, and if you can actually get the properties built, people, you know, filling those properties with people who want to live in affordable, sustainable, environmentally sound housing. There's not going to be a problem finding people to live in those, and because a community led housing project will generally be not trying to charge the earth, it'll be trying to charge fair rents, affordable rents, therefore you're not going to have any problem with arrears.

So it's as copper bottomed as they come, I think, actually, you know, and property investment is a thing. You know, you can open up Saga magazine and you'll see loads of opportunities for people to essentially do crowdfunding investment in buy to let properties. And I think it's about time the people who were concerned about having ethically owned and managed properties, not get rich quick properties, are actually starting to sort of be as, be as on the [00:08:00] front foot as essentially the bad guys are.

There is a market for people who want to invest in property. It is relatively secure. There are lots of you know, for want of a better word, people out there who are, I think, are deserving of greater scrutiny by the FCA as the regulatory body, but they're out there proving that there is a market for it.

And I think we need to get out there and prove there is another way to do this, which still works on the same basis. Small amounts of investment from lots of people. But the guarantee is this is not going to make the situation any worse. It's going to be part of the solution rather than the perpetuation of the problem.

Yeah. I mean, I think for a lot of people that is, you know, it is a really attractive thing to say, I'm going to put my money into something. I will get some return on it. And then now I'm going to be doing good. I mean, do you know how much money, I mean, I guess in theory, is there a limit to how much share capital, a community led housing project could raise?

Could it be anything? Do we know sort of how much money they're raising?

So lots of community led housing [00:09:00] projects are using share capital to get their first project on the board because they, they know that they're seen as risky by all the other ways in which you can finance something. And they just need some people to believe in them and give them some cash to move quickly when a property in their community comes onto the market.

If they're looking to buy and sort of grow their asset base like that, you just need to have ready cash. But once you've got your first property, then you can start to use that as leverage for your second and third and fourth, essentially in exactly the same way as a buy to let landlord will do, but without the buy to let landlord's lack of care, you know, the sort of profit extraction.

So it's the same sort of model only tuned for social good. And lots of community led housing projects are therefore only needing a relatively small amount for that first or maybe second property. But in terms of the actual amounts, you can invest, you know, the maximum any individual can invest in a community share issue is a hundred thousand pounds, but you can get lots of [00:10:00] people who can invest up to that amount.

I think the sky's the limit for this kind of thing. We just need to see some smaller examples leading to bigger examples, leading to even bigger examples. And I think we're in the foothills of this at the moment. You know, if you look at the community pub sector, the first community pub was actually back in 2001. I think in Heskett new market in the Lake district and it kind of bumbled along and there was only that one for about seven or eight years. Then there was another one. Then there was another two or three. Now there's 150. It's understood that if you have a pub in your community and you need to save it, we've now know how to do it.

And we use community shares. And we use a society and community led housing, I think is back in this sort of early, you know, mid 2000s kind of equivalent stage in its development. We've got some really exciting projects, which have started to use it from a common ground against homelessness, which is doing sort of stuff with the homeless in Edinburgh.

You've got your space in York, which is really innovative and is, yeah, let's just talk a little bit about your space. They're doing really innovative stuff. They're a co housing [00:11:00] scheme, but they're looking to do affordable housing as well. I mean, they've been really innovative, aren't they? In terms of the model that they're using.

And they've developed it. It is, you know, threading a needle through, through all sorts of regulatory and, and tax related issues in order to sort of make sure that this works as an affordable property. And one of the big challenges with that is to sort of keep the tax you're due to pay on these things as low as possible in order to be able to charge affordable rents.

And they've done so. Using some really clever people who've spent a lot of time thinking about this, but the beauty of your spaces model is it's scalable. You know, the more money you raise, the more properties you can build and the more properties you can create and build, the more people can get the housing they need which is going to give them the security they need to sort of live good lives.

I think we need to see more and more people be going, okay, [00:12:00] this works and you know, the returns should start flowing in and people can see that actually I'm getting 2 percent a year from this or, you know, the, the investors in your space, if we can show that these people are getting two to 3 percent per year return in the context of bank interest rates and the Bank of England rate being, you know, the square root of bugger all, frankly, that starts to look like what a good investment will look like for the next 10 years, I think.

And if we can make ethical, sustainable community led housing, something which has got a track record of being safe, you know, actually, we need to make it boring at the moment. It's a bit too innovative and until it becomes really boring, that's part of the challenge. So we need to move from innovative to boring really quickly.

But I'm confident we can do it.

And I mean, the other thing to say about Your Space is, you know, that the people working on it are volunteering for Your Space as well. And that's one of the things that is really great about this, is there's so many of these community led housing schemes. They're raising share capital.

It's all regulated. They're doing it all officially. And it's all been done by volunteers. Yeah, it [00:13:00] is. And I think that's, you know, that's a double edged sword to those to some extent, because it does mean that when you're looking to develop a project, getting to the stage where, you know, the amount of, donkey work, which needs to be done for every individual project is significant.

And if people are doing that in their spare time or trying to carve it out in between doing some stuff for work and doing some stuff with their families, it's going to take longer. And I think we need to get to the stage where, where the, you know, the, the people who are, for want of a better word, we're up against, the property developers who are not interested in sustainable or affordable properties.

They pay themselves a good living from doing this. And that means they can move quickly and they can strike and they can get things done more quickly. And I think we need to move past the volunteer stage actually, in order to get to the stage where we're on it, not 24 seven, but certainly 36 and a half hours a week.

Yeah, well, I mean, I guess that's where people like you come in, you know, the experts who can do that. I mean, let's just talk about how difficult this actually is to do. If you, if you are a group of volunteers, you've got a community led housing [00:14:00] scheme idea, you've got a site identified, you know what you want to do.

You just need the money. How difficult in reality is this to do?

The big issue is how engaged your local community of potential investors is. If you've got your heads down and you're talking to planners and you're talking to agents and you're talking to architects and you're talking to lawyers, if you're doing all of that, you're not talking to the wider community.

So when you get to the stage where you've got, right, we've got it all, we've got it all, we know what we've got to do. We just need to raise a certain amount of money. And this is a go. And then you start talking to the community. Then you're going to wait some time. So you, the critical factor in any share offer is essentially how ready are people to invest?

If you know, if your communities are just interested in community led housing, but doesn't realise that the way to get it is that it needs to play a part in making it happen. It's not about vicariously cheering you on and saying, I hope those people who are doing lots of voluntary work, I hope they pull it off because it would be cracking if they did.

[00:15:00] They need to move from wishing you well to realising that this only happens if they play their part too. And that takes time. There are very few people wandering around North Yorkshire at the moment thinking, you know what? I just wish there was a community led housing project. I could become an owner and an investor in, and there just isn't.

And that's a darn shame. And the job of any project is to get people where they're saying, I'm excited. I can't wait to actually start this. I can't wait to give you 500 pounds of my money to actually make your dreams come true and to start this process off. And getting people from where they are, to where they need to be to become investors is the biggest challenge, but compared to the other challenges with developing a housing project to do with land acquisition, planning, utilities, all of that stuff.

It is, you know, to some extent it's, I won't say it's a doddle, but it's certainly not the most difficult thing you will do in this process, because actually it's about things where our strengths are as a movement, engaging with people in the community, community led housing people [00:16:00] are all about the community, and it's just about doing that with a focus and making sure you're growing the number of people who care. And you know, that is one of the challenges with any community led share issue, where the number of people who are going to be benefiting in the short to medium term from this particular project might be as limited as 20 people, you know, maybe even less the people who are going to get decent housing out of this.

They're totally on board for it, but there's not enough of them to actually pay to actually get this done. So you need to inspire a group of people who are never going to live in these properties to actually become investors.

I guess that if some people have got money, they quite happily invest it. I mean one of the things that is worth saying is that, you know, there's been quite a few community led housing share offers and they've all reached their targets, haven't they? They've all reached the money. So there is people out there, but as you say, They've had to work hard to get that, you know, you've had to put a lot of emphasis on marketing and communications and things to get it.

Yeah. And I think there [00:17:00] is a kind of, there is a need to grow a movement. There, I think there are lots of people in the kind of community land trust and community housing sector who are really driven and they've kind of walked through the wall and they've kind of recognized that it's the way we own land in this country, which is at the heart of so many problems, but they forget.

I think sometimes that. The, the vast majority of people are not on the same page as them. And they're streets ahead of everybody else in thinking about how to solve the housing problems in this country. But they, they're sort of sat there waiting for people to catch up. And I think we need to go back to, you know, for want of a better word, ordinary people and start talking to them in, in ways they can understand and actually building a movement around those people rather than it being something which a kind of, you know, a kind of vanguard of people have seen the future and they're off riding towards it. That's not going to get community share offers in housing, successfully funding this kind of housing, because we need that mass of people [00:18:00] to become the investors. And that involves bringing people with them and explaining to them about how land and property development works in this country and how, you know, from the get go, It's built not to be affordable and it's not going to be sustainable.

And it's all about private profit extraction and getting people to realize that if we don't want that way of funding houses, we have to fund them other ways, and that involves them being part of the solution to that. And that can be a hard job and building movements takes time.

But it does, but it's also fair to say, you know, there are national platforms that people use for this that also do bring in national investors and people who maybe they don't know, but as you say, want to invest in a socially useful scheme. I mean, we talked a lot about how great this all is. Tell us about what some of the pitfalls, some of the cons are.

I think the main con is, is that you end up, you know, making promises to people that you've got to keep, because you're being invested in by people who live in [00:19:00] your community and who are your friends, that gives you a requirement and a kind of, you've made a promise to these people that you're going to do their best by them and to actually make this happen.

And so, you know, making sure you keep in your mind that it's not a donation. You, you know, you said how you've kind of mentally written it off, but lots of people who will invest often significant sums haven't written it off and they, so you've got that obligation. And the other part of it is it is, you know, hard, that movement building part of it is hard work.

And whilst there are platforms you can use, which will maybe help get some extra people in those people nationally who, who might be thinking this looks like a good investment here in Gainsborough or wherever. They need to see that the people in Gainsborough are on board too. And that, and there's no shortcutting that.

And that is just hard. And it often it's not everybody's skillset. And I think that's the main con as it were in that, that it is, you know, there is no shortcut to it. There's no magic bullet. But compared to all [00:20:00] the other ways you can fund this, it's got massive advantages because it brings you an engaged community of investors rather than a vicarious community of creditors who, you know, they're only, I always think of when I think of creditors, I always think of wolves.

You know, they look very cute and everything, but then they show you their teeth and then you're like, Oh, they're a bit, quite a bit scarier than I thought they were. You're not a cute doggie anymore. And it's the same with banks and lenders. You know, they're all friendly to you until you have trouble making those repayments. And then they're not so friendly at all.

And of course it is worth saying that obviously you know, community shares are, are regulated and you do have to go through a very detailed process and have a very full detailed, perspectives.

That is true, but it's, it's important not to sort of over egg it in the sense of one of the advantages of community shares is that there is a general set of regulations, which anybody raising capital from the general public has to follow.

And that involves getting things like [00:21:00] a regulated person who's someone who understands stocks and shares and stuff like that to oversee the production of all your documents, community shares that were exempt from that whole body of regulations. So whilst community benefits societies, which are the legal vehicle, you to do share issues. They're regulated and registered by the financial conduct authority. The actual issuance of the, of the shares to the public isn't, and that's makes it magnificently cheap and much quicker. So you don't have to jump through all these hoops, which have the net impact of making your share offer documentation as dull as ditch water.

But there is a national framework for like, you know, saying this is what a good share offer looks like. So if you want to make sure that it meets those kind of criteria, then that it's not regular. It's a self regulatory thing. It's what good share offers try and aspire to do in order to be a badge of quality to investors, to give them confidence.

But the main thing it does is make sure that if you follow these, this template and you do a share offer, which gets the community share standard mark. It's going to be a good share offer because you've [00:22:00] done all the right things to create the share offer. The problem comes where people think, oh, it's not regulated.

We could do this quickly. We could do it easily. We could do it cheaply. We could cut a few corners and that's where the problems will come in. But luckily I'm not aware of any share offer, which ever sort of hits that because most of the people who are doing this themselves have a strong set of ethics, which don't allow them to cut corners because they take that responsibility to the people who are going to invest very seriously. They don't want them to be sort of have the wool pulled over their eyes. They want them to be completely eyes wide open and to invest on the right. Absolutely. They want it to be the right kind of money on the, for the right reasons.

Yeah, absolutely. So we're coming up towards the end. I've mean, it was worth saying, you know, there's people like yourselves. There's a number of other advisors. There's the community shares unit. There's lots of people around to help. What if you had to give sort of two, three pieces of advice to any community led housing scheme, thinking of a community share offer, go ahead, come [00:23:00] on really quickly.

What your top bits of advice?

I think the main one is, well, the main one is you can never start marketing your share offer too early, even if you don't know how much money you'll need and how much the share offer is gonna need to raise and how much it will cost to become a shareholder.

You can't stop talking to your wider community about how you will need them to help them play their part to make this all happen. You need to start that as early as humanly possible, rather than it being a kind of tada, we've written, you know, we've done everything up and now we're coming to you. That's the most, you know, bits of advice, one to 100 is all basically, uh, gilding that lily.

The other point is, look at what other people have done. It's a very supportive and friendly community. Most people who built done community share offers are only too happy to share what they've done. But don't shortcut that, you know, don't just change the name of, you know, change your space to, to, I don't know, North Leeds and then think you're done.

It's, you know, you need to [00:24:00] re engage with it. And the final one is, you know, as you mentioned about, there is a community of practitioners and so on. The main thing really here is, you need to take the advice out there and there are some funding schemes which are out there to help you pay for developers so it doesn't cost you as an organization too much money and it helps you shortcut and maybe get through what can seem quite impenetrable at times.

And you know, it's like I think I always think of a forest, it can help cut through. We know there are people like me who know the quick ways through all of this. Yeah. Cool. Well, listen, Dave, thank you so much for your time talking to us. I, I'm hoping that everyone who's listened has been inspired because your enthusiasm is infectious.

I guess people can always go and find out more of the community shares unit. They can go to community shares company, find out more information on your website, Dave Boyle, community shares company. Thank you so much for joining us [00:25:00] on the podcast. Thanks very much. Peg Community

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