



ELSIPOGTOG CASE STUDY

Increasing the flow of capital to First Nation communities

ABSTRACT

This case study examines the partnership between Elsipogtog First Nation and The Usand Group as they create community capacity by overcoming institutional barriers and narrowing the capital gap.



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Introduction:

Elsipogtog First Nation (Elsipogtog) recently saw the grand opening of their River of Fire Market in conjunction with Loblaw's and Pharmasave. With several more projects now in the works, The Usand Group (Usand) and the community's long-term partnership remains momentous.

The Usand Group is a capital firm that secures innovative and customized financial solutions for First Nation, Inuit, and Métis communities. Working alongside community members every step of the way, we collaborate to find financial solutions that fit the needs, capacity and strengths of the band. These solutions are designed to enhance the financial and social wealth of the community and create a sustainable path to full participation in the global economy.

History of Elsipogtog:

The largest First Nation in New Brunswick, "Elsipogtog" means "River of Fire". The traditional district was assigned to the Mi'kmaq clan of Alguimou, or L'kimu. Misel Alguimou was baptized Michael Augustine in the 18th century. Chief Michael Augustine signed the Peace and Friendship Treaty with the British in 1761, on behalf of the Richibucto Tribe of Mi'kmaq. The Richibucto Reserve was established in 1802 and later reduced in size. Richibucto Reserve # 16 is also known as the Big Cove Reserve and now, as Elsipogtog First Nation located in Welford Parish, New Brunswick.

Methodology:

A multi-phased approach to financing.

For many communities, Usand employs a multi-phased approach to financing, creating a strong financial foundation on which to build. This involves discovering a community's short term, immediate needs and longer-term goals, then creating a 'roadmap' process to achieve that vision.

The first phase is usually an initial refinancing component that streamlines and integrates outstanding loans to free up financial capacity, and will often incorporate either an economic or social development project that is immediately required.

The first phase is also designed to account for future plans, such as new infrastructure or economic development, after which Phase 2 financing is implemented to help achieve those medium and long-term targets.

Usand's financing packages are designed to maximize community opportunities over the medium and long term by providing business expertise and linking a community into an existing network of professionals, to provide the key tools required, to successfully launch future projects. Usand can help advise a community on a particular order for projects that aligns with their strategic plans *from a financing perspective*, to ensure that the capital required for future projects is attainable.

Further, it is Usand's mandate to ensure that, as much as possible, Indigenous communities and organizations have the opportunity to own their projects 100% by presenting equity financing alternatives for consideration. In this way, the economic and social aptitude is continually developed on reserve, and all profits from business ventures are for the benefit of community members or Indigenous business owners. This is a key feature of the benefit of the Usand approach to First Nation financing.

Elsipogtog Phase 1:

With the nearest grocery store 12 km away, Band members had been making the commute for years to get the supplies they required. The strain of having to travel such distances to acquire daily goods, was taking a toll on the community's residents. This obstacle propelled the community to make a much-needed change. In collaboration with Loblaws and Pharmasave, two large Canadian corporations with over 2500 locations, Elsipogtog was able to produce a business plan. While the plan proved feasible, securing the financing required to see the project get off the ground, was not.

"The fact that we are going to grow our own business means over 50 new jobs for community members, which increases their personal wealth and prosperity and also provides new revenue for the community."

Chief Arren Sock

The Usand Group partnered with Elsipogtog to help bring the project to life. Often times, traditional bank lending does not apply to the initial phases of construction, and alternate financing is required. This is where, in collaboration with a bridge financing firm, Usand was able to secure the financing required to commence the River of Fire Grocery Store and Pharmacy.

In addition to financing construction, Usand was also able to secure funds to stock both the Loblaw's and Pharmasave.

Usand's solution of a bridge loan provided the funds to get the project started and completed in the gap between when the bank agreed to provide financing and when the community actually received the money. The bridge loan was then paid out by the Chartered bank once the market was built and the construction risks were settled, replacing the bridge debt with a lower interest rate and long-term structure.

Fiscal reform will have little impact on capital flows unless First Nation leaders can attract outside investment.

Roundtable participants noted that Indigenous businesses and outside investors face inflexible policies, high costs and long wait times when investing in First Nations. These issues create unnecessary burdens and significantly limit the flow of capital to First Nation communities and businesses.

Source: Canada's Public Policy Forum, 2016, "Improving access to capital for Canada's First Nation communities", P. 17
http://www.ppforum.ca/sites/default/files/First%20Nation_02-18_web_final.pdf

Foster and support regional cooperation to create a more attractive investment climate

"As the business grows and becomes more profitable, it will allow us to tackle new and exciting social and economic development projects. You can literally feel the positive momentum created by the store opening, and we are already discussing what will be the next step forward for Elsipogtog."

Chief Arren Sock

Outcomes:

- Canada's first Pharmasave owned and operated by a First Nation
- Profits remain in the community
- Increased personal wealth with 50 new jobs created
- Time and resources saved as commuting for groceries and prescriptions is no longer required
- Revenue from the River of Fire Market will assist the community in realizing future goals

Conclusion:

The Usand model avoided the one-size-fits-all approach typical to First Nation finance. Instead, Usand connected Natashquan directly to the innovative financial products they needed, while negotiating terms that were the best fit for the community. Natashquan received both short term positive impacts and a long-term debt structure, allowing the community to better meet current economic and social targets, while providing a solid base for future growth.

Bridge financing was a critical component of the project and has proven to be an effective tool that brings financing to a community within strict time constraints.

When quick project completion provides a high community impact, such as community housing or building a business to bring in new revenue, bridge financing is a perfect fit for a First Nation in order to pull forward the timing of these positive impacts so their effects can be felt sooner.

Elsipogtog Phase 2:

Fresh off the heels of success of the River of Fire Pharmacy and Grocery Store, Elsipogtog has immediate plans to begin working on a housing project for their community. As with most First Nations, Elsipogtog is no stranger to a housing shortage and an accumulation of repairs to existing housing. The community now has a council member dedicated to addressing the housing needs, as well a housing committee, comprised of volunteers, who's focus is engaging both community members and external stakeholders on the current housing situation.

Additionally, discussions have begun regarding the development of a parcel of land that the band currently owns. Located near a frequently used highway, the land will serve as an ideal location for a future gas station and truck stop. This project will, again, be one hundred percent owned and operated by the Band – keeping all resources in the community.

Outcomes:

- New, much needed housing going in to the community
- Development of vacant land
- Creation of another, 100% band owned, revenue-generating project

Conclusion:

By taking a holistic, turn-key approach to financing, and providing a multi-phased and multi-faceted methodology, Elsipogtog and Usand together have been able to create community capacity by overcoming institutional barriers and narrowing the capital gap. This is a new approach to First Nation financing that can help overcome barriers and limitations to economic and community development and increase the flow of capital to First Nations.