

ANALYZING THE RISE OF COMMUNITY-OWNED COMMERCIAL PROPERTY

A STUDENT RESEARCH PRESENTATION

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WHAT IS COMMUNITY OWNERSHIP?



*THE COLLECTIVE OWNERSHIP AND MANAGEMENT
OF LOCAL ASSETS AND RESOURCES BY THOSE WHO
LIVE AND/OR WORK IN A COMMUNITY.*

COMMUNITY OWNERSHIP OF COMMERCIAL PROPERTY



Source: Market Creek Plaza

- Historically, **community ownership** has focused on **residential property**.
- However, a **growing number** of nonprofit and community development organizations are experimenting with models of **community-owned commercial property**.

WHY COMMUNITY OWNERSHIP OF COMMERCIAL PROPERTY?

Organizations have been motivated to experiment with commercial community ownership for a variety of reasons.

Addressing Historical Disinvestment

Building Community Wealth

Increasing Community Power

Preventing the Displacement of Small Businesses

Encouraging Commerce that Reflects Community Culture

THREE DIFFERENT MODELS



Community Land Trust

Community Investment Trust

Neighborhood Trust

COMMUNITY LAND TRUSTS

Ownership Structure

- A community organization buys or builds commercial real estate using grants, low-interest loans, or donated land.
- **Either provides below market-rate rent or sells property at below-market price.**
- When **organization** sells the commercial unit, it still **maintains ownership of the land the property is on.**
- In exchange for buying the property at a below-market price, the business owner signs a contract agreeing to sell it at a below-market price if they ever decide to sell.



Source: Rondo CLT

COMMUNITY LAND TRUSTS



Source: Dudley Street Neighborhood Initiative

Governance

- CLT governance varies by organization
- Typical to have a board composed of three core groups: **people who live or work on CLT land, people who live within the CLT's service area, and practitioners with experience helpful to the CLT's mission.**
- These boards are responsible for decisions concerning property acquisition, organizational strategy, tenancy, and other key functions.

PARTNERSHIP IN PROPERTY CLT (PIP CLT)

- **Context:** Based in North Minneapolis, but spread across whole City.
- **Goals:** Established in **2018** to preserve and expand community-owned, affordable commercial spaces that prevent displacement and honors the black history and cultural wealth of North Minneapolis.
- **Specifics:** PIP CLT provides 20%-40% of the purchase price to small businesses, who must secure a mortgage for the rest. For those who are unable to obtain a mortgage, PIP provides a lease-with-option-to-purchase agreement.
- **Outcomes:** PIP CLT presently has three commercial properties



Source: PIP CLT



COMMUNITY INVESTMENT TRUSTS (CITS)

Ownership Structure

- The CIT acquires neighborhood real estate through grants, low-interest loans, and private/ impact investors
- Community members **invest** affordable amounts into the CIT
- There is investor loss protection, ensuring that investors won't lose any money and can sell their shares at any time.
- Overtime, community members buy out ownership from initial investors.
- CIT leases commercial space at below-market rate.
- Community investors **benefit from annual dividends and long-term share price appreciation.**



Source: The Guild

COMMUNITY INVESTMENT TRUSTS (CITS)



Source: NorthEast Investment Cooperative

Governance

- Community investors and the board guide decision making.
- Community investors elect board members.
- Community investors typically vote on what property to acquire and how that property is to be used.
- While it varies, the community-elected board typically **decides on organizational strategy, tenancy, and other core functions.**

EAST PORTLAND CIT

- **Context:** Located in neighborhood of East Portland.
- **Goals:** Created in **2017** to build community wealth, provide affordable commercial spaces for local businesses, and promote economic development in East Portland.
- **Specifics:** Community members buy shares in East Portland CIT Corporation (valued at a little over \$20), opting to invest anywhere from \$10 to \$100 a month, benefiting from annual dividends and share price appreciation.
- **Outcomes:** Acquired **Plaza 122**, valued now at **\$2.1 million**. **345 Portland families** have invested with a total of **\$767k** invested.
- **122 investors cashed out with a value of \$310k**. **64% of investors are low-income and 59% are BIPOC**. Around 30 businesses and nonprofit tenants benefit from below-market rents



Source: East Portland CIT

NEIGHBORHOOD TRUSTS

Ownership Structure

- An organization maintains two legally and financially tethered entities: a **Perpetual Purpose Trust** and a **501(c)(3) nonprofit**.
- The Perpetual Purpose Trust **acquires neighborhood property** through public, private, and philanthropic capital including foundations, government subsidies, and private donors, and debt.
- The nonprofit manages everyday administrative operations like property identification, fundraising, negotiation, redevelopment, and management.



Source: Kensington Corridor Trust

NEIGHBORHOOD TRUSTS



Source: Kensington Corridor Trust

Governance

- The Board is made up of residents, small business owners, and other community-based organizations.
- At least 30% of the board must be small business owners and another 30% must be current or former residents of the neighborhood.
- Board manages 501(c)(3)
- The Perpetual Purpose Trust Stewardship Committee oversees the trust.
- The Perpetual Purpose Trust Committee makeup includes residents, business owners, community leaders, and a member of the Board.
- An independent designated Trust Enforcer makes sure that the Trust Stewardship Committee is working in the best interest of the community.

KENSINGTON CORRIDOR TRUST (KCT)

- **Context:** Based in the commercial corridor of the Philadelphia neighborhood of Kensington
- **Goals:** Created to combat disinvestment and grow community power in Kensington while preserving affordable commercial spaces and the neighborhood's culture.
 - The Kensington commercial corridor has dealt with a general decline, high vacancy rates, and open-air drug markets.
- **Outcomes:** As of 2024, KCT has 30 assets in trust, 40 units under development, 9 businesses in a KCT space, and 26 permanently affordable units being leased
 - Funded through a mixture of grants, donations, and low-interest loans.



MODELS COMPARED

	Community Land Trusts	Community Investment Trusts	Neighborhood Trusts
Ownership	CLT sells buildings to small businesses but maintains ownership of land.	Community members purchase growing share of trust.	Perpetual Purpose Trust maintains ownership of commercial property.
Governance	501(c)(3) Board of Directors, which typically includes residents and businesses	Community investors elect board members and vote on key decisions such as acquisition and tenancy.	PPT has legally binding “purpose” that typically includes commercial affordability and community governance.
Financing	External: Grants, loans, donated land Internal: Small business tenants	External: Grants, loans, private investors Internal: Community equity investors	External: Grants, low-interest loans

COMMERCIAL COMMUNITY OWNERSHIP AROUND THE U.S.



QUESTIONS BEGINNING TO BE ANSWERED:

What are the commonalities of the neighborhood's that utilize these models?

- Preliminary evidence suggests these models are common in neighborhoods where home values and incomes are rising at higher rates than the cities they reside in.
- Common in cities with high cost of living, but not exclusively found in these cities.

What are the commercial real estate markets of those same neighborhoods?

In what contexts are these models most appropriate? What can these models realistically achieve?

THANK YOU!