Community Investment Trust: On-Ramp to Financial Inclusion
Outer East Portland (the Numbers)
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Why?
(Economic Boom had its costs of Gentrification and Displacement)

Asset Poverty & Financial Inclusion is a pressing Oregon and national challenge

– 1 in 4 Oregonians (24%) live in a condition of asset poverty (Without income for 3 mos. must rely on friends, family, public assistance)

– 17% of Oregonians have zero or negative net worth

– 26% of renters in Oregon spend 50% or more of income on rent (2nd highest nationally)

– People want to invest but have small little in excess funds to invest

– People want to be part of something larger and local

– People want to learn and understand investing
Where?

Outer east Portland

- Population around Plaza 122 is approximately:
  - 185,000 people
  - 26% of Portland’s population
  - 40% of Portland’s students
- 65% of residents are renters
- Poverty rate is 22%
  - 90% of children in closest elementary school qualify for free or reduced lunch
  - Median family income is 67% of Portland metro’s median
- Ethnically diverse (Hispanic, Russian, Somali, Vietnamese)
What?

Need to create innovations that are designed to be chosen*

• Moving from Owing to Owning
  – People embrace the opportunity to take action for themselves
  – They rebel against being left out
  – Everyone wants access and opportunities, and to learn and understand
  – We all yearn to join into and be part of something larger

• People’s motivation for long-term investments:
  1. Children’s education
  2. Family emergency
  3. Purchase a home
  4. Retirement
  5. Get out of debt, start a business, buy a car

• The tool to achieve these was missing

*Nudge: Improving Decisions about Health, Wealth and Happiness
- Author, Richard Thaler -2017 Nobel Prize in Economics Recipient and Cass Sunstein
The Missing Step in Traditional Economic Development Thinking
Our Answer:

The Community Investment Trust

Traditional REIT

The Community Investment Trust

Mercy Corps NW built a team of expert advisors from industries:

• Real estate
• Law
• Investments and banking

Create a New private REIT:

• Low-dollar neighborhood investors
• Not only reserved for the rich anymore
• Offer to unaccredited investors
• Open up an asset building path for all
• Low monthly investment levels ($10-$100)
Invest the chosen amount ($10-$100) monthly

Become Shareholder in the CIT

Price of shares changes every year (it can stay flat in case of real estate market decline)

Receive Annual Dividend (minimum of 2%)

Can sell at any point in time back to the CIT

A Letter of Credit allows share price stability and liquidity

Provides a tangible, local Asset-Building path
The First CIT – Plaza 122

- Located at SE 122nd Ave in east Portland
- 28,972 square feet strip mall on 1.43 acres
- Built in 1962 on farmland
- Retail/Commercial zoning
- Now at ~95% Occupancy

26 Nonprofit & Business tenants
- Latina-owned Hair salon
- Tax preparers
- Insurance
- Russian lotion importer
- Somali-owned taxi company
- Chiropractor
- Transgender youth support...

26 Nonprofit & Business tenants
Purchase and Stabilization of Plaza

Graph showing investment amounts from 2014 to 2017:
- Mercy Corps NW
- Impact Investors
- Bank Mortgage

Comparative amounts for 2014 and 2017.
How the money flows

COMMUNITY INVESTMENT TRUST

INVESTORS FROM LOCAL COMMUNITY

MONTHLY INVESTMENT
$10, $25, $50, $100

BUSINESS TENANTS

PLAZA 122

SHARES

DIVIDENDS

RENT

EXPENSES
How the CIT Works Over Time

Over time, the loan is paid down and property value changes. The combination of the two factors then affects the value of the CIT shares.

As more and more people enroll to invest monthly, the neighbors owned percentage of shares in the property increases until they are all owned by the Community Investment Trust.
What We’ll Measure

**Financial Success of the Investor**
- Track investors’ engagement. Do they open saving accounts, start/plan a business, buying a house.

**Tenant Success**
- Does community ownership of the building affect the success of tenants’ business success? What type of tenants tend to see the biggest change?

**Community Health and Engagement**
- Will the immediate area around Plaza 122 see a change in crime rate and type of petty crime? What is the engagement with community through volunteering and voting registration?
An example of how to enroll and invest

Enroll in CIT as Investor for

Every month, purchase Shares

End of Year, Corporation calculates: Profit New Share Price

Dividends sent to investors Shares that you own are set to new value

In January, Gina enrolls to invest $100/month for the enrollment period ending December of that year

Every month, Gina is buying 10 Shares at $10 per Share

At the end of the year, Gina has invested $1200 and bought 120 Shares

The CIT calculates profits and determines the dividend will be the minimum 2%.

An appraisal is done to revalue the property and the new share price is set to $11

Gina gets a dividend of 2% of the $1200 which is $24

Her Shares are now worth $1320 (120 Shares x $11 per Share). This is $120 more than Gina invested. Gina is very happy

Gina wants to keep saving and investing, so she signs up during the next enrollment period

Enroll and Subscribe for the new year Offering- New Shares are purchased at new price
Where is the East Portland CIT Now

LEARN
• Financial Action Curriculum is accessible and facilitated by community members
• 67 Neighbors trained
• Offer “Owing to Owning” in English, Spanish, Arabic, Russian and Vietnamese, (to add 2 more languages)

INVEST
• Launched in October- 2017!
• First investors made automatic investment deposits on November 1st
• Aim for 120 neighbor investors by end of 2018

PROFIT
• 95% occupancy = steady income to EP CIT
• Lower and stabilize operating expenses
• Increased property attractiveness
• Introduce first food truck to parking lot = Evolve Business Model
Steps for Replication Exploration

Organize
- Organize your community and apply the Human Centered Design Approach
- Evaluate community needs and wants

Advisory Board
- Experts (Real Estate, Finance, Legal, Community Development)
- Designate an Advocate Organization
- Potential Funders

Explore
- Complete Readiness Self-Assessment (Starter CIT Tool-kit w/ CIT Services)
- Identify Potential Property
- Identify Potential Funding Path
Meet Germaine
Calculation of Sale Price/Common Share Price

<table>
<thead>
<tr>
<th>Change in Share Price</th>
<th>((\text{Change in Appraised value of property } \times \text{ Discount Factor}) + \text{ Reduction in Amortized Loan} )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Authorized Shares</td>
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Example ***

- Year 1 **Appraised Value** is 1 Million; Year 2 Appraised Value is $1.05 Million. So the **Change in Appraised value of property** is 0.05 Million or $50,000
- The Board of Directors applies a **Discount Factor** of 50%
- The **Reduction in Amortized Loan** (loan debt pay down) was $10,000 for past year
- Number of total Authorized Shares is 45,000
- Previous year share price was $10

\[
\text{Change in Share Price} = \left( \frac{\$50,000 \times .50}{45,000} \right) + \$10,000 = \$0.78
\]

\[
\text{New Share price} = \text{Previous Year Share price} + \text{Change in Share Price} = 10 + 0.78 = \$10.78
\]

*** Numbers used in this example are purely for illustration of the example and are not reflective of the The actual numbers for the East Portland CIT
Dividends

• Each year, the Board will determine the dividend that will be paid to Shareholders.

• The dividend per Share will be calculated based on the Corporation’s taxable income and cash flow. The Board is required to declare a minimum annual dividend of no less than 2% of the Share price.

• The Board may elect to issue an extraordinary dividend at any time.
The East Portland CIT Corporation has obtained a Letter of Credit from Northwest Bank that will provide for the payment for the purchase price of all outstanding Shares. This ensures that there will be funds available to the Corporation when Shareholder elect to redeem his or her Shares or the Corporation is obligated to purchase Shares.

The Corporation will adjust the amount of this Letter of Credit each year as needed based on number of Shares that are outstanding, the Shares that will be available for purchase and the current price of the Shares.