

Extending Community Control over Commercial Development: Community Land  
Trusts and Community Finance Models

A thesis submitted by

Allison Curtis

in partial fulfillment of the requirements for the degree of

Master of Arts

in

Urban and Environmental Policy and Planning

Tufts University

May 2018

Adviser: Penn Loh

Reader: Barbara Parmenter

# Abstract

The role of community land trusts (CLTs) in community development has been most frequently expressed as the creation and support of affordable homeownership opportunities for low-income and marginalized populations. However, the history and original intent of CLTs are deeply rooted in a holistic view of community development that includes the economic development of neighborhoods. One aspect of this economic development that has recently been revitalized as a potential focus of CLTs is the development of commercial space. Commercial development could be the development of office space, small business, or other retail and generally exists close to, or within, residential areas. This type of development can be used to address a variety of community development goals including job creation or the provision of needed goods and services. This thesis discusses the ways in which CLTs are currently engaged in commercial development and their roles in the development process. It then identifies certain areas that CLTs could provide stronger avenues for the community control and stewardship of commercial developments. Finance structures are identified as one manner through which this control can be expanded and three case studies are provided to showcase models CLTs may adapt or partner with in their commercial development efforts: direct public offerings (DPOs), community capital funds, and real estate investment cooperatives (REICs).

# Acknowledgements

I would like to thank Penn Loh for his thoughtful guidance throughout this thesis process and my time at UEP in general—his commitment to community partnerships and the solidarity economy are a consistent inspiration to me and I have learned so much from him. Barbara Parmenter, my reader, was also vital in my completion of this thesis. Thank you to my UEP-life-partner, Laura Flagg, who has been by my side throughout my time at Tufts, providing guidance, support, and laughs along the way. Joe Katz deserves a special shout-out for listening to my anxieties and doing the grocery shopping during particularly stressful weeks. My parents, John Curtis and Mary Sparks, have supported my academic and professional lives unfalteringly and I am extremely thankful for their support and love. I'd also like to thank Christian Brandt, Adam Holt, Kurt Prescott, Alyssa Kogan, Maggie Brown, Hannah Reuter, and Axel Nilsson for making my time at Tufts and in Boston so fulfilling, fun, and weird. Thank you!

# Table of Contents

<b>I.</b>	<b>Introduction</b>	<b>1</b>
<b>II.</b>	<b>Methods</b>	<b>4</b>
<b>III.</b>	<b>Background on Community Land Trusts</b>	<b>9</b>
<b>IV.</b>	<b>CLT Commercial Development Models</b>	<b>20</b>
<b>V.</b>	<b>Commercial CLTs and Community Control</b>	<b>33</b>
<b>VI.</b>	<b>Community Finance Models for Community Control</b>	<b>38</b>
<b>VII.</b>	<b>Analysis</b>	<b>58</b>
<b>VIII.</b>	<b>Conclusions and Next Steps</b>	<b>72</b>
	<b>Appendix</b>	<b>76</b>

# Tables and Figures

Table 1: CLT Goals for Economic Development.....	22
Table 2: Commercial CLT Examples.....	25
Table 3: CLT Involvement in Development Process .....	35
Table 5: Real Estate Investment Cooperative.....	50
Table 6: Ujima.....	56
Table 7: Comparing Models .....	70
Figure 1: Steps in Development Process .....	33
Figure 2: Community Control.....	36
Figure 3: NYC REIC Structure (NYCREIC.com) .....	49
Figure 4: Ujima Structure (Ujimaboston.com) .....	52
Figure 5: CLT Current Structure .....	73
Figure 6: CLT Potential Structure .....	74

# I. Introduction

The roots of the modern community land trust (CLT) can be traced as far back as Henry George, an American political economist who came into prominence at the end of the 19th century. George's seminal work, *Progress and Poverty*, argued that much of the value of land is derived from the development that happens around it and that this value should be shared by the community rather than an individual. The community land trust, developed over the next century, has continued to shape tools and programs to realize George's vision of land stewardship, shared value, and community control.

While the intentions of a CLT are rooted in the stewardship of land for all uses, they have become known primarily as vehicles for creating and maintaining affordable housing. Due to their noted success in addressing the housing needs of low-income communities as well as their strong emphasis on community ownership, it is no surprise that some CLTs have begun to once again explore the development of commercial properties and businesses to further address the needs of the residents they serve. CLTs have begun to approach community development more holistically, recognizing that a thriving community may have more expansive needs than only affordable housing.

A 2011 survey of CLTs notes that of 96 CLTs who responded, 13 have commercial spaces in their portfolios. These commercial programs exist all across the country and have a range of goals: to provide affordable rental spaces for local

businesses, to encourage the provision of goods and services to a disinvested neighborhood, to provide employment opportunities for local residents, etc. However, since commercial development is relatively new to CLTs, there are various approaches being pursued.

This project seeks to understand how community land trusts can effectively support the community-control of commercial development. Through a survey of land trusts currently involved in commercial development, it is clear that there are certain areas of the development process wherein CLTs could provide more support for community control. Chapter II describes the methodology used in this study to provide a better understanding of the current role of CLTs in commercial development, and places where growth is possible. Chapter III provides a deeper background to the CLT movement and its implications in this type of development.

Chapter IV provides an overview of current CLTs involved in commercial development. A range of programs are sampled from across the country varying in scale and intention. This chapter also includes a discussion of the various roles that a CLT can play in commercial development, including planning and visioning, providing technical assistance, and holding a lease. Chapter V dissects the role that CLTs play in creating avenues for community control of development. This section identifies areas wherein CLTs are currently involved in creating these avenues, as well as places for potential expansion and innovation,

including community finance, a topic discussed further in Chapter VI. Three models are discussed in this chapter: direct public offerings, real estate investment cooperatives, and community capital funds. Each of these models provide examples of how investment structures can be democratized, an analysis that is continued in Chapter VII. Finally, Chapter VIII includes concluding thoughts on how shifts in perception of the CLT model could provide flexibility, allowing for further innovation.



## II. Methods

### Overview

This thesis seeks to add to and synthesize the research on commercial development by CLTs while also providing case studies of community-controlled financing models. By providing a comprehensive overview of the current literature on the involvement of CLTs in commercial development, as well as a summary of current organizations involved in this type of development, I hope to display the current status of the academic and applied conversations on this topic. In addition to supplying a summary of the topic I seek to expand the thinking on the roles of a CLT in commercial development by encouraging practitioners to consider other models of community-owned commercial development. Thus, I provide three case studies as models for further deliberation.

### Research Questions

My overarching research question guiding this thesis is: in what ways can CLTs effectively support community-control of commercial development?

Further questions guiding my inquiries are:

- How are CLTs involved in commercial development?
  - What value added can CLTs bring to commercial development?
  - What community benefits can they advocate for?
- How does a CLT provide opportunities for community ownership and control?

- What conditions are needed in order to provide avenues for community ownership in commercial development?
- What models of community owned commercial development might be relevant or useful for CLTs?
  - What barriers exist for CLTs interested in providing community control opportunities in commercial development?
- What does a community land trust bring to the table to make these projects more feasible?

## Background Research

The thinking behind this thesis began in the summer of 2017 when I was hired as a research assistant on a project in conjunction with Dudley Street Neighborhood Initiative (DSNI) and their CLT, Dudley Neighbors Inc. (DNI). DNI had recently acquired a commercial space, the first in their portfolio, and my research was intended to provide them with background information on how CLTs have developed commercial space in other cities. This information was then used to inform a practicum course, taught by Professor Penn Loh at Tufts University, in partnership with DSNI that was offered to Tufts UEP students, staff at DSNI, and other community practitioners. My original research outcomes inspired me to dig deeper into the role that CLTs could play in commercial development.

In order to effectively understand the scope of commercial development work being pursued by CLTs, I performed background research on the CLT field as a

whole and specific organizations. I began this research by conducting a preliminary literature review on community land trusts and commercial economic development. This initial search yielded very few results-- much of the available literature focuses on CLTs as a housing tool as opposed to a tool for community economic development. However, a few reports are available on specific commercial projects and programs. Along with a list of organizations involved in CLT commercial development provided by DSNI, I utilized the “snowball” approach to gather more information about commercial CLT programming. I gathered information from websites and case reports and also made direct contact with several staff from relevant CLTs to gain a deeper understanding of their programming and commercial portfolios.

Beyond the research on cases of commercial CLT development, I sought to contextualize this information within a greater understanding of the roles of the CLT and commercial development in community development in general. Thus, I expanded my literature review to include articles that provide background information on these two topics and an interview with Peg Barringer, a professor of Community Economic Development at Tufts University and a consultant for Fine Point Associates. As CLTs are tools used for the enhancement of community control of development, I have also included a short review of pertinent literature to contextualize this tool in academic conversations concerning community control.

## Background Interviews:

Stuart Bannan: Anchorage Community Land Trust

Annette Montoya: Sawmill Community Land Trust

Ian Winters: Northern California Land Trust

Peg Barringer: Tufts University and Fine Point Associates

## Case Studies/Interviews

In addition to an overview of the current state of academic and practical discussions of CLT involvement in commercial development, I have also provided three case studies of other models being used by non-CLT organizations to encourage community-controlled commercial development. A list of potential models was provided by DSNI at the beginning of my research to further explore, and these three were determined to be the best potential fit for potential CLT partnership or adaptation. Each model seeks to democratize the financing of local businesses and real estate as a means to expand community control over development, one of the key intentions of a CLT. In order to inform these case studies, I completed interviews with key staff or volunteers from each organization represented. These interviews were intended to provide further context for the models themselves and how they work. Each interview was conducted between January 30th, 2018 and March 14th, 2018 over the phone for approximately 45 minutes:

Nia Evans  
Director  
Ujima Project

Lor Holmes  
General Manager  
CERO Cooperative

Oksana Miranova  
Founding board member  
New York City Real Estate Investment Cooperative

## Limitations of Methods

While the research I conducted on the background of commercial CLT projects was extensive, it likely does not include every CLT involved in this type of work. Many CLTs are small, have limited online presences, or do not publicize their programming. My research and analysis are not based on quantitative methodology nor are they intended to decipher the prominence of CLT involvement in commercial development.

It is also important to note that there are a vast multitude of programs and models that seek to provide a higher level of community ownership over the economic development process. The models I provide are simply a sample in order to further encourage CLT practitioners to expand their thinking around the possibilities available to them when configuring their own programs. A great deal of further research can (and should) be done into the many options. The interviews conducted with staff and volunteers are also likely skewed to be in favor of the programming they are involved with; however, the questions asked were generally related to the function of the program, not feelings towards the program.

# III. Background on Community Land Trusts

## Introduction to CLTs

The origins of the community land trust are rooted in thinking from the late 19<sup>th</sup> century economist Henry George that land should be treated as a “common heritage,” as opposed to an individual possession. George asserted that the value of land is largely determined by how the community develops around it.<sup>1</sup> He argued for a reconceptualization of land as a common good that should be developed for use and not speculation. These ideas inspired many social and land movements of varying scales throughout the late 1800’s and early 1900’s, including the Garden Cities movement in the U.K. started by Ebenezer Howard. George’s ideas were further developed and contextualized by two men named Bob Swann and Slater King (Martin Luther King Jr.’s cousin). The two activists met in the mid-1960’s and connected over a shared desire to address land reform and economic self-sufficiency for African-Americans.<sup>2</sup> After synthesizing lessons from the Garden Cities Movement in Europe, the kibbutz and moshav models in Israel, and their own organizing experiences, Swann and King began to envision what would eventually become New Communities, Inc., a network of agricultural cooperatives on land leased from a community-based non-profit.<sup>3</sup> Now known as the model for CLTs in the US, New Communities Inc., sought to provide economic and residential opportunities for Black farmers being driven from their

---

<sup>1</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 5.

<sup>2</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 8.

<sup>3</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 10-14.

land for participating in the civil rights movement.<sup>4</sup> These farmers built homes and farms on over 5,000 acres of land that was owned and leased from the nonprofit.

In the 1970's and 80's several groups became interested in the CLT model as a potential way to provide housing for impoverished communities.<sup>5</sup> One of these groups, the Community Land Cooperative of Cincinnati, began to use the model as a bulwark against gentrification, providing affordable housing opportunities for those in danger of being displaced. This group was the first to establish a resale formula- restricting the amount a homeowner could sell the property built on the land of a CLT, in order for it to stay affordable for future buyers in perpetuity.<sup>6</sup> These new adaptations attracted the interest of policy makers and activists as CLTs shifted towards serving those "in need."<sup>7</sup>

In 1989 Dudley Neighbors Inc. (DNI) was founded, a subsidiary of the Dudley Street Neighborhood Initiative (DSNI), a community organization in the Dorchester neighborhood of Boston, MA. In response to disinvestment by the City, community members organized to receive the power of eminent domain over the abandoned properties in their neighborhood. Once a site for arson and

---

<sup>4</sup> "Our History," New Communities Inc. Accessed April 14, 2018.  
<http://www.newcommunitiesinc.com/new-communities.html>

<sup>5</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 20.

<sup>6</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 22.

<sup>7</sup> John Emmeus Davis, "Origins and evolution of the community land trust in the United States," 26.

illegal dumping, these sites eventually became the land under homes on the DNI land trust. Over 225 homes have been built on the DNI land trust since its founding, along with a 10,000-square foot greenhouse, an urban farm, gardens, and other amenities. Their goal is to become a “thriving urban village”, providing for residential, community, and economic needs of the community<sup>8</sup>.

Currently, CLTs are widely known as providers of affordable homeownership opportunities by way of a ground lease and resale formula. While CLTs have gained popularity and momentum as providers of affordable housing, they are originally rooted in the idea that economic opportunities and prosperity are connected to the land as a common resource. Land should be viewed as the commons, and residents as stewards of the commons. The model also stems from a proactive orientation towards social justice for those who are most marginalized. While some of these original intentions are not as apparent in the programming of some CLTs due to their focus on housing, the history and roots of the CLT movement are rooted in stewardship and community building.

A CLT is a broader approach to land stewardship that can be implemented in various ways using different tools and organizational structures. It is both a theory and a practice. A CLT organization may utilize the CLT ground lease model, but may also provide services and programming beyond the model. CLTs have typically provided affordable homeownership using a ground lease that restricts

---

<sup>8</sup> “Background,” Dudley Neighbors Inc. Accessed April 14, 2018.  
<https://www.dudleyneighbors.org/background.html>



the resale value of a home, stabilizing the value of the land beneath the home. CLTs promote community control of land by establishing a board of directors made up of community members and stakeholders from the community that they serve. They intend to provide a manner by which the community can control future development. CLTs that utilize the ground lease model own land upon which housing, farms, or commercial buildings exist. In the case of a “typical” affordable housing model, a CLT then leases out this land (typically for a 99-year lease length) and sells the property on the land at an affordable rate to individual homeowners, community development corporations, or cooperatives. While most CLTs are primarily involved in housing, some provide affordable farmland, greenspace, and/or commercial space.

Lowe and Thaden define one of a CLT’s novel functions as being: “a governance and corporate community membership structure designed for strong community control of land”.<sup>9</sup> A typical community land trust is governed by a board of directors comprised of three different groups. The first is elected by leaseholders, the second by non-leaseholding residents of the community, and the third is nominated and appointed by the other two thirds and can be reserved for representatives of organizations, government agencies, or private parties.<sup>10</sup> Thus, leaseholders in a CLT are partial managers of the land on which their property lies. CLTs also have open membership and boards that are elected through

---

<sup>9</sup> Jeffrey S. Lowe, and Emily Thaden, "Deepening stewardship: Resident engagement in community land trusts," *Urban Geography* 37, no. 4 (2016): 611.

<sup>10</sup> John Emmeus Davis. *Shared equity homeownership: The changing landscape of resale-restricted, owner-occupied housing*. Montclair, NJ: National Housing Institute, 2006, 19.

democratic elections. The CLT governance structure is intended to encourage a sense of stewardship over land, not only by those who directly use it, but by those who live in its vicinity and are therefore impacted by its use. Multiple public interests must be balanced if we consider land as the commons that serves not just those who use it directly, but the broader public as well.

The exercise of community control of land and development (this can also be thought of as governance) is the primary goal of a CLT, wherein the ground lease provides a tool through which it may do so. However, as will be discussed later in this thesis, there may be other tools that CLTs can use to exercise community control.

What is Community Economic Development?

In their 2006 article *Rethinking Community Economic Development*, Schaffer et al. posit that “community economic development occurs when people in a community analyze the economic conditions of that community, determine its economic needs and unfulfilled opportunities, decide what can and should be done to improve the economic conditions in that community, and then move to achieve agreed-upon economic goals and objectives”.<sup>11</sup> Community economic development (CED) seeks to improve the economic conditions of a community through a wide variety of strategies. These tactics are intended to improve the well-being of the community being served. The term “community,” however, can

---

<sup>11</sup> Ron Shaffer, Steve Deller, and Dave Marcouiller. "Rethinking community economic development," *Economic Development Quarterly* 20, no. 1 (2006): 66.

also host a variety of meanings. Community could refer to a physical space, or a group of people as defined by their race, income, gender, etc. CED differs from typical economic development in that it is intended to be collaborative and bottom up-- the community is meant to be involved in the planning process and valued more so than the accumulation of profit; thus, CED is typically performed by nonprofit and mission-driven organizations and social enterprises.

Community economic development comes in many different forms: job training programs, downtown revitalization efforts, small business development, etc.

CLTs are involved in commercial development, one form of CED. Commercial development inherently seeks to develop the value of a place by providing both direct and indirect benefits to the community. Commercial development might build or preserve retail, office, and other small businesses and are typically in districts that include or are in proximity to residential areas. Thus, commercial development has an impact on those living close by. An increase in the quality, affordability, and cultural appropriateness of goods and services, equity and ownership opportunities (whether it be through sole proprietorship, collective ownership, worker ownership, or some other form), and increased job opportunities are all potential direct benefits of community economic development. In addition, an enhanced sense of space or place, the attraction for crowds and new people, and an increase in real estate prices are some of the potential indirect benefits resulting from commercial development.<sup>12</sup>

---

<sup>12</sup> Peg Barringer, interview by Allison Curtis, November 9, 2017.

## How are CLTs participating in community economic development?

*The 2011 Comprehensive CLT Survey* contacted 216 U.S. CLTs and shared equity homeownership programs included in the National CLT directory in 2011. Of those 216 organizations, 96 responded and 13 of those organizations reported having commercial spaces within their portfolios.<sup>13</sup> 96 commercial spaces were reported, including office space for the organizations themselves, offices for other non-profits, or space for local businesses. These commercial CLT projects respond to the same problems that any community economic development project might respond to: a need for goods and/or services in a specific area, a need for jobs in a specific area, impending economic gentrification and displacement, building local businesses and wealth, etc. While there is relatively little literature documenting existing commercial CLT projects, those that have been documented tell the story of organizations responding to these challenges.

As has been noted in the sections above, the majority of CLTs are engaged primarily in the development of housing, not commercial spaces. The development of commercial spaces is much different than that of housing development, and leads to challenges for what role a CLT might play in community economic development. CLTs may have multiple goals when considering the development of commercial space. They may be interested in creating jobs, keeping commercial rents affordable, creating or growing locally-owned businesses, or providing access to quality goods or services. Commercial

---

<sup>13</sup> Thaden, "Results of the 2011 comprehensive CLT survey," 6.

spaces are also more complicated due to the diversity of uses a commercial space might be used for. A bakery, for example, requires different equipment and set-up than a barber shop. And a barber shop requires a different layout than a mechanic. When a business moves out of a space, it likely must be converted to fit the needs of a new tenant. This calls into question who is responsible for these changes, and how they are paid for.

Commercial tenants also differ from the potential residential owner/tenant of a CLT. Businesses may not, for example, find value in owning space in the way that a potential homeowner might. Running a small business is inherently risky and business owners may not want the added stress of owning property and being responsible for its upkeep. Businesses may also grow out of a space due to their success, or need to leave a space if they are not successful. A long-term ground lease may not be the best fit for many commercial spaces. For CLTs who have been mostly involved in the development of housing and providing for the needs of homeowners, these differences may be quite challenging. Because so few CLTs are involved in commercial development, the model is less tested and reliable.

## Community Control and Commercial CLT Developments

CLTs are rooted in the goal to provide mechanisms for community control and stewardship of land and development. Additional goals related to control may be to maintain affordability or temper land speculation. While it is clear that the CLT ground lease model provides a manner in which commercial spaces can be kept

affordable, the CLTs discussed below that are currently involved in commercial development lie on a spectrum of community control through their use of a ground lease and other programming.

## Defining Community Control

In Arnstein's seminal 1969 article *A Ladder of Citizen Participation*, she defines community control as "the redistribution of power that enables the have-not citizens, presently excluded from the political and economic processes, to be deliberately included in the future".<sup>14</sup> Arnstein's ladder provides a framework to understand the various levels of participation in decision-making in the community development process, ranging from manipulation and tokenization to citizen power. The highest rung on the ladder, citizen control, is classified by residents or participants being situated to have governing power, managerial power, and the power to negotiate with the structures that they live within.

Bratt and Reardon provide an update to Arnstein's ladder. They argue that additions are necessary in order to keep the ladder up to date and to expand upon some of its original intentions. They outline direct bottom-up strategies, indirect bottom-up resident strategies, and professional roles in support of resident participation in addition to Arnstein's Ladder, which represents top-down resident participation strategies, and discuss how each can be appropriate in a different

---

<sup>14</sup> Sherry R. Arnstein, "A ladder of citizen participation," *Journal of the American Institute of planners* 35, no. 4 (1969): 216.

context.<sup>15</sup> Many community land trusts can be classified as utilizing what Bratt and Reardon call “direct bottom-up strategies.” CLTs provide residents a structure through which they can exert control over planning and community development initiatives. Through the structure of the board and the emphasis on community engagement as discussed above, they provide an avenue for community engagement on a deep and impactful level. CLTs may also play the role of “professional support” by providing career opportunities for residents to become actively engaged in the development process through their work, or “indirect bottom-up” strategies by encouraging residents to become engaged in community and advocacy initiatives.<sup>16</sup>

Bratt and Reardon criticize the Arnstein Ladder for not recognizing the importance of context in the effectiveness of community participation. They suggest three “contextual variables” that must be monitored during the participation process in community development: level of economic resources, level of support for community development and participatory planning, and the concentration of power (or lack thereof) within the local community.<sup>17</sup> Hostile environments are those that have fewer resources, less support for community development, and a high concentration of power within the local government whereas supportive environments are those with more resources, more support for

---

<sup>15</sup> Rachel G. Bratt, and Kenneth M. Reardon. "Beyond the ladder: new ideas about resident roles in contemporary community development," *Policy, planning, and people: Promoting justice in urban development* (2013): 371.

<sup>16</sup> *Ibid.*, 373-374.

<sup>17</sup> *Ibid.*, 374.

development, and power that is not concentrated.<sup>18</sup> Bratt and Reardon's analysis provides yet another manner in which to understand the difficulties that CLTs face when getting involved in community economic development. A hostile environment might further limit the CLTs ability to support community ownership of land or businesses in economic development, whereas a supportive environment might provide more opportunities for community ownership.

---

<sup>18</sup> Rachel G. Bratt, and Kenneth M. Reardon. "Beyond the ladder: new ideas about resident roles in contemporary community development," 375.



## IV. CLT Commercial Development Models

While there are numerous potential models of hosting commercial businesses on CLT land, Donjek's 2012 analysis of the Greater Frogtown Community Development Corporation and Rondo Community Land Trust outlines three models that a CLT can utilize when providing commercial space: land trust as master lessor, nonprofit commercial land trust, and public commercial land trust.<sup>19</sup> As a master lessor, a CLT's role is simply to acquire property in order to lease it to commercial tenants. This model does not include a ground lease typical of a CLT model as the ownership of the entire property stays in the hands of the nonprofit. They may choose to rent to a specific type of tenant, provide stable and/or affordable rents, or expand their programming in some other fashion depending on the mission of the organization.

A non-profit CLT model is the one most similar to a typical housing CLT program. In this case, a CLT separates commercial property into the building and the land, holding ownership of the land and leasing it out through a ground lease, and selling the building at an affordable rate.<sup>20</sup> The building can be sold by the commercial owner, but only at a cost agreed upon before the initial sale, keeping the space affordable for future owner/tenants. This model might be best suited for businesses located in areas that are experiencing gentrification and are in danger of rising lease rates, and those that are established enough to make an initial

---

<sup>19</sup> Donjek, Inc. (2012). Commercial Land Trust Feasibility: Final Summary. Minnesota: Donjek, Inc. 5.

<sup>20</sup> Ibid., 6.

payment on a property. While this model might provide stability to some commercial owner/tenants, it also may not be accessible to those who cannot afford to invest in property or do not want to invest in property. Some concerns with this model also include the limits on equity imposed by a resale agreement, concerns about a bank's willingness to lend to a CLT participant, and the question of whether providing this type of opportunity to some businesses is "fair" for other competing businesses in the surrounding community.<sup>21</sup> The final model, a public commercial land trust, requires a public entity or municipality to acquire the land and act as the lessor, taking on the role of a nonprofit in a typical CLT.

Donjek's analysis primarily focuses on how buildings are owned and leased, but does not address the wide range of goals and potential roles that CLTs can play in community economic development.

---

<sup>21</sup> Donjek, Inc. Commercial Land Trust Feasibility: Final Summary, 5.

## CLT Goals for Commercial Development

*Table 1: CLT Goals for Economic Development*

<b>Goal of CLT</b>	<b>Potential CLT Roles</b>	<b>Challenges</b>
Community Control and ownership	<ul style="list-style-type: none"> <li>- Visioning and planning</li> <li>- Organize investment-ownership</li> </ul>	<ul style="list-style-type: none"> <li>- Resident investment-ownership models are still very new</li> </ul>
Provide affordable space (stable, secure costs)	<ul style="list-style-type: none"> <li>- Master lessor (or)</li> <li>- Creator of ground lease</li> </ul>	<ul style="list-style-type: none"> <li>- Financing (how to keep rents low while staying afloat?)</li> <li>- Concerns about providing an unfair market advantage</li> </ul>
Provide good jobs for the community	<ul style="list-style-type: none"> <li>- Organizer and supporter of workers</li> <li>- Creator of local hiring standards</li> </ul>	<ul style="list-style-type: none"> <li>- Difficult to monitor job agreements</li> <li>- Outside of the typical role of a CLT (staff capacity)</li> </ul>
Support local business growth and creation	<ul style="list-style-type: none"> <li>- Provider of incubation or technical assistance services</li> <li>- Organizer of customers (through residents or partners)</li> </ul>	<ul style="list-style-type: none"> <li>- Outside of the typical role of a CLT (staff capacity)</li> <li>- Risk of business failure and turnover</li> </ul>
Increase local access to goods and services	<ul style="list-style-type: none"> <li>- Visioning and planning</li> <li>- Business recruitment</li> </ul>	<ul style="list-style-type: none"> <li>- Finding the right business (determining needs of community)</li> </ul>
Increase revenue for CLT's other programs	<ul style="list-style-type: none"> <li>- Lessor</li> </ul>	<ul style="list-style-type: none"> <li>- Creating a legal structure that connects the non-profit with a for-profit business</li> </ul>
Provide investment opportunities and organize investors	<ul style="list-style-type: none"> <li>- Partner with investment programs or provide them internally</li> </ul>	<ul style="list-style-type: none"> <li>- There is no current model for this type of programming</li> </ul>
Encourage worker-owned business development	<ul style="list-style-type: none"> <li>- Provide TA for worker-owned businesses</li> </ul>	<ul style="list-style-type: none"> <li>- There is no current model for this type of programming</li> </ul>

The model that a CLT utilizes in its involvement in commercial space will depend on what overall goals it seeks to accomplish. A mission-driven rather than profit-driven approach and close ties to the community situate CLTs to provide even more value to a neighborhood, beyond what is offered by typical commercial development.

Table 1 shows a few of the potential ways CLTs can provide added value to commercial development. The goals of a CLT might be to increase community control and ownership of development, provide affordable rental or ownership of space, provide quality jobs for community members, support the creation and growth of local businesses, increase access of goods and services to the community, or to increase revenue for their other programming (i.e. housing programs). CLTs may seek to accomplish multiple goals through commercial development. Each goal requires the CLT to play a different role in commercial development that comes with certain challenges.

## Examples of Commercial CLTs

Below are examples of CLTs involved in commercial development that exhibit their potential roles. As can be seen through these examples, CLTs involved in commercial development can provide community planning processes, lease affordable spaces, provide support and services for lessees, organize a customer base, provide goods or services for the community, financially support housing programs, and create new investment strategies. While some of these programs

have been implemented, some are attempts at implementation or investigations into possible implementation.

*Table 2: Commercial CLT Examples*

<b>CLT</b>	<b>Market Type</b>	<b>Goals</b>	<b>Commercial Model</b>
Urban Land Conservancy Denver, CO	Cold	Community control (planning/ visioning), Provide low rent for nonprofits	Ground Lease
Sawmill CLT Albuquerque, NM	Cold	Community control, Increase revenue for CLT's other programs	Ground Lease
Anchorage CLT Anchorage, AK	Cold	Incubation/TA for entrepreneurs, Advocacy	Master Lessor
Japantown CLT San Francisco, CA	Hot	Preservation of culturally appropriate goods/services	Ground Lease
One Roof Community Housing Duluth, MN	Cold	Increase revenue for CLT's other programs (housing), provide jobs for residents	Business owner
Rondo CLT St. Paul, MN	Hot	Preserve (low) rent prices for existing commercial tenants	Ground Lease
Crescent City CLT New Orleans, LA	Cold	Provide low rent, support local business growth and creation, provide needed services/amenities	Master Lessor

## Provision of Community Planning Process

Due to their role as organizations invested in community planning, CLT's can help to promote community planning processes and ensure that the needs of the community are met through commercial development. They also may advocate on behalf of communities that otherwise would not attract commercial development. The ULC has a reputation for helping to ensure that redevelopment projects are community-informed. During the Holly Square project, the organization partnered with a local nonprofit and helped with community organizing.<sup>22</sup> They delegated decision-making authority to a community-based leadership committee, helping them to build trust with residents and build a sense of community ownership of the project. This process provided ideas that ended up being implemented as part of the project.

Upon acquiring 34 acres of land in Albuquerque, New Mexico, Sawmill CLT conducted a community process to decide on the use of the land.<sup>23</sup> The community decided to set aside a few of those acres specifically for economic development in an area that is now home to a few small businesses including a coffee shop and a brewery. Sawmill uses a commercial ground lease governed by an LLC made up of Sawmill and a for-profit developer. The commercial ground leases are shorter term than the typical 99 year residential leases offered through Sawmill (the length depends on the needs of the tenant), providing the CLT with more control over the transfer of the lease. The rents from these commercial

---

<sup>22</sup> community by design (cbd). "Vision Plan: Holly Area Redevelopment Project." Urban Land Conservancy, (2010).

<sup>23</sup> Annette Montoya, interviewed by Allison Curtis, October 10, 2017.

leases are used to further support the programming and maintenance of land trust homes.

### Provision of Affordable Rent

Through either a ground lease model or a more typical lease structure, CLTs can provide affordable rents (or mortgages, through an affordable ownership model) to businesses through commercial development. A CLT may provide affordable rents to attract certain types of businesses or provide commercial space that is accessible to lower-income business owners or new business owners. Decisions around who to rent to can be made in consideration of a CLT's mission. Rents may be made affordable by attracting a larger more profitable business to offset costs for other businesses or through other forms of financing.<sup>24</sup> At the Holly Square redevelopment project in Denver, CO, the Urban Land Conservancy entered into a long-term ground lease with the Boys & Girls Club of Denver. The ULC retains ownership of the land under the building in order to ensure the community's long-term use. The Boys & Girls Club of Denver brought \$5 million in equity to the project in exchange for a below market ground lease. This agreement resulted in long-term savings for the Boys & Girls Club and debt reduction for ULC. Several non-profit offices are now also located in the building, including ULC's offices.

Rondo CLT in Minneapolis, explored the feasibility of expanding their program into the commercial realm when plans were announced for a new light-rail transit

---

<sup>24</sup> "About the Holly Square." *Urban Land Conservancy*. Accessed April 1, 2018.  
<https://www.urbanlandc.org/assets-investments/holly-square/about-holly-square/>

line to be opened in their service area.<sup>25</sup> When a similar line was opened in another Minneapolis neighborhood, commercial rents increased 34%, causing fear that many locally owned businesses along the new line would be displaced.<sup>26</sup> By removing commercial properties from the speculative market, the CLT intended to offer small businesses space at affordable costs in the hopes that local business owners would be able to stay in the area.<sup>27</sup>

In New Orleans, LA Crescent City CLT intends to create economic opportunities in neighborhoods that are still feeling the impacts of historic disinvestment after Hurricane Katrina. Their commercial properties would be provided at lower rates to encourage local businesses to open in target areas and ignite economic activity to sustain residents and provide for their basic needs.<sup>28</sup>

### Provision of Services and Support for Lessees

Through their unique role as both a provider of space as well as a long-term partner in community development projects, CLTs can provide ongoing services and support for lessees. Supports may come in the form of technical assistance for new businesses, access to space rentals and space sharing programs with other developing businesses, etc. Anchorage CLT (ACLT) in Alaska utilizes a unique model as a hybrid of a CLT and community development corporation. This specific CLT works only with commercial properties, as they do not have any

---

<sup>25</sup> Ibid., 10.

<sup>26</sup> Ibid.

<sup>27</sup> Elizabeth Sorce. "The Role of Community Land Trusts in Preserving and Creating Commercial Assets: A Dual Case Study of Rondo CLT in St. Paul, Minnesota and Crescent City CLT in New Orleans, Louisiana," 12.

<sup>28</sup> Ibid.



residences in their portfolio. ACLT recently introduced a new program providing intensive technical assistance and incubation services to local minority entrepreneurs. The program, called Set-Up Shop, is modeled after a program designed by the Neighborhood Development Center, a CDC in Minneapolis/St. Paul.

Set-Up Shop is a four step program that begins with a classroom-based curriculum for low-income minority entrepreneurs living in a specific neighborhood that ACLT owns commercial property in.<sup>29</sup> The 12-week long curriculum is designed to be culturally appropriate, featuring a different topic each week including marketing, financials, management, etc. and are taught by third party small business instructors.<sup>30</sup> The first class of this kind offered through ACLT began on February 27th, 2018 with a 12 person cohort.<sup>31</sup> Graduates from this training will then receive access to microloans provided through ACLT. Many entrepreneurs struggle to grow their businesses due to lack of access to financing, particularly those who are low-income. Next, participants gain access to technical assistance (TA) through independent contractors hired by ACLT as well as ACLT staff that have relevant experience. This assistance can be personalized to the needs of an individual business and might include marketing, graphic design, web design, or accounting.

---

<sup>29</sup> Stuart Bannon, interviewed by Allison Curtis, March 2, 2018.

<sup>30</sup> "Training." Set-up Shop. Accessed April 1, 2018. <https://www.setupshop-ak.com/training>

<sup>31</sup> Stuart Bannon, interviewed by Allison Curtis.

The final step of the program, and that which is most specific to ACLT's structure as a CLT, is the provision of commercial property for those graduates who are ready to move into physical space. These graduates can apply to have access to the many commercial properties owned by ACLT in the neighborhood where they live, therefore helping to revitalize the neighborhood. ACLT has also had conversations about strategically purchasing properties in the future with the intention of filling them with training alumni. Alumni of the Set-Up Shop program will continue to have access to ACLT staff and services after graduating.

### Provision of Needed and Culturally Appropriate Goods or Services

Areas that do not necessarily attract business development from private developers can be provided with needed goods or services through a CLT.

Because a CLT is not driven by profit, a justification can be made for developing in areas that are not financially lucrative. For example, Anchorage CLT was a strong advocate for comprehensive neighborhood revitalization in the Mountain View Community, a neighborhood of the City that saw little investment. They campaigned for retail stores to open in the underserved area and eventually their work resulted in the establishment of a community bank that helped to provide services for residents who had previously been considered unbankable.

The Japantown Cultural Heritage and Sustainability Strategy, published in 2013 by the San Francisco Planning Department, sought to address the preservation and

promotion of Japantown's cultural heritage.<sup>32</sup> As home to culturally specific businesses and organizations serving San Francisco's Japanese, Filipino, Korean, and other ethnic groups, Japantown served a unique purpose left unmet by other neighborhoods. However, the hasty development of the surrounding neighborhoods paired with rising land prices put Japantown's businesses and residents in danger of displacement. One of the recommendations made by JCHESS was for the city to create a CLT to help preserve the culturally appropriate businesses in the neighborhood. They argued that a CLT "could help ensure that historic buildings are preserved and can help<sup>33</sup> provide inexpensive space for organizations, institutions, businesses, and cultural activities."

### Financial Support of Housing Programs

Some CLTs use commercial development projects as a way to further financially support their affordable housing programs. These projects provide value added to the community by resulting in more housing opportunities at affordable rates. They may also have the added value of diversifying a CLTs property development risk. One Roof Community Housing in Duluth, Minnesota offers an example of a CLT-created commercial enterprise that not only supports their housing program, but also relies on it for business. One Roof owns Common Ground, a full-service construction company that constructs and rehabilitates the CLTs housing. The Duluth market has very few contractors that specialize in moderate-income construction and rehab work. CLTs may also simply provide market rate

---

<sup>32</sup> [http://www.sf-planning.org/ftp/files/plans-and-programs/in-your-neighborhood/japantown/JCHESS\\_FinalDraft\\_07-10-13.pdf](http://www.sf-planning.org/ftp/files/plans-and-programs/in-your-neighborhood/japantown/JCHESS_FinalDraft_07-10-13.pdf)

<sup>33</sup> Ibid., 59.

commercial space and use profits to support the functions of their housing program.

### Provision of New Investment Strategies

Finally, CLTs may wish to use their ownership of commercial space as a means of encouraging alternative forms of business ownership or conventional local ownership. CLTs can provide frameworks for new kinds of investment in local businesses and commercial development through mechanisms such as real estate investment cooperatives, direct public offerings, and community funds. These opportunities for community investment will be outlined in depth in later sections.

### Organization of Customer Base

CLTs also have the unique opportunity to organize a customer base for incoming businesses due to their strong connection to the community. Residents of CLT housing developments may be more likely to visit businesses connected to the CLT and the CLT itself may become a customer of said businesses. Due to the strong connections that CLTs often have with other organizations and institutions, CLTs may also have the opportunity to engage these groups as a customer base for the businesses they support. I was unable to locate an example of a CLT currently involved in this type of work, or in the previous section on providing investment strategies.

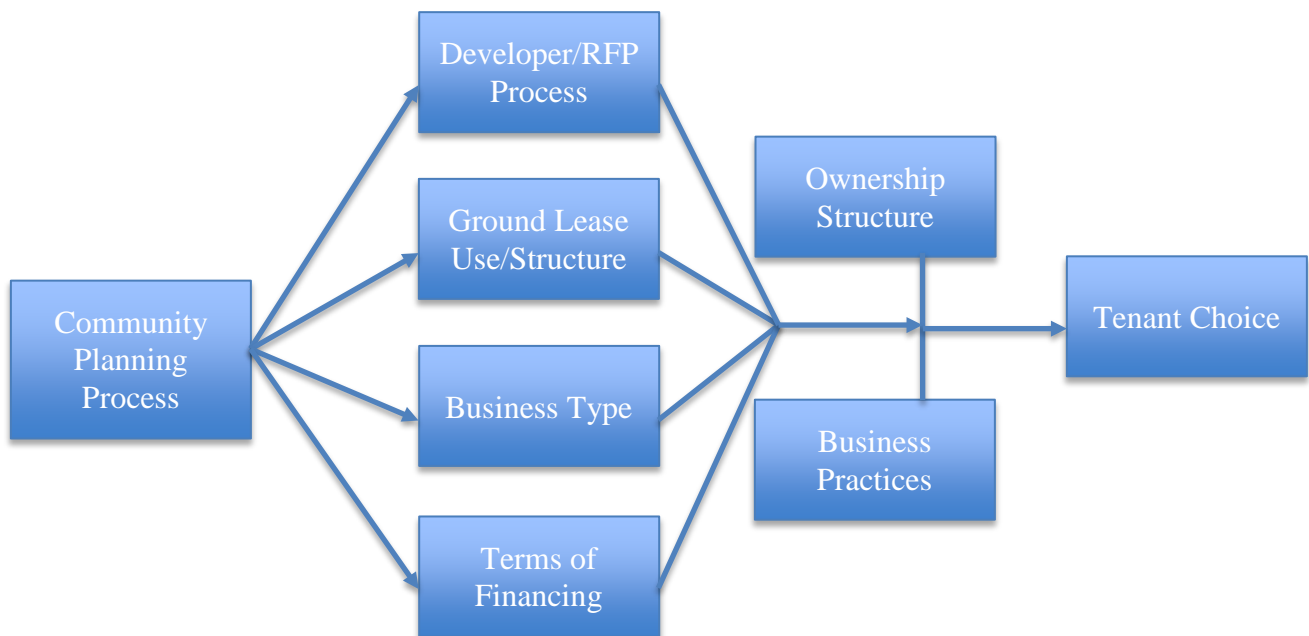
A CLT may decide to become involved in one or more of these forms of value-added commercial development based on their overall goals. A CLTs role is

different in each situation, and various challenges may arise depending on the overall goal.

## V. Commercial CLTs and Community Control

When a community land trust is considering commercial development options, there are various points in the process during which the community can be a part of the decision-making, thus expressing their control over the development. Some areas in which the community can exercise control over commercial development are the community planning process (which includes the choice of developer and RFP process, the use of a ground lease or potential restrictions on price or use of land, the type of business, and the terms of financing), the ownership structure of the business, the business practices of the business, and the tenant itself. Figure 1 outlines one possible layout of the steps in the development process.

*Figure 1: Steps in Development Process*



The community planning process, which may be designed by a CLT or in which a CLT may participate, is the way in which the community's needs and desires for the potential development are initially heard. This process might incorporate gathering information about the residents' opinions on the developer and RFP process, whether or not a ground lease will be used and what its terms might include, what type of business or businesses are needed in the neighborhood, and how the project should be financed. The financing for a commercial development might come from a bank or financial institution, or could be designed to involve investment opportunities from the community itself, for example. When these decisions have been made, the community might also provide input on more specific issues relating to the business(es) including whether or not the businesses are worker-owned or owned by a community member (for example), and what types of business practices are employed. Business practices might include paying a living wage, providing benefits, or only selling organic/local products. Finally, the community can have input on the actual tenant.

Table 3 outlines the ways in which CLTs are typically involved in each of these steps of development. CLT involvement usually takes place during the community planning process which could include decisions about the developer/RFP, ground lease, type of business, and tenant choice. CLTs are not typically involved in the financing structure, ownership structure, and business practices.

*Table 3: CLT Involvement in Development Process*

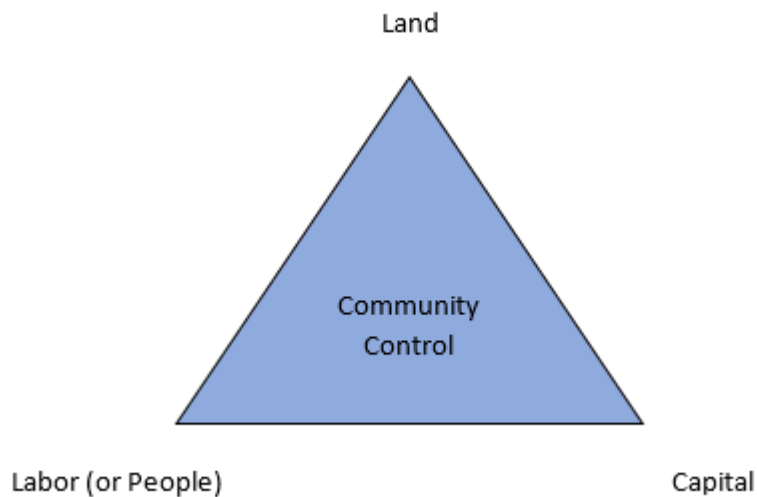
<b>Step in Development Process</b>	<b>CLT Involvement</b>
Community Planning Process	CLTs often facilitate community planning processes by hosting community meetings and visioning processes, working in conjunction with city governments, etc.
Developer/RFP Process	CLTs can use their roles as community planning organizations to create an RFP.
Ground Lease Use/Structure	CLTs are largely responsible for creating and maintaining the ground lease structure (if and when it is used as part of the development process).
Business Type	Through a community planning process, a CLT provides the space for residents to give feedback on what types of businesses they need or want in their community.
Terms of Financing	CLTs are not typically involved in this step of development.
Ownership Structure	CLTs are not typically involved in this step of development
Business Practices	CLTs are not typically involved in this step of development
Tenant Choice	The choice of tenant might also be a part of the community planning process, thus a CLT may be involved in this decision.

Within each of these areas, certain questions must be considered to best understand the expression of community control: What is the decision-making and governance process being used by the CLT? To what extent does the community have enough information to make an informed decision about the development? And, how is “community” defined in the first place? Opportunities for investment requires another question to be asked: How can it be ensured that those with more money do not have a louder voice in decision-making? These questions can help us to assess the ways in which CLTs are currently providing avenues for community-controlled commercial development, as well as potential new models that can be incorporated.



Another way to conceptualize the opportunities for community control in commercial development is through addressing factors of production: land, labor (in this context labor will refer to the people involved in running the business), and capital. CLTs have the opportunity to support community control in each of these realms when they engage in commercial development. The ground lease model provides avenues for control over land, alternative financing methods can provide the avenue for community control over capital, and support for worker-ownership/cooperative business models can provide an avenue for community control of labor. Many CLTs currently situate themselves in the realm of land, but have the opportunity to expand to the realms of capital and labor (see Figure 2).

*Figure 2: Community Control*



As can be seen in the examples listed in previous sections, the realm of CLT involvement in commercial development has plenty of room for innovation and expansion. As this is somewhat unfamiliar terrain for many CLTs, it is useful to analyze other models to inform future growth.

The models in the following section provide frameworks through which CLTs can learn about alternative finance methods. While none of these models are currently being utilized by CLTs, they are aligned with the values of community control and public participation in development. A ground lease and organizational structure of a CLT provides one way through which community control can be expressed. However, because commercial spaces have such a significant impact on a neighborhood's overall well-being, multiple models of direct community control should be considered as CLTs explore this new terrain.

VI. Community Finance Models for Community Control have chosen three alternative financing models and examples that are not currently being used by CLTs to expand the current thinking around potential models for commercial development. The models below explore new ways for communities to develop more direct control mechanisms over financing and access to financing. Finding the capital to support commercial projects is a general challenge, particularly in the lower and moderate-income communities served by CLTs. Direct Public Offerings, Community Capital Funds, and Real Estate Investment Cooperatives each seek to democratize investment opportunities for small businesses and needed community resources. Direct public offerings (DPOs) are investments that can be made to new businesses without the requirement of an underwriting firm. Ujima's Community Capital Fund pools resources from community members and provides them the opportunity to vote on businesses and projects to invest in. Similarly, a real estate investment cooperative (REIC) pools community funds and provides a voting platform for real estate that is then transferred into an affordability mechanism.

## Direct Public Offerings

One form of community investment in development is a direct public offering (DPO), a type of crowdfunding. A DPO is unique in that it differs from the typical structure of public equity investment: individual public offerings (IPO). IPOs, also known as stock market launches, provide the opportunity for companies to sell shares to institutional investors and/or retail investors (individuals). However, in order for a retail investor to be involved in an IPO they must work with an

underwriting firm. Underwriting firms are banks or other financial institutions that distribute shares and pledge to purchase any unsold shares. Thus, IPO investments are typically only available to those with the financial means to work with a financial advisor or investment firm. There are specific requirements to become an accredited investor, including having a net worth of at least \$1 million or an income of at least \$200,000 for the past two years.

DPOs, however, are self-administered and self-underwritten public securities. Unlike a typical online crowdsourcing platform (such as Indiegogo or Kickstarter), DPOs are public offerings, the process by which a private company sells stock to the public for the first time. They provide the opportunity for a return on investment if the company is successful.<sup>34</sup> Companies can advertise and market the investment in any way they like, targeting it to a specific geographic location, or reaching a wide base online. For companies that do not have the collateral to access loans from banks, a DPO provides an opportunity for the business to build a pool of equity capital that could be used as collateral while also providing community investors to own part of the business. community to have a direct involvement in the development of the business. DPOs also work well for businesses that are interested in providing non-voting stock (wherein

---

<sup>34</sup> Team, C.E.C. “\$340,000 Raised by Composting and Recycling Worker Cooperative in Massachusetts.” *Cutting Edge Capital* (blog), July 8, 2015. <https://www.cuttingedgecapital.com/cerodpo/>.

investors are not granted any decision-making power over the business) such as worker-owned cooperatives.<sup>35</sup>

There are five distinct types of DPOs, each with varying legal constraints:

Nonprofit DPOs, Intrastate DPOs, Rule 504 DPOs, Regulation A DPO Tier 1 (also known as Reg A+), and Regulation A Tier 2.<sup>36</sup> In the case of a nonprofit DPO, all 501(c)(3) issuers are exempt from federal registration and tend to be exempt in most states as well. An Intrastate DPO has no limit on the amount of funds that can be raised, but all investors must reside within the issuer's state. Rule 504 DPOs allow investors from multiple states but have a one million dollar cap, that may be increased to five million if the first cap is reached. A Tier 1 DPO has a \$20 million cap on investment, allows investors from multiple states, but requires that the DPO be registered in each specific state with the SEC. A Tier 2 DPO is similar to Tier 1 but has a \$50 million cap and more complicated filings and audited financials. However, the DPO does not have to be filed in individual states.

In order to comply with the legal restrictions, a "registration by qualification" process must be completed with state securities regulators.<sup>37</sup> This requires the

---

<sup>35</sup> Jonathan Ward, Margaret Christie, Addie Rose Holland, Dan Rosenberg, Jeff Rosen, and Sam Stegeman. "Community Investment in the Local Food System." (2013).

<sup>36</sup> Cutting Edge Capital. "Investment Crowdfunding and Direct Public Offerings." Information sheet.

<sup>37</sup> Cutting Edge Capital. "Investment Crowdfunding and Direct Public Offerings." Information sheet.

business to create a prospectus, a detailed financial-disclosure document for investors that describes the exact terms of the investment. This information is then provided to potential investors to inform them of the risk they are taking. DPOs also require extensive outreach and communications plans due to their grassroots nature. There tends to be a set timeline for DPOs to raise enough money for the project, requiring the business to act quickly to raise awareness and collect investments.

Because DPOs are used to finance businesses, they also provide a viable manner through which to finance worker-owned businesses. Worker-owned cooperative business models allow worker-owners to have direct control over the business and share in the wealth generated by it. They are also more likely to stay and anchor wealth in the community, especially if worker-owners are residents. The CERO Cooperative provides an example of how a DPO could provide funding for this type of business, further involving the community in the development.

### CERO Cooperative

In 2012 a group of community members from the Dorchester neighborhood of Boston and representatives from the Boston Workers Alliance and MassCOSH (Massachusetts Coalition for Occupational Safety and Health) came together to create a worker-owned compost diversion enterprise. They sought to create sustainable employment opportunities within a growing green economy while addressing the need for composting. However, CERO (Cooperative Energy,

Recycling and Organics, also “zero” in Spanish) struggled to access financing through typical avenues. Without a historical record of business success, customers, or collateral, banks were not interested in providing financing for the new business.<sup>38</sup> Due to their position as a business, many foundations were also uninterested in investing in the project.

CERO was also committed to being a worker-owned cooperative, and thus could not offer equity shares that came with governance to investors. The worker-owners involved in the founding of CERO were residents of the community that would be served by the business, deepening the community’s role in the business.

CERO was able to secure a \$20,000 loan from the Cooperative Fund of New England and the Boston Impact Initiative. BWA and MassCOSH provided incubation services during this time, including help with business planning and development funded by a foundation grant. They then participated in a crowdsourcing campaign through Indiegogo with a goal of raising another \$15,000.<sup>39</sup> Through the campaign they raised \$17,000 and began to foster a fan base. They then used the funds they raised to pursue a DPO, a process that ended up costing about \$20,000 and then raised \$370,000 from 85 investors. 95% of those investors live in Eastern Massachusetts, many of whom are from Dorchester and the surrounding neighborhoods that CERO serves.

---

<sup>38</sup> Lor Holmes, interviewed by Allison Curtis, February 27, 2018.

<sup>39</sup> Ibid.

CERO decided on a minimum investment amount of \$2,500, balancing the desire to involve as many interested investors as possible while also avoiding the administrative difficulties of tracking many small investments.<sup>40</sup> Investors are asked to leave the capital they contribute with CERO for at least five years, with the understanding that as soon as the company is profitable, a 4% dividend will be paid to each investor every year. The language in the DPO ensures that investors understand the financial risk they are taking. The DPO investors are classified as “preferred non-voting investors” who get paid out before workers receive dividends but do not have a decision-making role in the company. However, CERO found that many of their investors were unconcerned with being paid back for their investment and were more interested in the success of the business. Many community members simply gave grants instead of investing, taking a tax write off instead of a long-term dividend. CERO was able to accept tax-exempt donations because they have 501c-3 partners, including the Cooperative Fund of New England. CFEN serves as a financial agent that accepts donations on behalf of CERO.

Lor Holmes, the General Manager of CERO, reports that the DPO process was essential for Cero to maintain the cooperative ownership structure of the business while also accessing capital for a hard-to-finance model.<sup>41</sup> The founders of CERO were low-income individuals without access to typical funding mechanisms. The DPO allowed Lor and her colleagues to build a strong base within the community

---

<sup>40</sup> Lor Holmes.

<sup>41</sup> Lor Holmes.



which later helped them to find business. However, the DPO process was extremely difficult and time-consuming, essentially adding up to a full-time job. Because shares of a DPO are self-administered, the CERO staff was tasked with directly selling their business to community members through relationship building, social media, and word-of-mouth.

*Table 4: Direct Public Offering*

Minimum financial investment required	Investment includes voting right	Local investment requirement	Return on Investment
\$2500	No	State-wide	Yes (4% once the company becomes profitable)

## Real Estate Investment Cooperatives

Popularized in the United States by the Northeast Investment Cooperative (NEIC), a real estate investment cooperative is an organization designed for the purpose of buying and developing real estate.<sup>42</sup> The intention of these cooperative organizations might be to maintain affordability, develop previously undeveloped land, or ensure a certain type of ownership over local land. NEIC responded to a cluster of vacant buildings in a neighborhood of Minneapolis by collecting investments to purchase and sell the buildings to small business owners. The

---

<sup>42</sup> LaVecchia, Olivia. "These Neighbors Got Together to Buy Vacant Buildings. Now They're Renting to Bakers and Brewers." *YES! Magazine*, 19 Dec. 2015, [www.yesmagazine.org/new-economy/neighbors-got-together-buy-vacant-buildings-renting-bike-shop-brewer](http://www.yesmagazine.org/new-economy/neighbors-got-together-buy-vacant-buildings-renting-bike-shop-brewer).

structure allowed any Minnesota resident to join for \$1,000 and purchase different nonvoting stock classes.<sup>43</sup> The organization is governed by a volunteer board that oversees three committees: Property and Tenant, Finance and Governance, and Membership and Marketing. Member-owners each have one vote (regardless of how much they have invested) in any decision related to investment and are eligible to run for the board. According to their website, NEIC

NEIC is guided by common concerns in our community, including absentee owners, stressed buildings, safety, and a lack of positive activity on our main commercial corridors. Our ideal tenants are independently-owned, community-minded businesses or organizations that are interested in expanding or relocating to Northeast Minneapolis and are drawn to the prospect of renting space from 200+ community residents who care about their success.<sup>44</sup>

NEIC has since sold or leased property to a bakery, bike shop, and brewery and are now considering using the same model for residential spaces. While this example shows how an REIC can be used to procure vacant buildings in a “cold” market, the case study below outlines its potential use in a “hot” market.

It is important to note that NEIC’s success may be partially due to the particular laws in Minnesota, such as a securities exemption for cooperatives that allow them to raise funds from their members without having to register as a securities

---

<sup>43</sup> Ibid.

<sup>44</sup> “Frequently Asked Questions,” Northeast Investment Cooperative. Accessed April 16, 2018. <http://www.neic.coop/faq/>

offering.<sup>45</sup> About half of states in the US provide this type of exemption; however they vary based on the amount of money that can be raised and from whom.<sup>46</sup> Canada, however, has very flexible policies concerning investment, and thus REICs have gained popularity there.

One of the potential strengths of this model is that investors can also be potential customers- people tend to want to support the businesses that they invest in, thus they are more likely to patronize them.<sup>47</sup> However, challenges still exist for REICs- organizations often have to balance the desires and needs of the community with the likelihood of a particular investment providing returns for investors.

## NYC REIC

The New York City Real Estate Investment Cooperative (NYC REIC) is the youngest of the three case studies provided in this thesis. While this group has not actively participated in any form of investment at this point, they have begun to design the strategy that they hope to use in the next year or two. While there are many questions still to be answered as to how this model will function in practice, it still provides us with an example of a community-controlled investment strategy.

---

<sup>45</sup> LaVecchia, Olivia, Nick Stumo-Langer, and Stacy Mitchell. "Investment Cooperatives." Institute for Local Self-Reliance. April 04, 2018. Accessed April 05, 2018. <https://ilsr.org/rule/investment-cooperatives/>.

<sup>46</sup> Ibid.

<sup>47</sup> LaVecchia, Olivia. "These Neighbors Got Together to Buy Vacant Buildings. Now They're Renting to Bakers and Brewers."

In 2015, a comment thread on a Facebook status encouraged a group of New Yorkers to come together to informally discuss the idea of implementing a real estate investment cooperative to address issues of the hot real estate market in New York that makes it difficult for individuals to buy commercial property. They sought to better understand how to acquire public land from the City of New York or collaboratively invest and purchase land that would serve the common good. Oksana Mironova, a founding board member of the NYC REIC, mentioned that the forming of the group was a response to seeing small businesses and spaces that have important community roles vanish due to rising prices.<sup>48</sup> Oksana also works in affordable housing in New York and was familiar with the CLT model, driving her interest to find new ways to preserve affordable land for those unable to afford the market. NYC REIC is still in the very early stages of development (they were approved to take money as an investment by the attorney general's office in December 2017); however they see themselves as an actor in a wider ecosystem of cooperatively focused organizations. Their mission is to become an organization that “preserves, restores, and enhances local space for cultural, commercial and charitable uses in NYC.”<sup>49</sup>

NYC REIC is governed by a working board that was elected by its membership and serves for 1-3 years. The organization seeks to represent historically

---

<sup>48</sup> Oksana Mironova, Interviewed by Allison Curtis, March 14, 2018.

<sup>49</sup> New York City Real Estate Investment Cooperative, “Packet for Candidates.” Public information for potential board members. [http://nycreic.com/wp-content/uploads/2017/08/PACKET-FOR-CANDIDATES-10\\_12\\_2017\\_v2.pdf](http://nycreic.com/wp-content/uploads/2017/08/PACKET-FOR-CANDIDATES-10_12_2017_v2.pdf)

marginalized communities on their board, both by geography and identity.<sup>50</sup>

Anyone can become a member, however NYC REIC is still deciding if they should require an initial investment amount or membership fee.

A proposed project might come to NYC REIC from one of their members, or simply from a resident of New York. On first receipt of the project, an initial vetting process takes place at the level of the board. The two primary questions asked by the board during this vetting process will be: Could this project utilize some sort of mechanism (such as a CLT) to ensure it stays affordable in perpetuity and controlled by the community? And, how will this project be financially feasible long term? After this vetting process, the board will reach out to its members, those 500 individuals who have joined the organization over the past three years, to ask for a formal vote on the project. It has yet to be decided what this voting process will entail. Once a project has been decided upon, voting members will have the opportunity to directly invest.

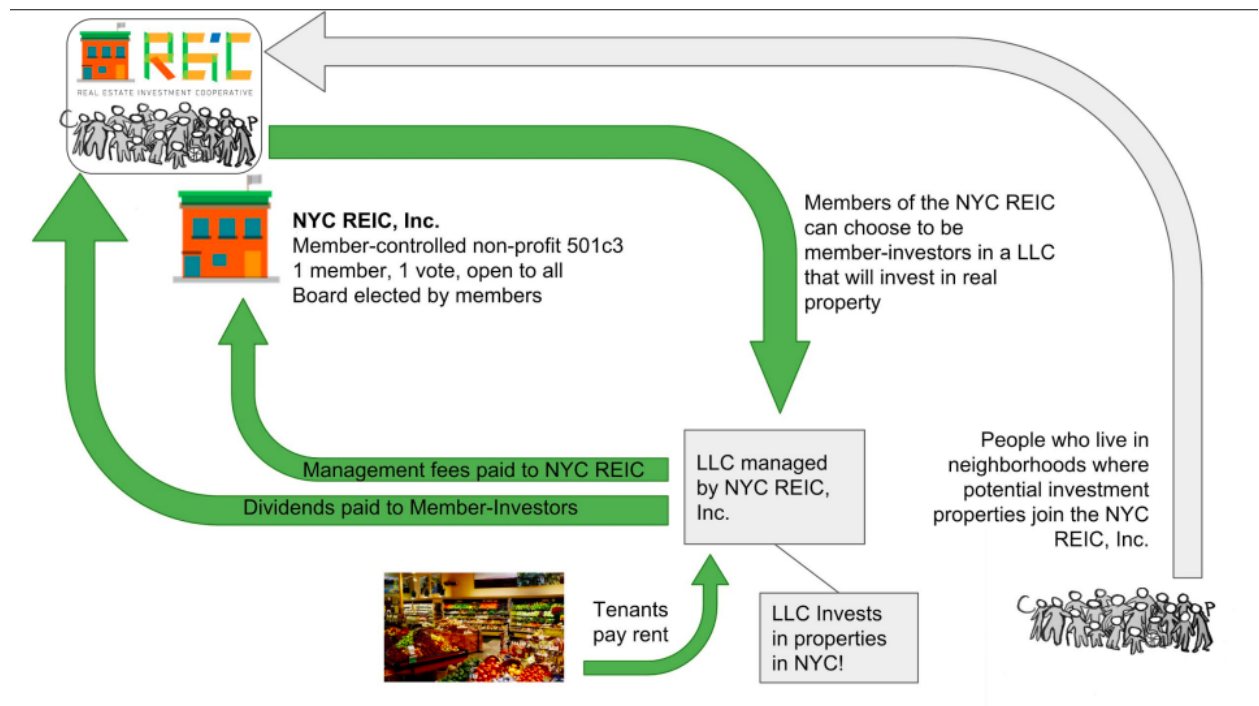
One of the unique aspects of this particular model is that NYC REIC is most interested in working on projects in conjunction with other organizations. They do not seek to be landlords, but instead hope to aid community groups who have a pre-established connection to the community being served and manage an LLC in partnership with this group. Thus, a large part of the fundraising process includes aiding a partner organization in mobilizing their own donors. For example, one potential project is an arts-based organization based in Long Island City that is

---

<sup>50</sup> New York City Real Estate Investment Cooperative, “Packet for Candidates.”

facing potential displacement due to rising rent prices. If this project is chosen, NYC REIC will seek investments from their own membership as well as those who have been involved with the arts-based organization, adding to the membership of REIC. Once NYC REIC has raised enough money to purchase the building, they (in conjunction with the arts-based organization) may choose to place the building under the ownership of a CLT, or some other restrictive deed that requires community input. The NYC REIC and the partnering organization will then create an LLC to manage the property, collecting (affordable) rent, and redistributing dividends to member-investors (see image below)<sup>51</sup>.

*Figure 3: NYC REIC Structure (NYCREIC.com)*



The money raised through NYC REIC will not only come from its members, however. The organization also seeks to raise money through philanthropic and

<sup>51</sup> New York City Real Estate Investment Cooperative, "Packet for Candidates."

institutional investors. Mironova also noted that there are many historic examples of the City providing long-term leases on buildings that they believe have cultural or neighborhood use, in essence securing them as continually available to the community. She also suggested that the City’s history of providing space for residential cooperatives in the 1980’s and 1990’s suggests that they may have interest in supporting the type of preservation that NYC REIC seeks. However, at this point, the organization has only had informal conversations with the departments of cultural affairs and economic development in which interest has been expressed, but no action has been taken at this time.

*Table 5: Real Estate Investment Cooperative*

Minimum financial investment required	Investment includes voting right	Local investment requirement	Return on Investment
Unknown at this time	No	Must be a member, resident of New York	Yes

## Community Capital Fund

The model below exemplifies a process designed to expand democratic control over investment decisions. Ujima has pulled elements from participatory budgeting and community investment funds to create an entirely new type of organization focused on building community power.

### Ujima Case Study

The Boston Ujima Project (pronounced oo-JEE-mah) is a community-based organization formed in 2016 with the intention of creating a “new community

controlled economy in Greater Boston”.<sup>52</sup> In 2014 a group of four different organizations attempted to address a need for funding for grassroots organizations, organizing efforts, and movement building in the Boston area through a collaborative study. They sought to better understand the process of starting a public bank to provide access to funding for these types of programs and groups. Through this study, the Center for Economic Democracy, Boston Impact Initiative, and Community Life/Vida Urbana identified the need for a system to provide more equitable access to sustainable capital, particularly for communities of color. They concluded that a public bank would not be enough to fulfill these needs for community economic development. From their research they discovered many innovative models, but decided that combining aspects of these models into a larger initiative would be most impactful. Thus, Ujima was born. While Ujima’s Community Capital Fund will be the primary focus of this case study, Ujima’s structure and programming is expansive and includes support for businesses, as well as investment opportunities. The Community Capital Fund pools money from local community members to be invested in businesses that are voted on by members.

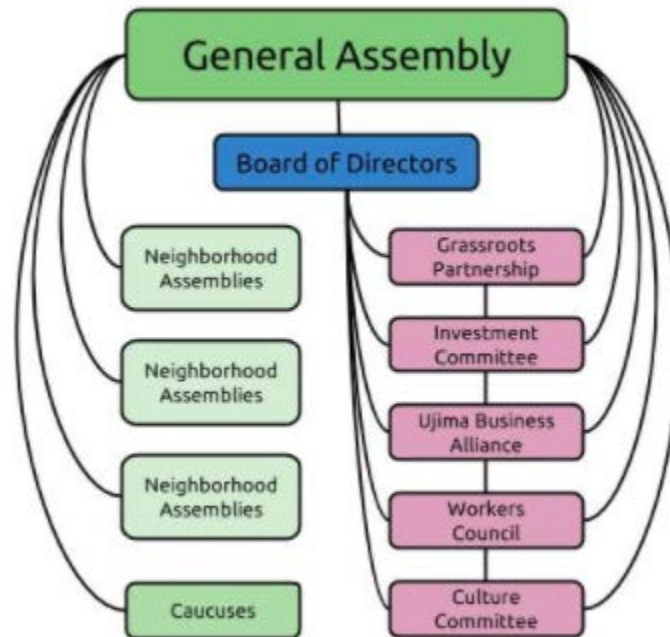
The General Assembly, Ujima’s governing body, is made up of every voting member of Ujima and is responsible for any changes made to the Governing Charter, voting for the Ujima Board of Directors, setting “Good Business Standards,” voting on the goals of collective investments, and endorsing

---

<sup>52</sup> “Join Ujima.” Ujima Boston. Accessed April 1, 2018.  
<https://www.ujimaboston.com/join-ujima>



campaigns and causes.<sup>53</sup> Neighborhood Assemblies are localized versions of these groups that focus on the issues of a specific neighborhood. Working Groups are focused on developing the organization around specific issues: Grassroots Partnership Committee, Investment Committee, Ujima Business Alliance, Workers Council, and Culture Committee. Caucuses are designed to ensure that the activities of Ujima address groups that have been historically marginalized: women, youth, people of color, and LGBTQ individuals.



*Figure 4: Ujima Structure (Ujimaboston.com)*

The community controlled capital fund uses a participatory budgeting model wherein all Ujima members who are residents of Boston have an equal vote,

---

<sup>53</sup> "Join Ujima." Ujima Boston.

regardless of how much they have invested, as to how the fund will be allocated.

These same members also have an equal vote in deciding on the community standards that each investment must adhere to.<sup>54</sup> Community standards might include paying living wage, a focus on sustainability, etc. Members may also decide to promote or prioritize cooperatively owned businesses.

While Ujima is still developing the fund and have yet to allocate capital through this process, the fund will eventually be distributed to small businesses and real estate projects through its Neighborhood Assemblies and Good Business Alliance and Worker Services Network. Currently, a general membership for a Boston resident costs \$25, a youth membership for those between the ages of 14 and 24 costs \$5, a Good Business Membership for owners and employees of Ujima's Good Business Alliance businesses costs \$15, and a Solidarity Membership for non-voting members who are not residents of Boston costs between \$25 and \$100 on a sliding scale.<sup>55</sup>

The fund itself is made up of contributions from members as well as impact investors, philanthropic foundations, faith based organizations, and anchor institutions. Ujima hopes that the fund will provide an opportunity for the market needs of community members to be heard and provided for outside of a typical

---

<sup>54</sup> Nia Evans, interviewed by Allison Curtis, January 30, 2018.

<sup>55</sup> "Join Ujima." Ujima Boston. Accessed April 1, 2018.

<https://www.ujimaboston.com/join-ujima>

investment structure. While the fund is not yet launched, two pilot programs have taken place to test the model and make necessary changes before the launch.

The first of these two pilots was the Solidarity Summit that took place in August of 2016. Five pre-vetted businesses that met Ujima's qualifications (owned by a person of color or located in a community of color and a focus on positive community impact) were selected for a funding competition during the event. Financial information about each business was provided to attendees of the event and each business made a presentation. After presentations, businesses made themselves available for attendees to ask them targeted questions in breakout groups. The attendees then used a texting service to vote for the business that they believed should be funded using rank-choice voting. While the Solidarity Summit provided an opportunity to test the model being proposed by Ujima, enough capital was raised to fund each of the five competing businesses. Ujima staff found that this event was wildly successful in providing inspiration and hope for those in the community who have felt frustrated due to lack of action. Attendees seemed to appreciate that the event was solution and action-oriented. The second pilot program took place in September of 2017 and was focused fund local artists in completing a project.

In the future, Ujima hopes to host neighborhood assemblies to discuss investment opportunities for specific communities, as well as a city-wide assembly to discuss

priorities for the city as a whole.<sup>56</sup> Requests for proposals (RFPs) will be distributed by Ujima asking for businesses to submit their ideas for investment. These assemblies will provide the space for voting on where the community capital fund should be spent. Returns from these initial investments will go back into the fund, providing more capital to be invested in local businesses and community-controlled development.

Membership is at the core of Ujima's work. When members sign up, they are asked to be a member of one of eleven teams: arts and cultural organizing, major investor outreach, financial education, outreach and recruitment, time banking outreach, anchor institution outreach, youth engagement, business support, evaluation, and media creation.<sup>57</sup> Thus, the organization seeks to co-create its programming with members of the community. Ujima members meet every Wednesday, in an attempt to activate and engage the member base. These meetings also provide trainings on financial literacy to help educate and empower members and inform their decision-making.

For the launch event in September, Ujima had a goal to sign up 100 members, ending the year with a total of 200 members. At the end of the launch event, they had signed up 220 members and set a new goal of signing up 300 members by 2017. Ujima currently has about 290 members and hopes to have 400 members by

---

<sup>56</sup> "Join Ujima." Ujima Boston.

<sup>57</sup> "Ujima Membership Application." Ujima Boston. Accessed April 1, 2018.  
<https://ujimaboston.z2systems.com/np/clients/ujimaboston/membershipJoin.jsp>

the end of 2018. However, Ujima’s focus is dedicated to keeping their membership active and engaged.

The board of Ujima is made up of 20 individuals, serving two year terms with six year term limits. 10 of these board members are elected by the General Membership and the other 10 are made up of two members of each of Ujima’s Working Groups. They are responsible for hiring and supervising staff, monitoring the budget and facilitating the General Assembly and voting processes.<sup>58</sup>

While Ujima has had success since their launch, the organization still faces challenges as they grow and adapt. The Community Capital Fund has yet to be fully funded and is not currently active; thus, providing a complete analysis of its effectiveness is impossible. The structure of Ujima is unique, an ecosystem of various programs hoping to create a cohesive way to develop communities through local control of funding. As Nia Evans, Ujima’s Director, notes, it may be hard to replicate Ujima’s exact model elsewhere due to its many specific parts and its strong ties to Boston’s strong community organizing culture<sup>59</sup>.

*Table 6: Ujima*

Minimum financial investment required	Investment includes voting right	Investors must be local	Return on Investment
---------------------------------------	----------------------------------	-------------------------	----------------------

---

<sup>58</sup> “Join Ujima.” Ujima Boston.

<sup>59</sup> Nia Evans, Interviewed by Allison Curtis.

\$25*	Yes	Yes	Goes back into Community Capital Fund
-------	-----	-----	---

\*Investment occurs in the form of a single-time membership fee.

## VII. Analysis

As was discussed previously, there are many avenues through which a CLT exerts control over the commercial development process with residents. Community members may have decision-making control in the choice of developer and request for proposals (RFP) process, the ground lease or other restrictions on the land, the type of business, the type of business structure, tenants, and the business practices of potential tenants in a development. The models discussed in the previous chapter outline mechanisms through which community members may gain control over the terms of financing a project in their community, either through real estate development or business development.

Investment is one of many vehicles for community control of development. Control of development might be held through ownership or decision-making power. Having ownership over a business or development suggests that an individual or group benefits from the success of the development (and suffer from its lack thereof). These benefits might look like a return on investment (direct) or an increase in the availability of goods or services, an increase in jobs or employment opportunities, etc. However, the original intent of a CLT posits that the greater community should benefit from this success, not simply an individual. Thus, by democratizing the investment process, the community is invited to share in the success and benefits of a development. If a CLTs intention is to encourage collective stewardship of land and the value associated with it, they can also support democratized finance opportunities so that residents may collectively

invest in businesses and commercial developments, exerting community control through ownership and decision-making power.

Democratizing the finance structure of community development leads to a more diverse set of funding options, encouraging businesses that may not be able to access conventional funding sources to open and offer an increase in goods and services to the community. This democratization also provides the general public more opportunities to access to the benefits of investment. DPOs and Ujima's Community Capital Fund both provide businesses with access to new groups of potential investors. The REIC model maintains the affordability of commercial spaces, making them more accessible to new businesses. DPOs and REICs both provide dividends to their investors directly, whereas any returns on investment from Ujima's projects are funneled back into the Community Capital Fund in order to continue to provide funding for further projects that will benefit the community. While the DPO and Community Capital Fund are primarily used to fund business development, the REIC is likely more appropriate for the acquisition of space during the development process.

Each model seeks to find alternative ways to finance businesses and real estate, particularly for businesses that have community value but lack access to capital. Much of current commercial development is heavily influenced by capital markets-- starting a business and/or financing real estate development is an expensive enterprise that often requires start-up capital or collateral. Rising real



estate prices, particularly in cities, provide yet another financial barrier for some commercial development. By opening up opportunities to capital for businesses and organizations, communities may gain more control over the types of commercial activities that enter (and stay and grow) in their neighborhoods. However, each of these models has limitations, both in terms of the potential opportunities to expand community control and their feasibility. The opportunities and limitations of each model will be analyzed below.

Each of the models could also be used to prioritize the development of worker-owned cooperative businesses, further deepening the relationship between commercial development and the community. As financing opportunities for businesses, these models play a role in the types of businesses they will support. The role that these models and CLTs in general play in potentially supporting cooperative ownership will also be discussed below.

## DPO/CERO

### Opportunities and Barriers For Community Control

A DPO acts as an avenue for a community to invest in a business by providing the startup capital that it would otherwise not have access to. It democratizes the finance structure of starting a business by circumventing the need for an underwriting firm and opening up investment opportunities to a local audience. Many small businesses that provide goods or services needed by a community do not have the collateral needed to secure financing from a bank. By pooling the

resources of the community, a DPO acts as a mechanism for fulfilling the needs and desires of that community.

The minimum investment amount for a DPO tends to be higher than in the other two models presented in this thesis. Due to the need to track and provide returns to investors, those involved in DPOs tend to seek fewer investors who can give larger amounts, as opposed to many investors who can give small amounts.

Therefore, this model is not accessible to everyone, and limits investment opportunities to those who have access to capital, thereby limiting the scope of community-control. While the minimum investment amount may be significantly less than an IPO, it is still financially prohibitive for many, particularly those who are typically marginalized in development decisions. The minimum investment amount is flexible, however, and different organizations may choose lower amounts to make investing more accessible.

Those who do invest in a DPO, however, may feel more of a sense of ownership over the business because of the potential return on investment. A DPO requires a detailed document describing the risks and potential rewards associated with the investment. Therefore, the community has direct access to information about the company and its intentions and can hold the company accountable to that document. This document must outline the potential return and risks taken by investors, but it also might outline the practices that the business has decided to adhere to (providing living-wages, for example). Those who invest in the DPO

receive direct benefits from its success through a return on investment, and indirectly through an increase of desired goods and services and potentially job opportunities in their neighborhood.

### CLT Adaptability, Partnership, and Feasibility

The DPO model provides an example of one of the mechanisms that could be adapted by CLTs to fund businesses that do not have access to other forms of capital. A CLT could also partner with an organization utilizing a DPO. If a CLT recognizes a need for a certain good or service in their community, or seeks to provide support to locally owned businesses, the DPO provides a community-oriented manner to securing the needed capital. If CLTs are interested in providing access to community-controlled commercial development, they may provide technical assistance to those businesses who are interested in pursuing a DPO, or help to facilitate the DPO process in partnership with a business.

As was noted by Lor Holmes, a successful DPO requires a great deal of initial investment of time and capital. In order to hire the necessary lawyers and create a viable prospectus, Cero spent about \$20,000 during the process, money that was raised beforehand through Crowdsourcing and a small grant. The fundraising process is also extremely time intensive. While the role of fundraising and selling shares may be the primary responsibility of a business owner or employee, a CLT may also provide support for this process and access to a larger network of community members that the business might not otherwise have. CLT staff

support may also provide the business with more time to focus on the operations and development of the business itself.

## REIC/NYC REIC

### Opportunities and Barriers For Community Control

Similar to Ujima's Community Capital Fund, the REIC model uses a combination of investments from the local community and those from foundations and grants to fund their investments. For this reason, the minimum investment required by NYC REIC is smaller than that of a DPO, thus more accessible to those of lesser financial means. The real estate investment model also relies on the "one person one vote" rule that helps to ensure that those who are able and willing to spend more capital on an investment do not have more voting power. However, in order to ensure that the community has the highest level of control over development through this fund, the REIC must consider any restrictions on the funding they accept. Grants that have restrictions on the types of projects they can be used for, for example, would hinder the community's ability to have complete control over development.

One potential area for concern when utilizing an REIC is the formation and role of the board of directors. Because the board of an REIC is responsible for the initial vetting process of potential projects, they must be an accurate representation of the community. The board decides which projects will be decided on with a vote from the rest of membership, meaning they have a great deal of decision-making power. This issue can be addressed when it is decided

how the board will be elected, how they will be held accountable to their members, and the criteria for vetted projects.

Membership of NYC REIC is open to all residents of New York City, however further clarification is needed on who can vote on which projects. This calls forth the question of how an REIC (or any of these models) defines the word “community.” Should any resident of New York have equal voting power for any project that has been proposed? Or should only those residents living in the direct vicinity of the proposed project be granted a vote? The answers to these questions is very much dependent on the location of an REIC, and New York City’s size provides a unique challenge in addressing some of these issues.

The current conceptualization of the REIC includes a return on investment for members. Regardless of if they invest in REIC’s model or not, those living within the neighborhood where an REIC development takes place will receive indirect benefits through access to goods and services and potential employment opportunities. An REIC seeks to maintain the affordability of commercial space so that the types of businesses who have access to commercial space are not limited by their access to finance.

### **CLT Adaptability, Partnership, and Feasibility**

NYC REIC sees this model as working best in partnership with a pre-established CLT that has experience using mechanisms to maintain the permanent affordability of land. The REIC model, they believe, should be just one actor in an

ecosystem of cooperative business and land ownership with a role to fund the acquisition of property through a community-based strategy.<sup>60</sup> An REIC would be responsible for acquiring property that would then be transferred into the ownership of a CLT. That CLT would then use a ground lease to ensure the permanent affordability of the property. This model could be adapted as a program to fund the acquisition of property for the CLT.

Each of these models provides lessons for how CLTs could potentially create a stronger avenue for community-controlled commercial development. By democratizing the financing structures of development, we not only provide residents a method through which to support the type of development that they wish to see in their communities, but they also may feel a stronger sense of ownership over said development. In some cases, these models even provide opportunities for community members to receive returns on the investments they make.

## Ujima and Community Capital Funds

### Opportunities and Barriers for Community Control

Ujima's Community Capital Fund program provides several opportunities for increased community control in commercial development. The program is designed to engage large numbers of people throughout Boston; any resident is welcome to join, and non-residents may also join as "solidarity members" without having a vote. Youth are also offered a membership opportunity with the intention

---

<sup>60</sup> Interview: Oksana.

to explicitly involve them in decision-making processes. Membership is relatively inexpensive at \$25 for standard members, allowing most anyone who is interested to become involved and financially invested in Ujima's work. Money is pooled from a variety of other sources including foundations and grants to supplement the small buy-in price of members and ensure that the fund is large enough to contribute to a variety of projects.

Members can provide larger contributions if they desire; however, the size of the contribution plays no part in the number of votes a member receives. One member only holds one vote. This system levels the playing field for those who cannot contribute large amounts of capital but still want a say in the development that happens in their neighborhood. Neighborhood Assemblies are designed to address the needs of specific neighborhoods, whereas the General Assembly addresses Boston as a whole. Thus, investments that will impact a certain neighborhood are only decided upon by those in the direct impact area. It is also important to note that before votes are made, information is provided to members about the businesses and developments they are voting on that include financial information. However, further clarification is needed in determining how much of this information is provided and how much might be needed to make an informed decision.

Returns on the investments made by Ujima are returned to the Community Capital Fund, increasing the organization's ability to invest in more projects. While

community investors do not directly (financially) benefit from investments, the investments made by the fund will indirectly benefit the communities where investments take place. Since the community has the power to vote on how investments are made, they still hold power over the ROI by choosing where it is spent.

The board structure of the Ujima Project also represents its intention of community-control and leadership. The board is voted on by the General Assembly (the entire membership of the organization) and intends to be representative of the communities involved in Ujima. While the board is responsible for designing the voting process for the Community Capital Fund, votes are made by any member. Caucuses have been designed to ensure that the voices of historically marginalized decisions are heard throughout the organization and in investment decisions. These groups hold members accountable to their intention of inclusivity.

Due to the fact that Ujima has yet to conduct a fully-fledged disbursement of its Community Capital Fund, some questions are left to be answered. For example, how are decisions made about the nature of RFPs and their dissemination in the community? Who decides what projects should make it to a vote? And, how many members must be present in order to legitimize a voting process? These are some of the questions that must be answered as Ujima continues to grow and develop as an organization. The success of Ujima's model relies on individuals participating



in the process. Therefore, Ujima has focused much of its efforts on deeply engaging its members through multiple opportunities for involvement in the organization (caucuses and working groups, for example). Some, however, may not have the capacity to attend regular meetings.

It is also important to note that Ujima member-investors do not receive a direct return on their investments. Any return is channeled back into the Community Capital Fund to support other investment opportunities. While this may increase Ujima's capacity to provide funding to more projects, it may also dissuade individuals from providing larger investments in the first place and decrease their sense of ownership over a project if they do not directly receive the financial benefits of their investment.

### CLT Partnerships, Adaptability, and Feasibility

Some aspects of the Ujima model may be of interest to a CLT intending to provide avenues for community control in commercial development. The Community Capital Fund is an adaptable program that could be adapted by a CLT or partnered with to build funds to purchase property without relying on other investment strategies that may be more restrictive. By imagining new sources of funding and decision-making strategies, a CLT could build more community control into its commercial development plans. CLTs could also partner with organizations like Ujima to raise investment funds for the acquisition of property or the promotion of businesses.

One of the most significant challenges that Ujima has faced has been program design. Ujima's structure and decision-making process is entirely unique, and any CLT interested in using a similar model would undoubtedly need to adapt it to their own needs. Much of Ujima's success has stemmed from Boston's strong organizing community.<sup>61</sup> So much of the model depends on the active participation of residents meaning that organizing efforts are necessary to keep members engaged and attending meetings. Many CLTs are well positioned to participate in community engagement and organizing efforts due to their strong community ties.

The feasibility of this model also depends on receiving investment from other sources, not just the community. Due to the nature of the model, these other sources must be non-restrictive and flexible. This form of fundraising is time-intensive and requires careful scrutiny of funding sources and the terms that may come attached. The unusual design of the program may create barriers or complications when applying for grants. Some CLTs already have a development staff or experience in fundraising, which may provide useful if a model like the Community Capital Fund is adapted.

The Community Capital Fund model also provides increased access to funding for cooperatively-owned businesses. If worker-owners are prioritized as potential beneficiaries of the fund, this provides another access for community control over the commercial developments of an area. Not only would the investment be

---

<sup>61</sup> Nia Evans, interviewed by Allison Curtis.

community controlled, but the business itself would be community owned. Many of the businesses already associated with Ujima are worker cooperatives, thus creating a culture that encourages cooperatively-owned organizational structures. When adapting this model, CLTs can similarly encourage alternative ownership models.

*Table 7: Comparing Models*

Model	Minimum Investment	Return on Investment	Types of Investment	Supplemental Funding from Grants/ Foundations
Community Capital Fund	Low	Goes back into fund	Businesses, real estate	Yes
DPO	Moderate	Yes	Businesses	No*
REIC	Low or Moderate	Yes	Real Estate	Yes

\*DPO funding was supplemented by grants and other investment capital for CERO, however the DPO itself is not supplemented by outside funds.

## Cooperative Ownership

As has been discussed, the labor, or organization of people, involved in a commercial development is also vitally important in understanding its level of community control. Once a commercial space has been developed, to what extent is the business tenant itself also controlled by the community? Beyond these models of financing, CLTs may also provide technical assistance and tenant preference for businesses who are worker-owned and whose workers are residents of the community. If CLTs seek to expand their roles to address multiple aspects of community development, they may consider pursuing alternative business

ownership models. Worker cooperatives that are owned by residents of the neighborhood provide yet another avenue for community members to have control and ownership over the commercial aspects of the area they live in.

## VIII. Conclusions and Next Steps

The number of CLTs in the United States is growing, and with their growth in numbers comes an expansion of services and programming. While they gained significant popularity through housing programs, CLTs have always envisioned developing farmland, green space, and commercial spaces.

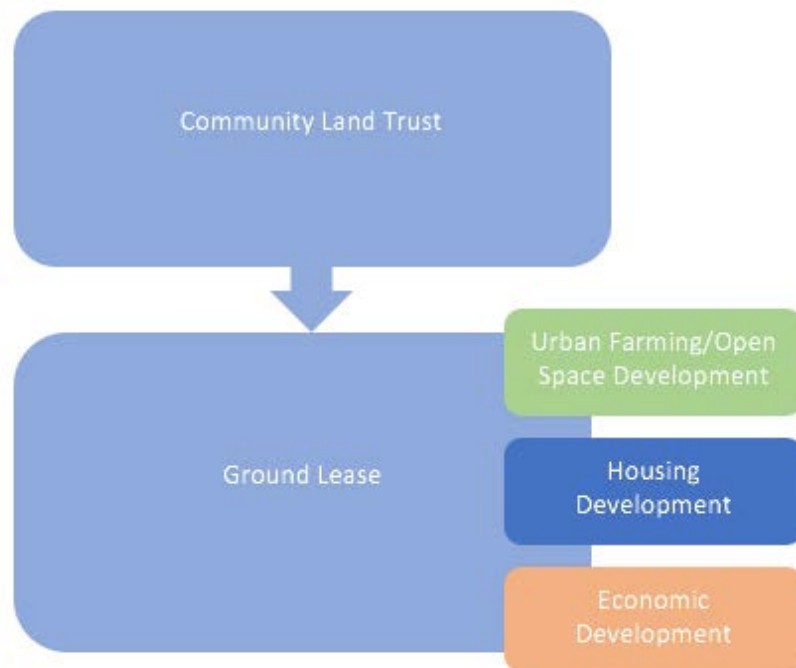
As organizations that are deeply rooted in their communities, CLTs provide avenues through which residents can voice their opinions and become actively engaged and involved in the development and ownership of the places they live. One tool through which a CLT can provide these avenues is the ground lease—designed to give the community control over land and how it is used. While the ground lease has proven a powerful tool for providing affordable housing in perpetuity and mitigating against speculation and rising land prices, it is not the only tool that a CLT can use in its efforts to exert community control.

In order for CLTs to effectively participate in community economic development as well as housing development, they should consider community control mechanisms beyond the ground lease. There is room for CLTs to figure out how to support new models, either through extending their own work or partnering with others.

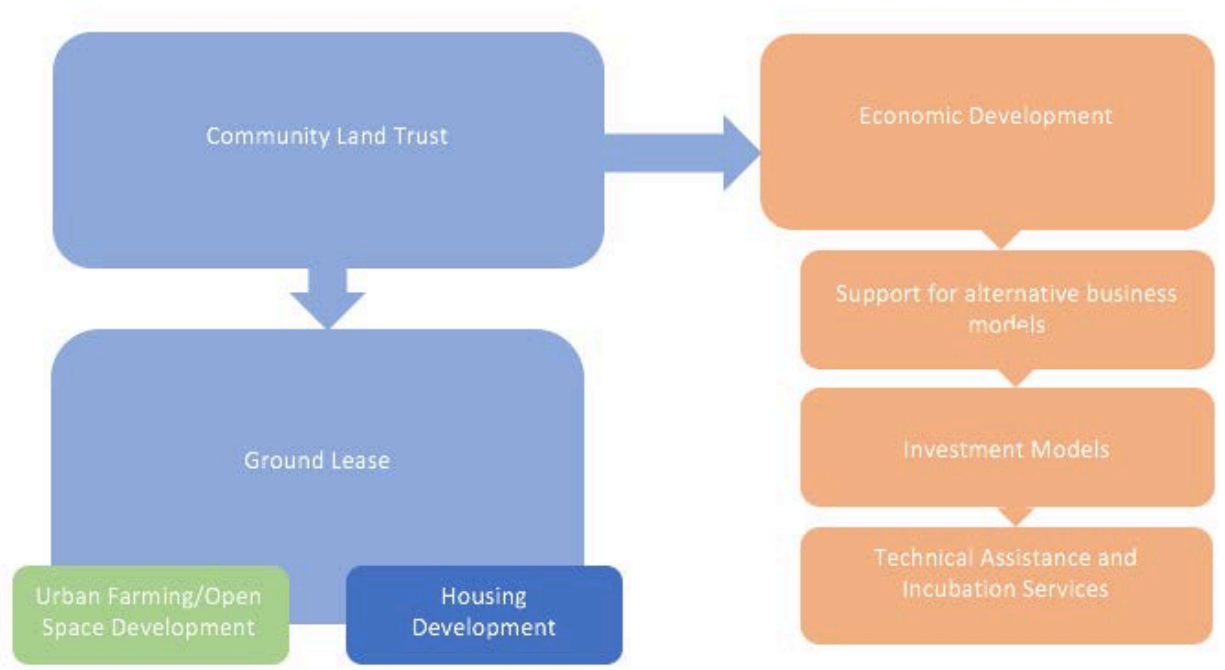
Currently, many CLTs utilize the ground lease in performing all of their programs (see Figure 5). The ground lease is used to develop housing, farming and open

space, and economic development in their communities. I argue, however, that CLTs could expand their conception of their own roles to include a more holistic look at community development that may, or may not include a ground lease. For example, a CLT could participate in economic development without using a ground lease for commercial tenants by providing support for alternative business models, facilitating alternative investment strategies, and providing technical assistance and incubation services (see Figure 6)

*Figure 5: CLT Current Structure*



*Figure 6: CLT Potential Structure*



The inherent differences between housing and economic development require the use of different methods, necessitating a re-imagining of the potential role of CLTs. Community land trusts can situate themselves as part of a greater ecosystem of organizations and models seeking to share the value of land and development with the broader public as opposed to a small group of individuals. They may choose to adapt some of these models themselves, or create strategic partnerships to work towards shared goals with others.

The models analyzed in this thesis are meant to begin a conversation about how CLTs can expand their programming into commercial development while continuing to provide access to community control. These models are by no means the only options and, as is noted, there are a variety of avenues for

community input to be expressed and ways for community members to have a growing ownership role.



# Appendix

## Interview Questions

---

1. Tell me about how the program started. What inspired you or your organization to pursue this program?
2. How does this program provide the community with control over development?
  - a. Does the community have financial control over development?
  - b. Is the community involved in decision-making?
3. What is the structure of the organization? How are decisions made?
4. How are community members engaged in this program?
5. *If community has financial control:* What type of investments can the community make in development through this program?
  - . What is the minimum/maximum investment amount?
    - a. Does financial investment provide returns?
    - b. Does financial investment provide some sort of voting right?
6. *If community has decision-making control:* What types of decisions are community members able to make?
  - . How are these decisions made?
    - a. How are community members invited to be a part of the decision-making?
7. What are some of the challenges associated with this type of program?
8. What are some successes that this program has had?
9. What parts of this program do you think could be replicated elsewhere? What makes this program specific to your community?
10. What lessons learned would you pass along to others interested in implementing a similar program?

# Bibliography

- “About the Holly Square.” Urban Land Conservancy. Accessed April 1, 2018.  
<https://www.urbanlandc.org/assets-investments/holly-square/about-holly-square/>
- Arnstein, Sherry R. "A ladder of citizen participation." *Journal of the American Institute of planners* 35, no. 4 (1969): 216-224.
- Bratt, Rachel G., and Kenneth M. Reardon. "Beyond the ladder: new ideas about resident roles in contemporary community development." *Policy, planning, and people: Promoting justice in urban development* (2013): 356-381.
- community by design (cbd). “Vision Plan: Holly Area Redevelopment Project.” Urban Land Conservancy, (2010).
- Cutting Edge Capital. “Investment Crowdfunding and Direct Public Offerings.” Information sheet.
- Davis, John Emmeus. "Origins and evolution of the community land trust in the United States." *The community land trust reader* 1, no. 4 (2010).
- Davis, John Emmeus. *Shared equity homeownership: The changing landscape of resale-restricted, owner-occupied housing*. National Housing Institute, 2006.
- Donjek, Inc. “Commercial Land Trust Feasibility: Final Summary.” Minnesota: Donjek, Inc. (2012).
- Ferguson, Ronald F., and William T. Dickens, eds. *Urban problems and community development*. Brookings Institution Press, 2011.
- “Frequently Asked Questions,” Northeast Investment Cooperative. Accessed April 16, 2018. <http://www.neic.coop/faq/>
- “Join Ujima.” Ujima Boston. Accessed April 1, 2018.  
<https://www.ujimaboston.com/join-ujima>
- LaVecchia, Olivia. “These Neighbors Got Together to Buy Vacant Buildings. Now They’re Renting to Bakers and Brewers.” *YES! Magazine*, 19 Dec. 2015, [www.yesmagazine.org/new-economy/neighbors-got-together-buy-vacant-buildings-renting-bike-shop-brewer](http://www.yesmagazine.org/new-economy/neighbors-got-together-buy-vacant-buildings-renting-bike-shop-brewer).
- LaVecchia, Olivia, Nick Stumo-Langer, and Stacy Mitchell. "Investment

- Cooperatives." Institute for Local Self-Reliance. April 04, 2018. Accessed April 05, 2018. <https://ilsr.org/rule/investment-cooperatives/>.
- Lowe, Jeffrey S., and Emily Thaden. "Deepening stewardship: Resident engagement in community land trusts." *Urban Geography* 37, no. 4 (2016): 611-628.
- New York City Real Estate Investment Cooperative. "Packet for Candidates." Public information for potential board members. [http://nycreic.com/wp-content/uploads/2017/08/PACKET-FOR-CANDIDATES-10\\_12\\_2017\\_v2.pdf](http://nycreic.com/wp-content/uploads/2017/08/PACKET-FOR-CANDIDATES-10_12_2017_v2.pdf)
- "Our History," New Communities Inc. Accessed April 14, 2018. <http://www.newcommunitiesinc.com/new-communities.html>
- Shaffer, Ron, Steve Deller, and Dave Marcouiller. "Rethinking community economic development." *Economic Development Quarterly* 20, no. 1 (2006): 59-74.
- Sorce, Elizabeth. "The Role of Community Land Trusts in Preserving and Creating Commercial Assets: A Dual Case Study of Rondo CLT in St. Paul, Minnesota and Crescent City CLT in New Orleans, Louisiana." (2012).
- Team, C. E. C. "\$340,000 Raised by Composting and Recycling Worker Cooperative in Massachusetts." *Cutting Edge Capital* (blog), July 8, 2015. Accessed April 1, 2018. <https://www.cuttingedgecapital.com/cerodpo/>.
- Thaden, E. "Results of the 2011 comprehensive CLT Survey. Nashville, TN: The Housing Fund Vanderbilt University." (2012).
- "Training." Set-up Shop. Accessed April 1, 2018. <https://www.setupshopak.com/training>
- "Ujima Membership Application." Ujima Boston. Accessed April 1, 2018. <https://ujimaboston.z2systems.com/np/clients/ujimaboston/membershipJoin.jsp>
- Ward, Jonathan, Margaret Christie, Addie Rose Holland, Dan Rosenberg, Jeff Rosen, and Sam Stegeman. "Community Investment in the Local Food System." (2013).