Community ownership through real estate: Propelling a movement beyond a moment

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INSTITUTE FOR COMMUNITY POWER

TWIN CITIES

CENTER FOR COMMUNITY LAND TRUST INNOVATION
Defining community ownership

Community ownership is more than having an equity stake in a building or receiving financial benefit from real estate development.

Community ownership means that the people most impacted by racial, economic, and environmental injustice have meaningful decision-making power over development, and that projects are responding to a clearly identified community need and stewarded to ensure they continue to meet these needs over the long term.

As leading CLT practitioner John Emmeus Davis writes, community-led development on community-owned land, which he terms common ground, puts “property and power into the hands of people historically deprived of both. It is also a bulwark against loss, protecting hard-won gains . . . far into the future.”

Common ground requires ongoing community planning and organizing, even if projects initially begin, as several of the case studies in this report do, with nonprofit acquisition of real estate, with plans to build tenant and community governance or ownership structures later.
Community Ownership Through Real Estate

Propelling a movement beyond a moment

Gretchen Nicholls
LISC Twin Cities
March 9, 2023
Using the momentum of a national conversation about racial equity to develop community ownership initiatives
Building the momentum and practice of community ownership

- Strengthening the ecosystem of knowledge and practice
- Investing in organizing, technical supports and network-building
- Creating shared equity financing products or funds
- Documenting and communicating this growing sector of work
- Sharing our experiences and continual learning
- Engaging equity partners to align with community efforts
Different community ownership models fit different places and purposes

Defining the Goal

Who Benefits?

How to build wealth and stability
A continuum of community ownership models

Preservation of affordable access

Community Land Trust

Limited Equity / Leasehold Cooperative
Real Estate Investment Cooperative
Nonprofit Ownership

Lease to Own / Contract for Deed
Community Investment Trust

Market Rate Housing Cooperative
Business Cooperative

Return on investment / wealth building
Moving quickly to secure real estate sites

The urgency of the moment requires us to mobilize quickly in response to current market forces. Generating the needed capital is a major hurdle. It can take months or even years to recruit investors or accumulate needed resources, all while community ownership opportunities pass by.

**Strategies to Accelerate Community Ownership Initiatives**

Hybrid strategies to help expedite a community ownership initiative might include:

- Working with a social impact investor that would purchase a site on behalf of a community ownership strategy
- Accessing an acquisition fund or working with an interim hold owner to secure a site while building out the community ownership model (e.g. LISC Twin Cities Community Asset Transition Fund)
LISC Twin Cities work is evolving

- Community Asset Transition (CAT) Fund
- Capacity-Building Supports to CLTs (HUD Section 4)
- Developers of Color
Commercial community ownership as a strategy for just development

Julia Duranti-Martínez
Commercial CLTs

- One 2011 survey found that at least 13 of 96 CLTs that responded had some commercial properties, and some have developed a significant commercial footprint. Champlain Housing Trust in Burlington, VT, stewards 140,000 square feet of commercial space in addition to its portfolio of 3,000 permanently affordable homes across a three-county area. The Urban Land Conservancy in Denver, CO has developed over 650,000 square feet of affordable commercial space for community-serving organizations and businesses.

- In addition to removing land from the speculative market and developing or preserving commercial properties, commercial CLTs typically also engage in broader community engagement, organizing, and advocacy efforts.

- In these core activities and the fundamental principles of landholding, stewardship, and prioritizing community decision-making and community needs in tenant selection, commercial CLTs are very similar to residential CLTs. Where all-commercial CLTs may differ is in a greater emphasis on rental opportunities and using conventional commercial leases in place of a ground lease.
Community investment trusts

- Community investment trusts provide an opportunity for community members to buy shares in an income-producing property that is rented out to community-serving small businesses and organizations.

- Designed to be accessible for low-income (“non-accredited”) investors, community investment trusts allow investors to contribute as little as $10 a month and sell their shares at any time, and investments are loss-protected by a letter of credit.

- Investor shares serve as an equity investment in the property, which may also require additional debt financing

Graphic: East Portland Community Investment Trust
Case Studies

Building a neighborhood economic base from within
Anchorage Community Land Trust, Anchorage, AK

Finding a path to sustainable stewardship through demonstration projects
Crescent City Community Land Trust, New Orleans, LA

Cooperation among cooperatives to promote affordable ownership for BIPOC entrepreneurs
Partnership in Property Commercial Land Trust, Twin Cities, MN

Collaborating to fight commercial displacement with a pathway to tenant ownership
Community Owned Real Estate, Los Angeles, CA

Preserving community assets through small-scale investments and commercial stewardship
Community Investment Trust, Portland, OR

Photo: East Portland Community Investment Trust
Findings

Defining clear goals and values at the outset and remaining connected with community members, other solidarity economy groups, and broader movements for racial, economic, and environmental justice are fundamental to ensuring meaningful community ownership.

• This can be seen in the ways that models cited here drew upon longstanding cooperative ecosystems, and on partnerships developed through organizing and advocacy. PIP CLT not only was incubated by City of Lakes CLT, but also has collaborated with both the Northside Investment Cooperative Enterprise and Rondo CLT locally. CORE members have long track records of community-led economic development in East Los Angeles as well as partnering with members of the Los Angeles CLT Coalition and supporting the coalition’s advocacy priorities.

“Our values were always in the right place. We’ve always had an office space in our neighborhood, which means that we’ve always been neighbors. Our staff knew every single lot up and down our communities. We prided ourselves on being the stewards for commercial spaces in our neighborhoods, and for showing up and being community members. We actually participated in leadership positions on our neighborhood council. We’ve organized community cleanups. Our value was that we would show up, be present in our community, and we would be a neighbor.”
Findings

In response to both disinvestment and speculation in commercial properties, groups largely moved quickly to acquire and rehabilitate properties first, and then engaged in broader community planning, engagement, and organizing to shape uses for the space and the organization’s activities, including plans to eventually transition from nonprofit to direct tenant ownership.

• Focusing on acquiring properties first is a different entry point than community-led visioning, property research, and base building that includes identifying specific sites and organizing community members around their acquisition, but buying property first can buy groups additional time to build community power and governance.

• Whether projects “organize to get property” or instead “get property to organize,” investing in base building, leadership development, outreach, education, and capacity building is fundamental to ensuring that community ownership projects can develop and sustain these governance structures and stewardship practices over the long term.

“We're always under the gun, and we're rushing these really needed processes because we're getting overwhelmed by speculators. If the community needs five years to figure out governance, we'll get them five years, but first, we’ve got to get the buildings. I have full faith that these buildings are going to be in good hands. We don't know exactly the details yet. But the fact that we have site control gives us a lot of leverage.”
Findings

Groups stressed the importance of commercial feasibility analysis and due diligence on properties, as well as building organizational capacity and strong partnerships with organizations experienced in commercial development, property management, and asset management.

• While these points are critical for any type of real estate development, commercial spaces bring additional build-out considerations and costs that are traditionally assumed by each new tenant.

• Community ownership initiatives may also want to consider pursuing lower-cost strategies, such as community gardens and green space, or using parking lots as a food truck plaza, as both Anchorage CLT and East Portland CIT have done. This approach can have a significant impact, and also create space for community members to identify priority land uses and develop a vision for spaces over time.

“Real estate doesn't have to look like a traditional model of buying and developing a building and then leasing it to a tenant. With build-out costs, that ends up being the most expensive and least accessible thing to community members. But there are all these other ways that you can have ownership or long-term management of a site that are equally valuable, and might lead the organization to the right final outcome. We owned this vacant lot with the farm for 10 years, and tried a farmers market, and tried parking things on it and running events, and all those things all led us to the right final real estate outcome. Sometimes it's good to let yourself go through that process, and community members help you figure out what that is.”
Because the viability of individual small businesses contributes to the success of the entire endeavor, technical assistance and one-on-one support are critical, and groups may face hard decisions about selecting tenants likely to endure.

- The groups interviewed seek to prioritize BIPOC-, refugee-, and immigrant-owned businesses operating in their communities for access to their commercial spaces and programs.
- From small business assistance and coaching in the case of Anchorage CLT, Crescent City CLT, and PIP CLT, to CORE’s one-on-one case management, to East Portland CIT’s required curriculum for investors, commercial community ownership projects are distinct from a typical commercial landlord or investment manager. Not every group interviewed had in-house experience in commercial development and property management, but they did have strong community partnerships, relationships with lenders, and in some cases significant balance sheets that they could leverage to buy buildings.
Findings

Groups underscored the need for strong local community ownership ecosystems, including supportive public policies and funding to scale these models.

- Most of the projects in this report launched without significant public policy or funding support, making their work very challenging.
- Community ownership has drawn increased attention from public officials as well as private funders. However, practitioners emphasized the need to translate this interest into action and sustain initial investments over the long term, particularly for groups making an up-front investment in affordability—to lower commercial purchase prices for BIPOC-owned businesses or community organizations—by buying commercial buildings.

“This kind of work must be connected to political movements. It’s not right that there’s not subsidy for this. It’s not enough for land trusts to be buying a couple buildings here and there. We really need to scale this with government action, and we need them to put resources into this.”
Recommendations

Provide shared learning opportunities and capacity building to advance community ownership planning and organizing efforts. Community ownership and its applications to commercial space are still not widely understood, especially in places that do not have an established network of community ownership projects, technical assistance and legal providers, and lenders. Capacity building for community residents and organizations as well as supportive partners interested in these models is an important first step.

Support ongoing community organizing, planning, and technical assistance. Community organizing, leadership development, and technical assistance are critical to launching and sustaining community stewardship of any kind of real estate over the long term, but groups interviewed highlighted the challenges in finding dedicated funding to support these activities. There is an urgent need for multi-year, flexible grantmaking to advance community organizing and planning as well as predevelopment activities.

Support coalition building and advocacy to strengthen policies and investment in community ownership. Developing supportive policies that channel public investment and properties to shared community ownership projects—for example prioritizing community ownership projects in the transfer of publicly owned properties—is critical for ensuring these models can scale. In addition to educating local and state government partners, this work could include educating lenders, legal service providers, developers, and other partners in community ownership models.

Create rapid acquisition, rehabilitation, and construction financing. As the case studies in this report demonstrate, affordable financing that can be rapidly deployed to acquire buildings and make needed repairs is critical. The LISC Twin Cities Community Asset Transition Fund is one successful example of pooling public and private funds to support community ownership projects, including a commercial CLT, and could be replicated.

Provide credit enhancement for loans to community ownership projects. Community-based organizations pursuing their first acquisitions often have limited access to affordable acquisition and construction loans due to high development and land costs, limited balance sheets, and appraisal gaps resulting from historic disinvestment in neighborhoods of color. At the same time, practitioners called on lenders to reevaluate their risk assessment and lending practices, and to be willing to lend to community ownership projects without requiring credit enhancement.
Partnership in Property
Commercial Land Trust

Domonique Jones, Executive Director
Who is PIPCLT?

MISSION: To (re)develop and preserve long-term affordable commercial spaces through community driven ownership of land.

VISION: We envision neighborhoods as reflections of the economic, cultural and social life of its people. Places that anchor, hold, sustain and nurture the health and wealth of a community. Neighborhoods where local BIPOC businesses can grow and thrive, residents claim space through decision-making power and ownership of land, and together are building a vibrant human-centered economy.

VALUES:

Equity

Community driven ownership

Community engagement and organizing

Anti-displacement
A Commercial Land Trust in 60 Seconds

The Basics of a Commercial Land Trust

**Goal:** Ensure affordable Commercial space for qualified entrepreneurs and prevent gentrification/displacement.

**How:** Provide an affordable investment towards the purchase of a commercial building.

**Sustainability:** Retain ability to ensure resale restrictions to perpetuate Commercial Land Trust model when property sells.

**The Small Print:** Typically tied to title of land via ground lease.
The Problem

Displacement due to rising costs as communities gentrify

- **Gentrification**: a process of neighborhood change that includes economic change in a historically disinvested neighborhood —by means of real estate investment and new higher-income residents moving in — as well as demographic change — not only in terms of income level, but also in terms of changes in the education level or racial make-up of residents.
- In a gentrifying neighborhood, **when homes are vacated by low-income residents, other low-income residents cannot afford to move in because rents and sales prices have increased**. This is also called exclusionary displacement.

Non-local ownership in community development

- According to Enterprise Community Partners, **just 2% of real estate industry firms are Black-led**.
- But Black households have a median net worth just **one-eighth** that of white households, according to the Federal Reserve — meaning, **Black developers have a much shallower pool of friends and family wealth from which to draw in order to raise funds for developer equity**.
- "While we don’t have good data on racial disparities in U.S. commercial property ownership, troubling statistics about the racial gap in business assets provide clues about the size of the gap. Overall, Black Americans have less than 15% of the net worth of White Americans and hold a smaller fraction of their wealth in business assets— just 8% to White Americans’ 15%, according to 2016 data." - Bloomberg, 2022
Why A Commercial Land Trust?

- Solution to gentrification and displacement
- Boost BIPOC Business and Coops
- Local Community Ownership
- Community Control of Neighborhood Development
Key Components of Model

**Geography:** Minneapolis, with Northside focus

**Governance Structure:** Board of Directors, 8-15 members

**Membership:** PIPCLT occupants/owners will be members, broader community also invited to participate

**Business Recruitment:** Application Process and Leverage local partners in the business development ecosystem

**Property Acquisition:** Buyer Initiated, Partnership Initiated, Strategic Opportunities

**Property Management:** Partner with existing and/or launch business line

**Partnerships:** Leverage local partners for business pipeline, technical assistance, financing

**Financing:** Mix of capital required (private, public, government, philanthropic)

**Staffing:** Executive Director, Business & Commercial Real Estate Manager, and Part-time fundraising, marketing/communications, property management
Our Portfolio

35th Penn Ave N
- Nice MN: The Northside Investment Cooperative Enterprise (NICE) is a community-owned investment cooperative in North Minneapolis that purchases properties to create and maintain affordable housing and commercial space for Northside residents prioritizing Black, Indigenous, and People of Color. [https://www.nicemn.com/](https://www.nicemn.com/)

19 E 26th Street
Future home of Affinity Care MN: Affinity Care MN (Affinity Residential Care) is a home and community-based services provider in the metro area of Minnesota. Affinity Care is a licensed organization designed to provide residential and in-home support for individuals using the Community Alternative for Disabled Individuals (CADI), Brain Injury (BI), and Elderly and Alternative Care (EW & AC) waivers. [https://www.affinitycaremn.com/](https://www.affinitycaremn.com/)

1819 Lowry Ave N
- Office of Affirmation House/ R&B Management: non-profit that provides housing to chronically homeless men. The first house was in Brooklyn Center and provided permanent housing for five men. As a result of the success of this first house, the founder won the Housing First Award from Hennepin County. Affirmation House has since expanded to serve 40 men and women at 6 locations.
Stay Connected to PIPCLT

1. Subscribe to our newsletter

2. Follow us on Instagram and Facebook

3. Donate or sign up to learn more about PIPCLT membership opportunities
Mercado Central before and after
Further Reading

LISC Resources
- Commercial Community Ownership as a Strategy for Just Development
- Community Ownership Through Real Estate. LISC Twin Cities
- Pathways to Tenant and Community Control. LISC Bay Area
- Real Power is in the Land: Community Land Trusts Past, Present, and Future
- New Communities and Community Land Trusts in Movements for Black Lives, Land and Liberation
- Community Land Trusts & Community Development: Partners Against Displacement

Other Resources
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