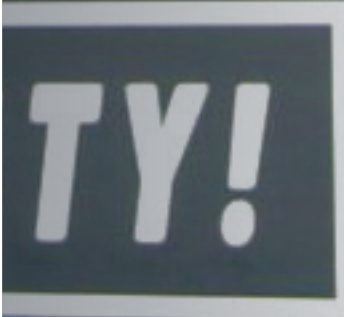
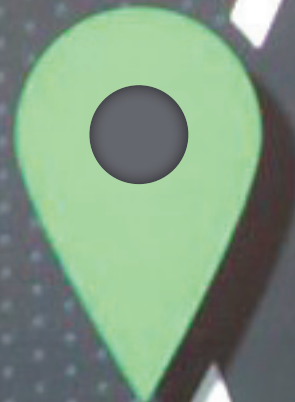


**LISC**  
TWIN CITIES



# *Community Ownership Through Real Estate*

*A guide for finding the right strategy*



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*View resource guide online at: [www.lisc.org/twin-cities/resources](http://www.lisc.org/twin-cities/resources)*

*This work was supported by a grant from the Minneapolis Foundation.*



First co-op in Minneapolis, Hard Times Cafe

## About the guide

This guide provides context around community ownership structures and investment models that involve real estate. If you're part of an organization that leads or supports these kinds of projects, we aim to help you understand how different real estate-focused community ownership models work and the type of initiative that may align with your goals.

# Community ownership: Propelling a movement beyond a moment

As the racial reckoning in 2020 continues to reverberate, we see this as an ideal time to push for the kind of structural changes that will reap benefits not just now but years and generations into the future. We have a rare opportunity to channel the momentum of a national conversation about racial equity into the development of community ownership initiatives and the ecosystem crucial to their success.

***We see community ownership and wealth-building models as important mechanisms to:***

## **Eliminate racial disparities and displacement**

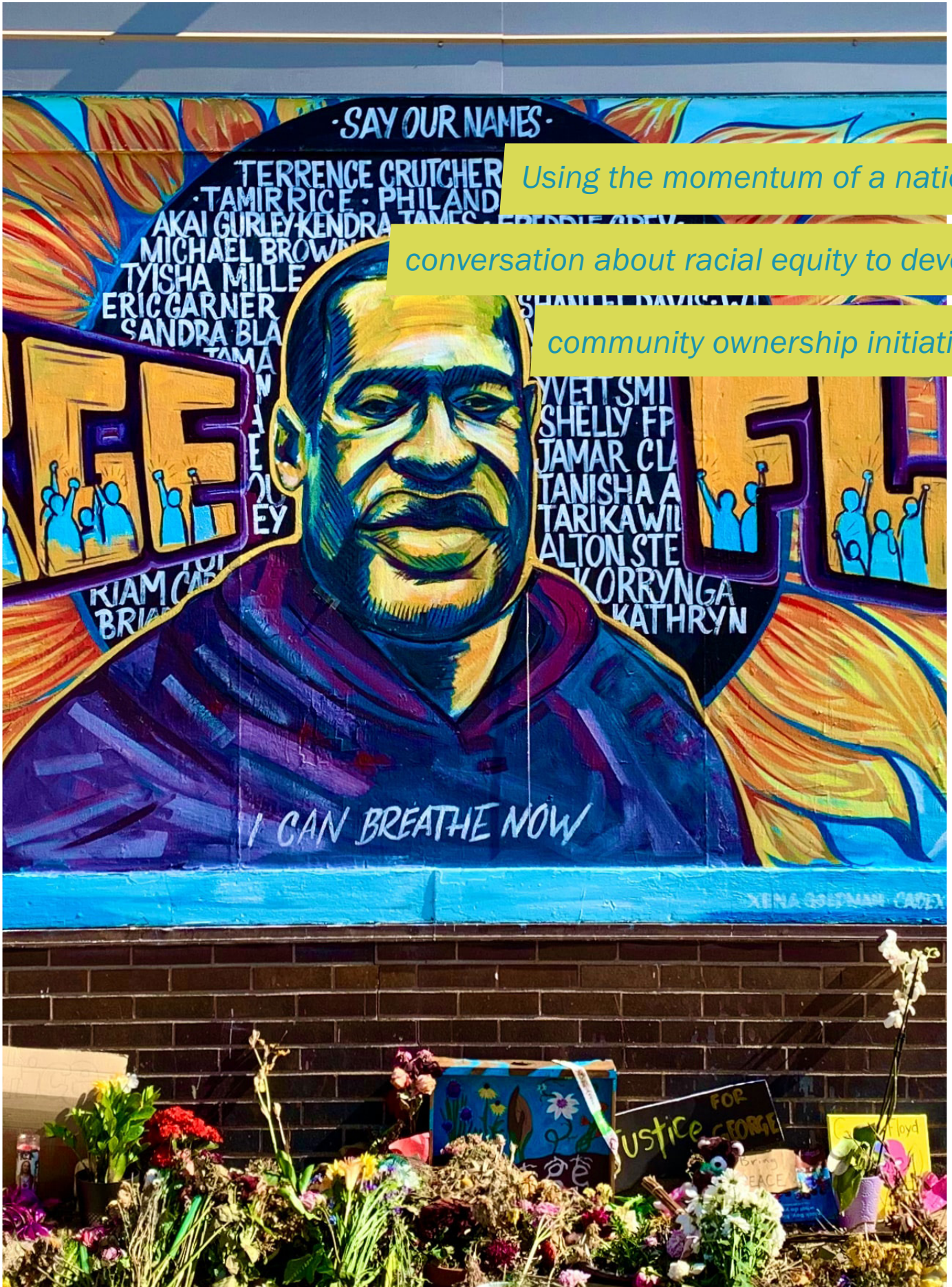
These models help combat the lack of investment that has harmed Black and brown communities for generations. Local democratic economies guard against displacement and support investments that give back to rather than take from the community. Access to ownership is key to a community's ability to shape its future.

## **Support community building**

Community ownership means community stewardship. Local control of property means local stakes in property. By embedding wealth-building mechanisms into neighborhoods and micro-communities, we encourage residents and business owners to devote time, energy and attention into caring for, growing and protecting their local investments.

## **Strengthen local businesses**

Ownership of commercial space gives businesses a huge advantage in the marketplace. Business owners no longer live under the threat of sudden or high rent increases or displacement from a property sale. With more control over their operating space, they're more likely to survive, thrive and contribute to a strong local economy.



*Using the momentum of a national conversation about racial equity to develop community ownership initiatives.*

# Different community ownership models fit different places and purposes

When shaping a project, it's important to clearly identify and define some critical guideposts. This will direct you to the models with the most potential for success—both for your organization and the community you serve.

## Defining the project goal

Being clear about your priorities and goals will help you narrow in on the most relevant model. For example:

- **Maintaining affordable lease or rental rates** to help prevent involuntary displacement.
- **Providing new ways** for community members to become investors/stewards of local commercial real estate and benefit from rising property values
- **Providing pathways** for businesses to own their leased spaces
- **Revitalizing an area** by reinvesting in buildings through renovation
- **Creating access to services** by recruiting businesses or service providers to locate in the area

## Who benefits?

Although numerous stakeholders may benefit in different ways, it's useful to be clear about who you intend to lift up with your initiative, such as:

- **Individual investors** — Creating local ownership opportunities
- **Businesses** — Stabilizing through ownership or affordable lease rates
- **Overall community** — Limiting involuntary displacement or improving the physical condition of deteriorating properties

## How to build wealth and stability

Some initiatives may revolve around creating wealth for individuals, while others intend to build wealth for businesses. Some projects may focus on long-term affordability while some pursue investment returns. These are all valid ways to create community wealth.

Different types of wealth creation include:

- **Financial profits through investment** — Generating a return on investment for community members who invest in a real estate property or business venture.
- **Wealth redistribution** — Accessing wealth from other areas and distributing it to underserved communities. This can also serve as a form of reparations.
- **Increased access to ownership** — Creating or enhancing the ability of a business or household to own its land or property, which reduces the risk of involuntary displacement.
- **Long-term affordability** — Limited-equity models such as community land trusts and cooperatives have the potential to increase wealth through lower housing and business costs rather than through rising land values.



## KEY ELEMENTS OF SUCCESS

### **Community engagement and communication**

Engaging the community is at the core of this work and essential to the process. Build your capacity for outreach and communication at all stages of the project. Identify effective ways to involve the community in guiding and marketing the opportunity and in communicating regularly about the project.

### **Financial feasibility**

Know what you're walking into. Do due diligence in determining the property's condition, create a pro forma to assess the financial feasibility, and understand what resources you'll need to achieve your goals. Mapping out a financial pathway is also critical.

### **Governance**

Community ownership aligns with the principles of a democratic economy. Accountability and oversight must be woven into those principles through a governance structure that guides decision-making. It's important to find a governance model that aligns with your initiative's community goals.

### **Asset management**

Housing co-ops, lease-to-own agreements and market rate co-ops come with responsibilities for asset management and maintenance that participants may not have experienced before. Anticipating and preparing for these responsibilities is key to long-term success.

### **Expectations for investment returns**

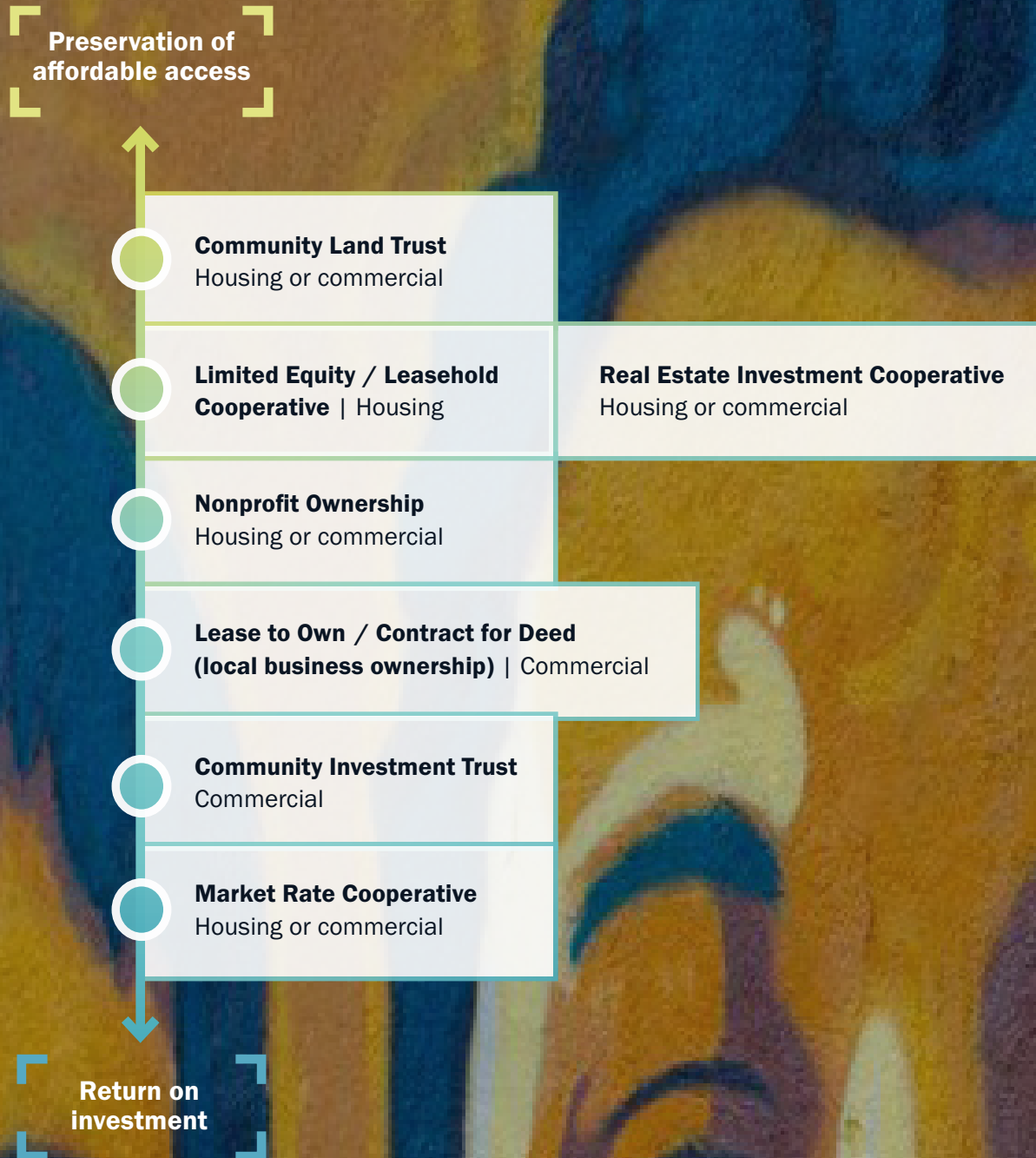
Community members that invest in a real estate property or business venture will expect a return on their investment. It's important to clarify assumptions and set expectations around the scale and timing of potential profits.

### **Evolution and change**

Communities are organic and constantly evolving. Any entity that represents them must also be nimble and ready to respond to changing conditions. Be open to the shifts and adaptations that may unfold. Engage in processes that keep you connected with the evolution of place and people.

# A continuum of community ownership models

*Real estate-based models of community ownership offer a continuum of options that serve different goals.*





## Community land trust

A nonprofit corporation that holds land on behalf of a place-based community and serves as the long-term steward for affordable housing, gardens, civic buildings, commercial spaces and other community assets.

- The trust sells any buildings on the land to cooperatives, nonprofits, businesses, homeowners or other individuals.
- A ground lease knits together—and equitably balances — the interests of the nonprofit landowner and of the buildings' owners.
- Building purchase is more affordable since it doesn't include the land value. This assures mission-based ownership and long-term control and serves as an anti-gentrification strategy.
- A significant portion of the increase in property value stays with the land trust, not the entrepreneur or resident, extending the opportunity for affordable ownership to future generations.

## Limited equity or leasehold cooperative

A nonprofit cooperative corporation owns the building and individuals buy shares to become a shareholder of the cooperative rather than the owner of a unit.

- The upfront cost depends on the purchase price of the property, the number of shareholders, and other factors that may impact the property.
- Owners actively control business practices and priorities in a democratic structure.

**Limited equity cooperative** — A resale formula limits the resale value of membership shares, and purchasers' income must be under certain limits. These guidelines help keep the housing permanently affordable to families and households.

**Leasehold cooperative** — The cooperative corporation does not own the residential property but instead leases it, typically from a nonprofit organization. Members are more like renters than shareholders, although the rents are typically well below market rate.

## Real estate investment cooperative (REIC)

Allows community members to collectively buy, rehab and manage commercial and residential properties. Investment co-ops can help community members build equity through shared ownership and mobilize around local control.

## Nonprofit ownership

A community development corporation (CDC) or mission-based nonprofit group buys property and owns it long-term to benefit the broader community.

## Lease to own or contract for deed

A commercial property owner (nonprofit or for-profit) and a local business enter a lease contract whereby monthly lease payments by the business act as installments toward the purchase of the property. The owner traditionally maintains full control until ownership completely passes to the business. This can be a great way to transfer ownership of commercial space to a business.

## Community investment trust

Social impact investors purchase commercial properties and place them in community investment trusts (CITs) to divest ownership to community investors. A CIT offers residents a loss-protected investment opportunity with low entry costs through monthly payments. As the property increases in value, community investors receive dividends reflecting the return on investment. CITs are structured much like REITs, but they're geared toward a specific geographic area or ZIP code. Community investors elect a board to oversee the asset.

## Market rate cooperative

Allows shareholders to sell whenever they want at the current market price. Purchase prices and equity development are similar to those of condominiums or single-family properties. Members govern the property in the same way as a condominium or homeowners association.

Businesses can also form a cooperative and purchase a building together to have ownership of the property and stability for their businesses. Each business is a shareholder in the cooperative and shares can be sold at current market value. Members determine a governance structure to oversee property and asset management.

## BEST PRACTICES

## FOR COMMUNITY-OWNED REAL ESTATE



### **Low purchase prices**

High share costs are a barrier for residents with limited finances. Monthly payments that offer a range of options or low upfront costs (under \$50) can help more residents participate.



### **Easy exits**

Make sure investors can quickly pull out their investment without big fines. This allows resident investors who need to access financial resources to easily get their profits without taking on debt.



### **Flexible buy-in options**

Provide many opportunities for people to buy shares or have an ongoing process so they can join when ready. Limited buy-in windows favor residents with more financial resources and expertise over lower-income or disadvantaged community members.



### **Strong community engagement and decision-making**

Longtime residents should help design the initiative, sit on the board that oversees it or have an elevated shareholder role. Organizations should have a robust, ongoing community engagement strategy that includes upfront financial education to inform residents of the upsides and downsides of investing.

Preserving or creating local businesses is a priority for community-owned real estate. These photos are of the following local businesses:  
(left) Fair State Brewing Cooperative, 2596 NE Central Avenue, Mpls,  
(right top) St. Vincent De Paul Thrift Store, 2939 12th Avenue South, Mpls,  
(right bottom) Breaking Bread Cafe, 1210 West Broadway Avenue, Mpls.



*This is the ideal time to push for community ownership that will reap benefits for future generations.*



**Profitable**

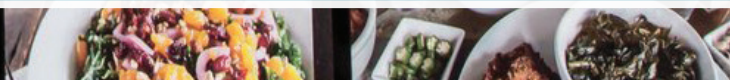
While equity investing always carries some risk, community equity investments should be especially designed to generate profits and eliminate risk. They need to have a compelling story and location, and they should be set up with due diligence by an organization with a strong project track record.



**Secure**

Community equity investments should aim to protect vulnerable investors from the inherent risks of commercial real estate investing. For example, philanthropic entities or financial institutions can take first-loss positions to protect community equity stakes.

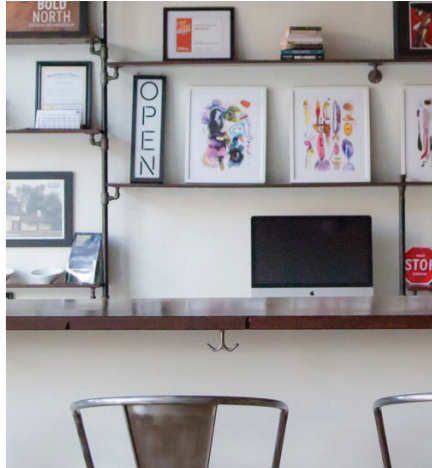
Source: New Models for Community Shareholding — Equity Investing in Neighborhood Real Estate Investment Trusts and Cooperatives, Brett Theodos and Leiha Edmonds, December 2020, Urban Institute.



# Building the momentum and practice of community ownership

Locally grown businesses and organizations offer community gathering places.

(left) NEW RULES, 2015  
Lowry Avenue North, Mpls.  
(right) Indigenous Roots,  
288 E 7th Street, St. Paul



With several community ownership projects underway in the Twin Cities, this is an excellent time to devote energy and attention to developing a robust, self-sustaining system. We can do this by:

- Strengthening the ecosystem of knowledge and practice
- Investing in organizing, technical supports and network-building
- Documenting and communicating this growing sector of work
- Sharing our experiences and continual learning
- Engaging equity partners to align with community efforts

These and similar actions will only continue to strengthen community-based ownership, equity and independence. Our efforts will pay dividends for years to come, as neighborhoods and cities become more diverse and inclusive—ready and able to meet the needs of residents and businesses from all backgrounds and life circumstances.

You will likely need to access legal advisors, financial and real estate expertise, governance consultation and other assistance. See page 18 for information about the Resource Guide available on LISC Twin Cities' website.

*Juxtaposition Arts, located at West Broadway and North Emerson in Minneapolis, inspires creatives throughout the community.*

## STRATEGIES TO ACCELERATE

## COMMUNITY OWNERSHIP INITIATIVES

### **Moving quickly to secure real estate sites**

Building a community ownership model from the ground up is a challenge. The capacities needed to support the structure and design of the model, the communications and outreach, and the execution of activities can be overwhelming. It's not efficient to reinvent the wheel each time. 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.

### ***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)

# Community ownership real estate projects in the Twin Cities

## A sampling of existing projects



*The State Fair Brewery is a worker-owned cooperative located in NEIC's first property on University Avenue.*

### **Northeast Investment Cooperative (NEIC)** Real estate investment cooperative

NEIC is the nation's first commercial real estate investment cooperative. It looks for underutilized property in Northeast Minneapolis and raises capital from community members to buy and rehab commercial and residential property. Members have an interest in tenants' success, which leads to relationships that support local businesses and the local economy.

NEIC is committed to operating in a way that achieves the multiple bottom lines of sustainable economic development, local ownership of community assets, and a modest return on members' investment.

*Visit [NEIC](#)*



*The Coliseum, built in 1917, was one of the few buildings still standing near the Third Precinct after the civil unrest in the wake of George Floyd's murder.*

### **Redesign Inc. | Coliseum Restoration** Lease to own (BIPOC businesses)

Redesign Inc. is a nonprofit community developer that works to build a generative local economy in the Seward and greater Longfellow areas of South Minneapolis. Redesign provides services including commercial real estate and housing development, infrastructure advocacy, business development and program administration.

In February 2021, Redesign purchased the Coliseum building on East Lake Street to protect it from demolition. A community commercial center since 1917, the Coliseum was almost destroyed following the civil unrest after the murder of George Floyd. Preserving and redeveloping the building is a high priority for neighborhood residents, community leaders and partners. Redesign has partnered with a number of Black-owned businesses to own and operate the building once restored, including the only Black-owned distillery in the country and a Black- and woman-owned architecture firm.

*Visit [Redesign Inc.](#)*

## A sampling of existing projects



Vanessa Del Campo's cooperative organizing group, Sky Without Limits Community, had gotten one step closer to owning the five buildings where they live.

### Sky Without Limits Cooperative

#### Housing cooperative

The Sky Without Limits Cooperative is a collaboration between Inquilinx Unidxs por Justicia (Renters United for Justice) and the Land Bank Twin Cities. Inquilinx Unidxs por Justicia helped the residents of five apartment buildings (69 total units) in the Corcoran neighborhood of Minneapolis address affordability and poor living conditions. Throughout, residents faced ongoing threats of eviction by an unscrupulous landlord. After a long-drawn-out legal battle, they prevailed to form the Sky Without Limits Cooperative.

In 2019, the Land Bank Twin Cities, a nonprofit specializing in real estate financing and land acquisition, development and preservation, purchased the properties on behalf of the residents and Inquilinx Unidxs por Justicia, serving as an interim owner. The Land Bank is collaborating with residents to restore the buildings. The Sky Without Limits Cooperative expects to purchase the properties from Land Bank Twin Cities in April 2023.

**Visit Inquilinx Unidxs por Justicia**

**Visit Land Bank Twin Cities Inc.**



The initial commercial sites are located at Penn Avenue and 35th Street North in Minneapolis.

### Partnership in Property Commercial Land Trust + Northside Investment Cooperative Enterprise (NICE MN)

#### Commercial land trust + real estate investment cooperative

Partnership in Property Community Land Trust (PIPCLT) purchased three properties on Penn Avenue in North Minneapolis and is partnering with Northside Investment Cooperative Enterprise (NICE MN) to create opportunities for community ownership, offer and maintain affordable lease rates for businesses, and elevate BIPOC leadership and ownership.

**Learn more about NICE MN**

## A sampling of existing projects



*BLUU Northside Housing Cooperative renderings provided by Damaris Hollingsworth, of Design by Melo, a Black-woman-owned design firm.*



*Mercado Central*

### **Black Lives of the Unitarian Universalism (BLUU)**

#### **Housing cooperative**

In the summer of 2019, The BLUU Northside Housing Cooperative Initiative purchased eight vacant lots in North Minneapolis with funds donated by a national network of Unitarian and Universalist congregations. BLUU is working with Urban Homeworks and others to provide affordable multifamily homeownership options for Black and Indigenous communities on these lots.

The project is expected to take two to three years and to yield 24–32 cooperative units of affordable housing. Including the sites in a land trust to ensure long-term affordability (99-year land lease) is also being considered.

**Visit BLUU**

### **Mercado Central**

#### **Member-based business cooperative**

Mercado Central is a long-standing thriving marketplace of 35 businesses at the corner of Lake Street and Bloomington Avenue in Minneapolis. Founders Juan Linares, Ramon Leon and Sal Miranda started Mercado Central to foster business development for Latinos in Minneapolis. They understood that economic progress was critical for Latinos to overcome barriers to full participation and success in society. Mercado Central has since become a national model of community economic development.

Mercado Central opened its doors in the summer of 1997 in partnership with Whittier Alliance, Neighborhood Development Center and Project for Pride in Living (community development nonprofit organizations). In 2017, the Mercado's 20th anniversary, it celebrated the formal transfer of the property to the business cooperative. Today the property is owned and managed by the business cooperative owners.

**Visit Mercado Central**



## A sampling of emerging projects

### **Midway Investment Cooperative**

#### **Real estate investment cooperative**

The Midway Investment Cooperative is a group of community members pooling their money and power to secure space for community, small business and cultural use in the Hamline Midway area of St. Paul. Through cooperative real estate investing, the group endeavors to enhance local ownership and community-driven decision-making, build local capacity to own and manage properties, and support small businesses.

*Visit [Midway Investment Cooperative](#)*

### **Cultural Wellness Center**

#### **Community investment trust**

As a recognized authority on cultural wellness, the Cultural Wellness Center offers experiential learning opportunities that actively boost well-being, improve relationships, build communities and train organizations. The center offers classes, coaching and consulting that support families, communities and organizations in developing culturally based solutions to real-world problems. Its use of cultural knowledge and awareness is a unique approach to healing.

*Visit [the Cultural Wellness Center](#)*

### **African Career, Education & Resource, Inc. (ACER)**

#### **Member-based business cooperative**

ACER is working to create the first suburban model of community-owned commercial space for BIPOC businesses. Ignite Business Women Investment Group (IBWIG) is a real estate investment group comprised of 27, mostly African immigrant, businesswomen. The IBWIG is a product of the 60 member Brooklyn's Minority Women Business Network (BMWBN) supported by ACER's Cooperative Development Project Manager. The effort utilizes a cooperative structure to generate resources to collectively address the disparities impacting the BIPOC business community.

*Visit [ACER](#)*

# Resource guide

A resource guide is available. Technical consultants and contacts for community ownership projects can be found at: [www.lisc.org/twin-cities/resources](http://www.lisc.org/twin-cities/resources). Please contact Gretchen Nicholls at [gnicholls@lisc.org](mailto:gnicholls@lisc.org) to add a resource or contact to the directory.



Small businesses are critical assets that can be stabilized through community ownership real estate models. These photos are of the following local businesses (clockwise from top left): Ingebretsons, a vendor at Mercado Central, All my Relations Gallery, Heart of the Beast Theater Puppet and Mask Theatre, and Five Watt Coffee.



*Building equitable wealth for*

*Black and brown residents of the Twin Cities.*

*Mercado Central is a national model of community economic development*



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