



## Frequently Asked Questions (FAQ)

### What is the Community Investment Trust or CIT?

The Community Investment Trust or CIT is our name for an investment product Mercy Corps designed for lower dollar monthly investors. The CIT will aggregate investors to own commercial real estate people's neighborhood. The first CIT, East Portland CIT Corporation, is a single property investment available to approximately 300-500 investors who live within four zip codes (97216, 97233, 97230, 97236) close to the CIT property at 1427-1515 SE 122<sup>nd</sup>. The property, known as Plaza 122, is an commercial-retail office building of 29,000 square feet, of which 26,175 is leasable space for approximately 27 business and non-profit tenants at any given time.

### Why is Mercy Corps involved and how?

The CIT was conceived and created by the former executive director of Mercy Corps Northwest, who now directs the CIT. Mercy Corps Northwest is the domestic entity of the global NGO, Mercy Corps. The vision was to build a model to help people learn and have access to real estate investments as a path to building financial assets, learning and creating strong community connections. Mercy Corps mission is to create just, productive and secure communities. We believe economic well-being and ownership is integral to family and community resiliency.

### How is the CIT different?

No other financial product or community development model in the private, public or nonprofit sector has been designed like the CIT. The model's unique advantages include:

1. Low dollar investments (\$10, \$25, \$50 or \$100/ month).
2. Short and long-term returns for investors through an annual dividend and share price change annually.
3. Guaranteed protection from loss for investors through a direct pay letter of credit from a local bank.
4. Investors may cash out of their investment at any time and have their entire investment returned.
5. Eight-hours of education called "Moving from Owing to Owning", offered in five languages covering budgeting, goal setting and the risk and return profiles of investments.
6. Investor management and communication including a website - [investcit.com](http://investcit.com) and an SEC compliant investment management portal.

### How are investors protected from loss?

With a direct pay letter of credit from a bank, all investors are that assured that both that their investment is liquid (they can get their money out at any time) and their investment is secure from loss. This is one of the key elements that makes the CIT investment product unique to anything like it except a certificate of deposit at a bank. The CIT investment, unlike a bank deposit, has a long-term upside in the value of the real estate, both because of the amortization of debt, which is

entirely predictable, and the increase in value, which should be largely predictable if the property performs at its current and projected levels over the next five years.

**How is the building managed and by who?**

East Portland CIT Corporation's (EPCIT) property, Plaza 122, is managed by a professional property manager, Norris & Stevens. Investors and Mercy Corps do not engage in property management. A Mercy Corps entity, CIT Services, LLC acts as advisors to the board of directors of East Portland CIT Corporation, an Oregon C-corporation that is owned entirely by the neighborhood shareholders.

**How is the CIT managed and by who?**

EPCIT has an independent board that has fiduciary oversight of the property and the primary oversight directive of maintaining a positive investment return for the investors and meet community objectives outlined in the corporate bylaws. The board comprised of a blend of experts and community members/investors. A Mercy Corps entity, CIT Services, LLC acts as advisors to the board of directors of East Portland CIT Corporation, an Oregon C-corporation that is entirely owned by the neighborhood shareholders.

**Who is in on the East Portland CIT Board?**

The board has the fiduciary oversight responsibility for East Portland CIT Corporation. As of October 2, 2017 the founding members of the board were: Jennifer Glass, Director and President; Larry W. Ettner, Director and Secretary; and John W. Haines, Director. Jenny is the founding Executive Director of The Rosewood Initiative, a place-based organization in East Portland/Rockwood. Larry has served as Professor of Management Practice: Atkinson Graduate School of Management, Willamette University in Salem, Oregon, since 2008 and is currently on the Board of Mercy Corps NW. John is the Executive Director of the Community Investment Trust for Mercy Corps. Over time, the board will grow up to twelve members, chosen by the board members to reflect the technical skills needed, such as real estate, finance, accounting and community development, and with knowledge of the neighborhood. Investors can be board members. The plan, during the next two years, is to have the board members comprised of investors and community leaders in the four zip codes that are the investor territory.

**How will the governance/ownership model be set up to encourage investor participation?**

The investors will have engagement during the early stages of development for visioning and marketing but will not have an influence over the business of tenants in the private enterprises of the building. We anticipate that neighborhood investors may self-organize or join in their existing organizations (housing agencies, churches, schools or clubs) to guide property updates and future investors into the existing or subsequent CIT properties through their own organizations. The investors, neighborhood leaders and organizations will have an ongoing role in training future investors through the "Moving from Owing to Owning" course.

**How will the tenants in the building be affected by this?**

They should benefit from the ownership of the neighborhood and a customer base whose investment success is tied to their business success. We work with the tenants to determine if there are synergies with their customers and their desires for the building. Events at the building, including grand openings, greenscaping, artist shows, and meet-and-greets, has created a vibrancy at the building.

## **What are the pros and cons of investing in real estate?**

Real estate poses both unique risks and benefits. It is subject to general market conditions, the success of the tenants and their ability to pay their rent, to a downturn in prices as we saw in 2008-09. It consolidates the investment in one property, which is not a diversified investment. On the positive side, real estate tends to do well in an inflationary environment. Real Property is tangible and you can see the property and its condition daily through the performance of a diverse set of tenants.

## **How do I make money on the investment?**

Investors will make a return on their investment in two ways: 1) In the short-term, investors will receive a dividend annually of 90% of the taxable income produced by the property. 2) In the long-term, investors will gain on the value of their shares annually but will receive that cash when shares are liquidated. The share price is changed annually based upon the full amount of debt reduction on the property from the primary mortgage and up to 50% of the change in the appraised property value from an annual appraisal.

## **How will investors get out of project, sell their shares, if they need/want to? How will the selling price per share be determined (will investors be taking price risk, i.e. in event of another 2008)?**

Investors can liquidate their shares at any time based upon the share price valuation from an annual value determination based, again, on the debt reduction and appraisal of the property, performed annually. The share price remains fixed for the year until it is revalued at year-end. Investors may resubscribe at the new share price at the end of each year.

## **How is the price per share be determined?**

The initial offering was for 45,000 shares at \$10/share. Each year, the Board will set the new share price that is a function of the change in appraised value of the property, the reduction in amortized loan, and the number of authorized shares. At their discretion, they may apply a discount factor to the appraised value of the property to ease dramatic share price changes but will release up to 50% of the appraised value change annually in the share price. For example, in year one each share costs \$10. In year two, based upon an appraisal completed on 9/7/18, and the share price for 2019 increased from \$10 to \$14.57, and to \$15.86 in 2020.

## **How many investors will there be in the East Portland CIT and how much can investors invest?**

We will allow investments of \$10, \$25, \$50 or \$100/ month maximum until the initial equity of approximately \$450,000 is purchased by the neighborhood investors. We anticipate that will happen in about 4-5 years, but that is subject entirely to the demand by the neighborhood investors, their investment amount and how long they hold their shares.

## **You are targeting people who have little money to invest and do not understand how investments in general work, or how they can possibly be part of owning an entire building or strip mall. How will they learn?**

We designed the CIT with survey conversations guiding us. To educate potential investors, we are providing classes called "Moving from Owing to Owning". Due to COVID-19, we hold classes on Zoon for two hours on three successive days.

### **Why are investors required to take the investment course?**

People we surveyed wanted education and investors have valued the course. We want investors to understand what investing choices they have, and to choose one that fits their budget and financial goals. This course and the investors understanding of investments and the CIT is an important part of meeting our target market investor goals to learn and understand investing.

### **What are the public benefits accrued to the community in addition to the individual investors?**

We track impact on three levels: 1. Family (does the investment help people meet their financial goals). 2. Tenants (do businesses and non-profit tenants perform better). 3. Community (do people vote, join neighborhood groups, advocate for themselves and their neighborhoods). Through these three areas of impact, we believe the CIT addresses long-standing community economic development and policy challenges in neighborhoods, cities and states throughout the nation of [financial inclusion](#), [equitable development](#) and [inclusive growth](#). We are primarily interested in addressing asset poverty and inclusion by providing access to long-term investments. We want to test the intersection of the resiliency of individuals and neighborhoods, and the behavioral changes that manifest through ownership and participation and engagement. We also anticipate greater success of the tenants in the Community Investment Trust buildings because of the imbedded market of customers who are owners of the property.

### **Who is eligible to invest in the East Portland CIT and how do I become an investor?**

Investors must live in zip code 97216, 97230, 97233 or 97236. He/she must be at least 18 years old. They must have a taxpayer ID. They must have taken the CIT “Moving from Owing to Owning” class. In addition, they must have a bank account from which the monthly investments are made.

### **What happens if I move out of zip code after investing?**

Nothing will change during the current subscription period. When the next subscription period opens, you will not be able to enroll for the new offering period. You can hold your investment but cannot add to it.

### **Can I cash-out part of my investment?**

No, you must cash out of your entire investment. You may restart your investment at any time.

### **Can I take the Owing to Owning class online?**

Due to COVID-19, the class is only offered online in a peer-learning zoom class. We hope to return to in-person classes when health conditions are safe. It is a high interactive class – participants benefit greatly from the discussions with each other. We do know though that many people have time constraints and will remain offering the classes online.

### **What are the risks to my investment?**

Your investment is protected from loss and you are guaranteed a minimum return of 2% annually. Our dividend for investors has averaged 9% for three years.

### **Can both my spouse and I invest?**

Yes.

**Will people actually take financial action for themselves and without subsidy or incentives?**

Yes, we have over 170 investors as of 7/31/20, and 98% of investors re-subscribe annually. We believe in the power of people taking advantage of opportunities to advance their financial standing. In surveys we conduct annually, people, including a majority of women, renters and low-income immigrants and refugees report a desire to invest, especially in real estate, and that they prefer to own real estate in their neighborhood with businesses which they know and will use.

**As more people invest in the CIT, will the shares and dividends be worth less?**

No, we distribute a percentage of the total shares issued of 45,000 shares.

**How many shares are available to purchase?**

45,000 at \$10/share in Year One; \$14.57/share in Year Two; and \$15.86 in Year Three.

**How many shares can a CIT investor purchase?**

Up to \$100 worth per month.

**How much is the building worth?**

At purchase on 12/18/14, \$1.2 million; as of the last appraisal in late 2019: \$1,980,000