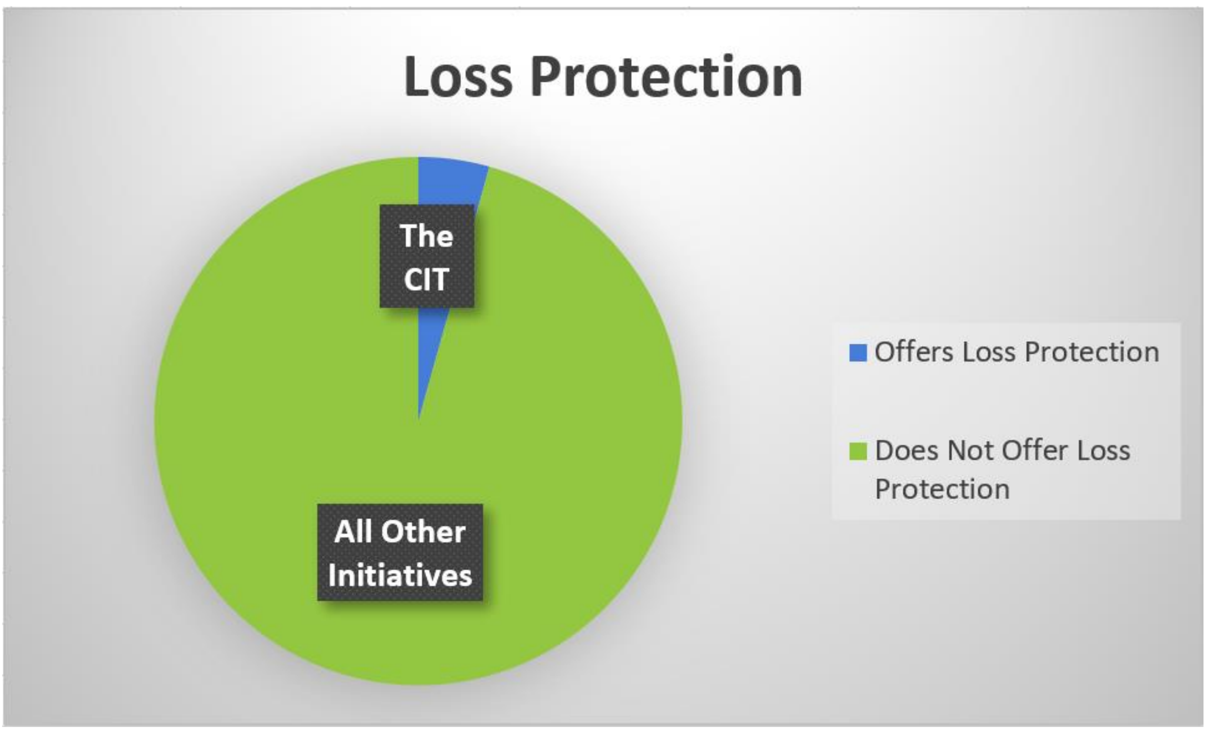
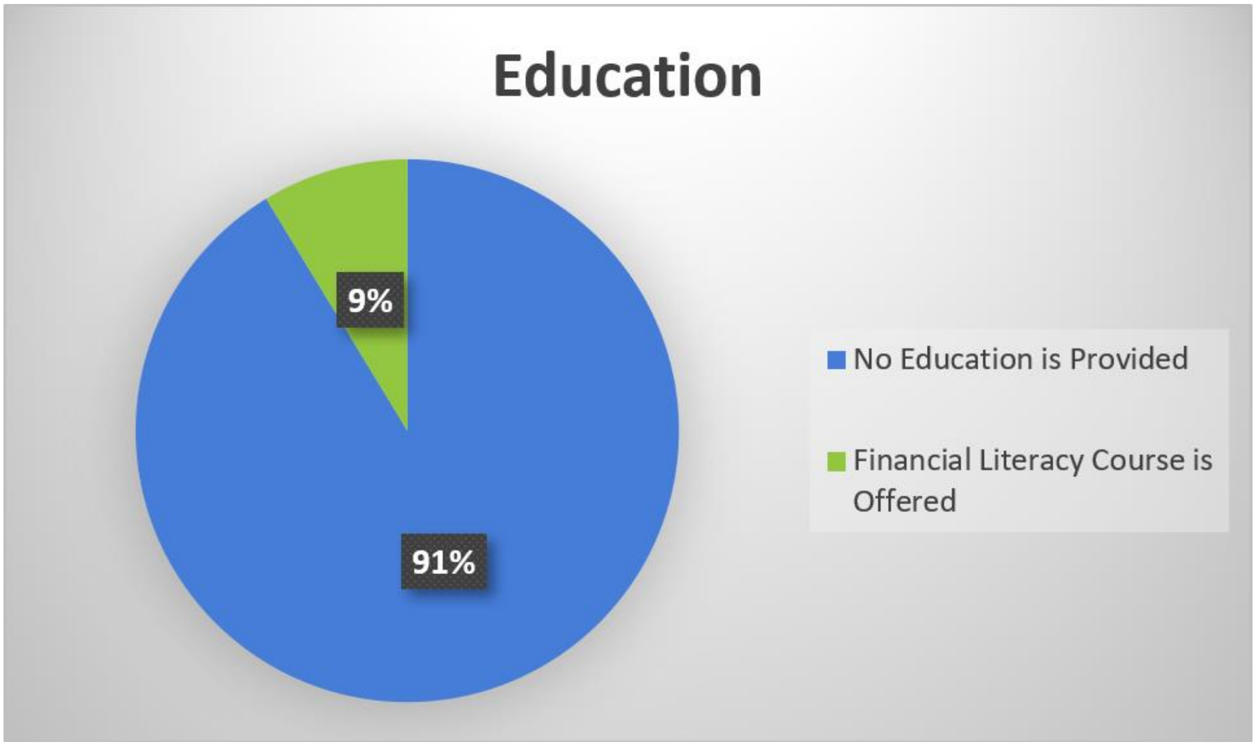
Overview: Wealth Building Initiatives

The CIT analyzed 22[1] real estate organizations; looking at their effects on community wealth compared to the CIT. Throughout this paper the acronym WBI will be used, which stands for Wealth Building Initiative.



The trait that is most unique to the CIT is their loss protection. Investors are allowed to sell their shares at any time, at the value in which they were assigned in the last annual appraisal. The investors will have their investment principal and a rate of return of 2.5% (and IRS designated rate) which is protected from loss. The Kensington Corridor Trust and the Neighborhood Equity Financial Vehicle both plan on having loss protection, however both initiatives have yet to be actualized.

[1] Twenty-eight initiatives are present on the matrix, however four of these initiatives are still being developed. Because they have significantly larger gaps in data than the operating WBIs, they will not be included in statistical analysis but still mentioned when relevant.



Of the 29 WBIs, only three[2] incorporate education into their model. They provide a financial literacy course for the specific purpose of investing in their initiative's property. Each course has slightly different emphasises, but they all cover budgeting and the risks/rewards of investment.

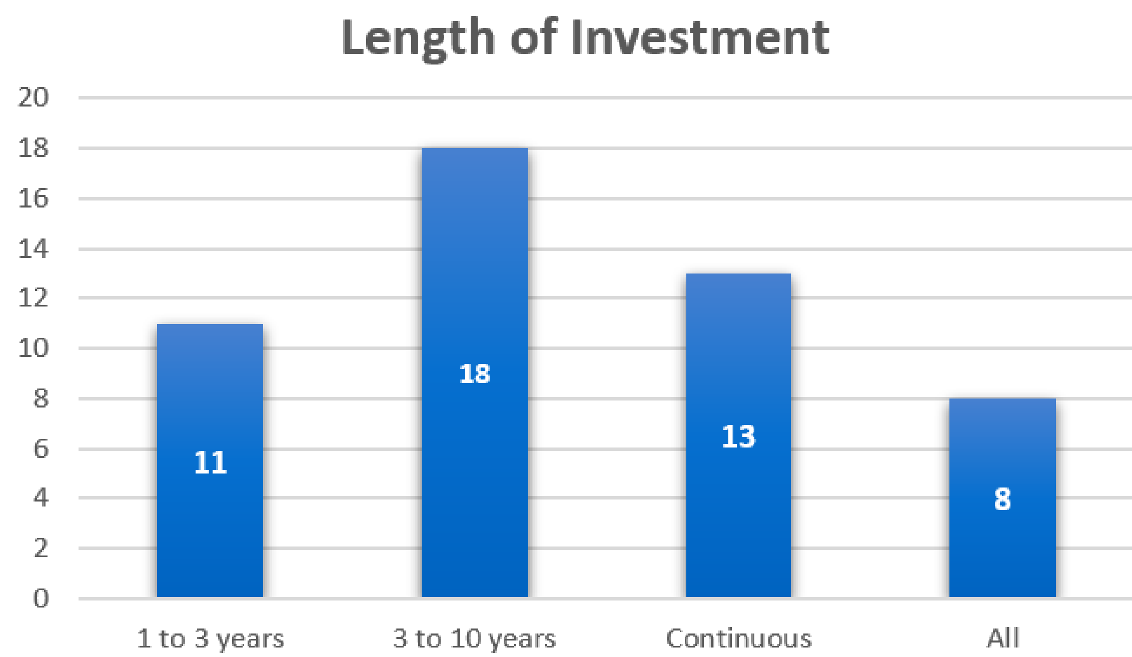
The **Community Investment Trust** has a mandatory six hour financial literacy course, which focuses on budgeting, financial goal setting, the importance of good credit, and the risk & rewards of investing. Upon the completion of this course, graduates can sign up through the investment portal to invest $10-100 monthly. They allow people who can't/won't invest to attend; but makes potential investors the priority.

Jumpstart has a mandatory nine hour financial literacy course, focusing on real estate business models, property sourcing, design and construction, financing and cost estimation, and

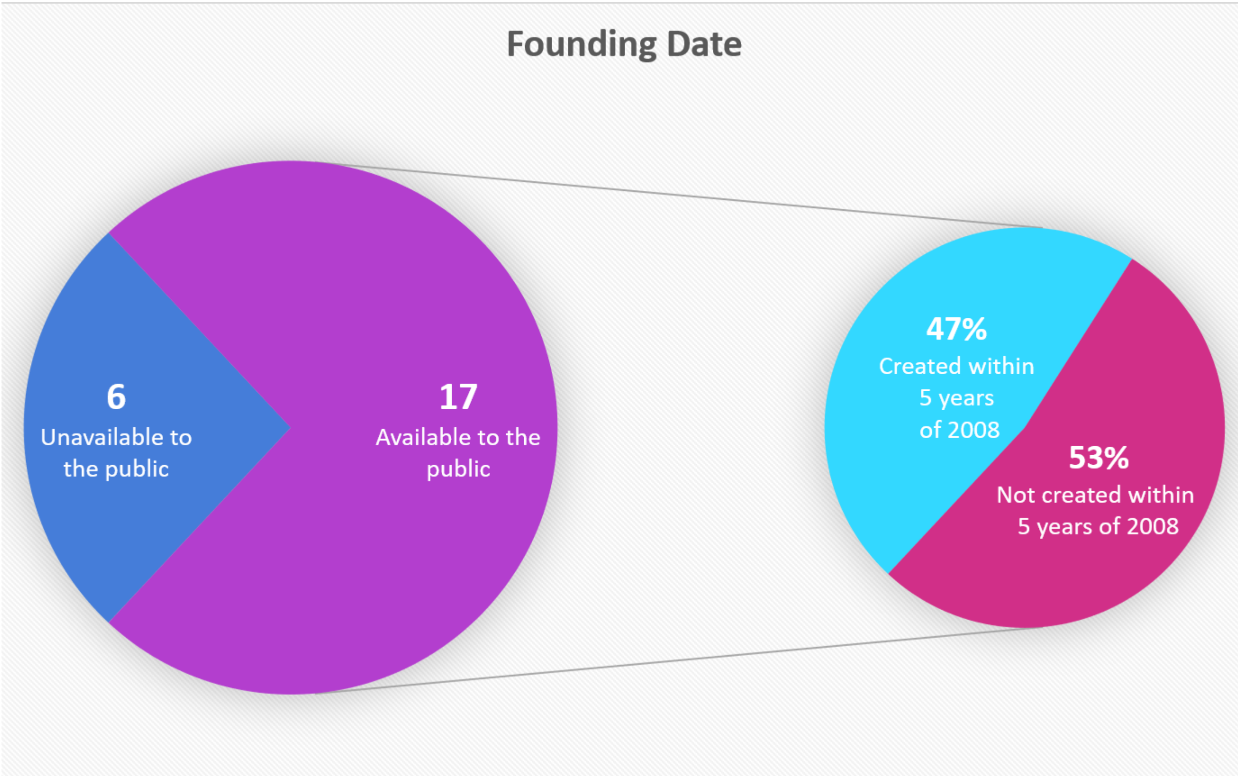
[2] The OakCLT is not an initiative on the matrix, but it is present on the Indirect Wealth Building portion of the document. They partnered with the People of Color Sustainable Housing Network to create a Community Co-Ownership Initiative training series, to diversify and expand access to shared ownership and resident controlled housing. Their key areas of focus include training/leadership development, identification and acquisition of opportunity sites, innovative financing, and stewardship. However, this program differs from the rest as it doesn't directly feed into an investment opportunity.

leasing and selling property. After this course, they are assigned an industry professional to help them buy a residential property. It is unknown if they allow people who aren't trying to buy a home attend.

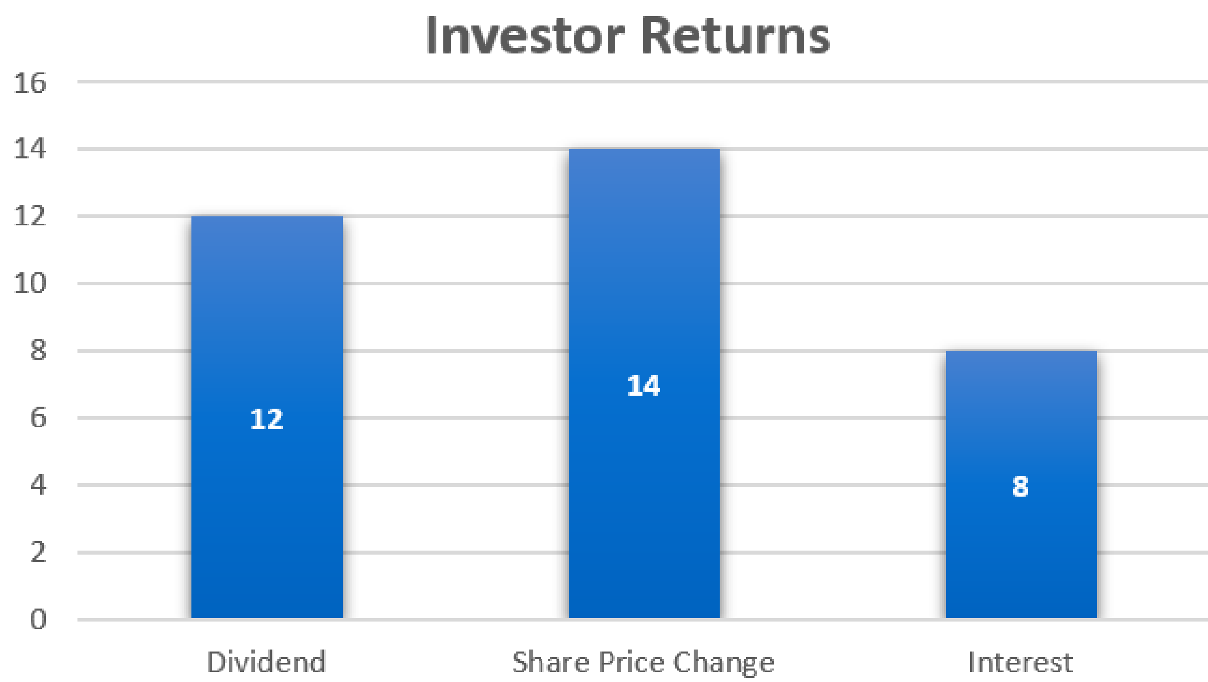
Market Creek Plaza had a financial literacy course for its investors; although information about the course is not available to the public.



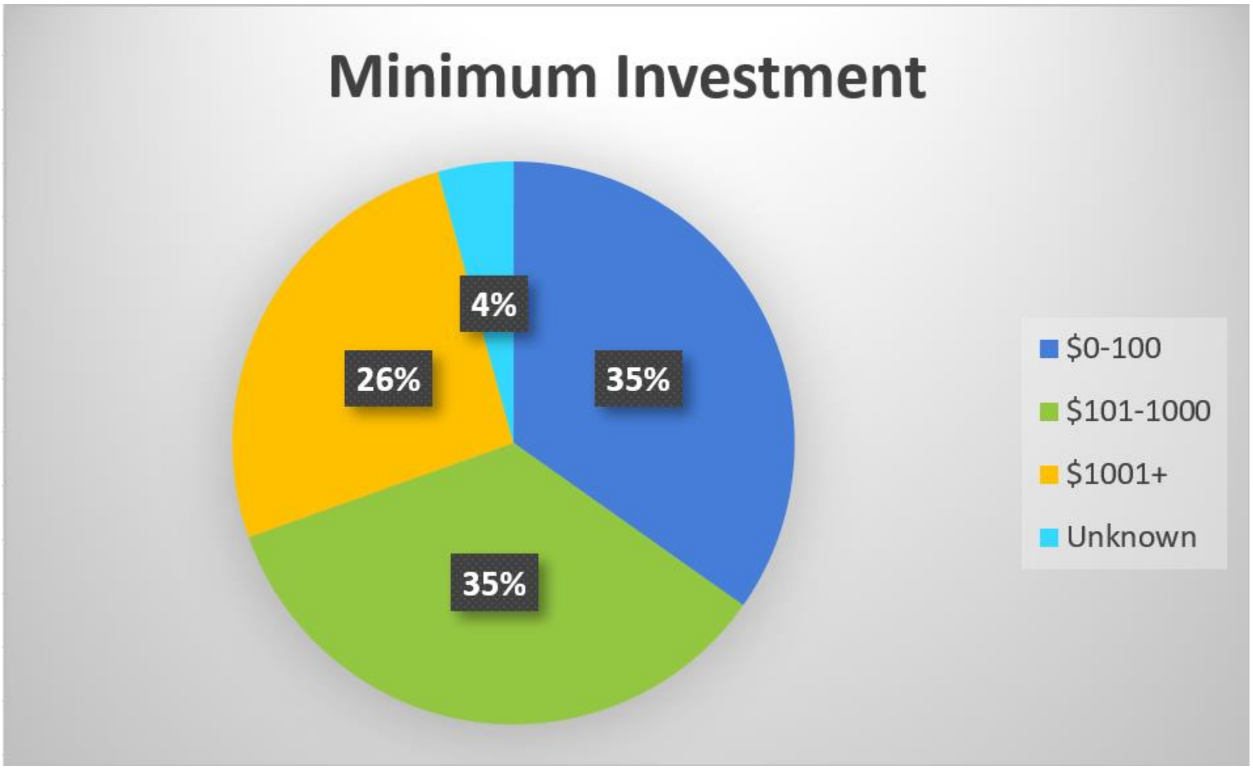
Eleven out of the twenty-two allow investments from 1-3 years, eighteen allow investments from 3-10 years, and 13 allow continuous investments. While we record 8 initiatives offering investment lengths of 1 year-continuous (All), the graph does not show that combination of two categories (1-10 years and 3 years-continuous) are also present in the matrix. The CIT is in the All category, offering investments for as little as one year, and not having a maximum investment period.



Sixteen WBIs have their founding date available to the public, seven of these were made within five years of the 2008 recession. 44% is large enough to wonder if this is a trend, however without knowing the last six founding dates I can't say for sure. The CIT, however, does not follow this trend, having been created in 2017.



The matrix documents three different types of payment options: dividends, share price change, and interest. Most initiatives use a mix of these three methods, with seven using all three. The CIT pays its investors through dividends and share price changes.



Of the WBIs analyzed, eight have a minimum investment from $0-100, eight have a minimum investment from $101-1000, and six have a minimum investment of 1001+[3]. The CIT actually has the lowest minimum investment[4], which is $10.00.

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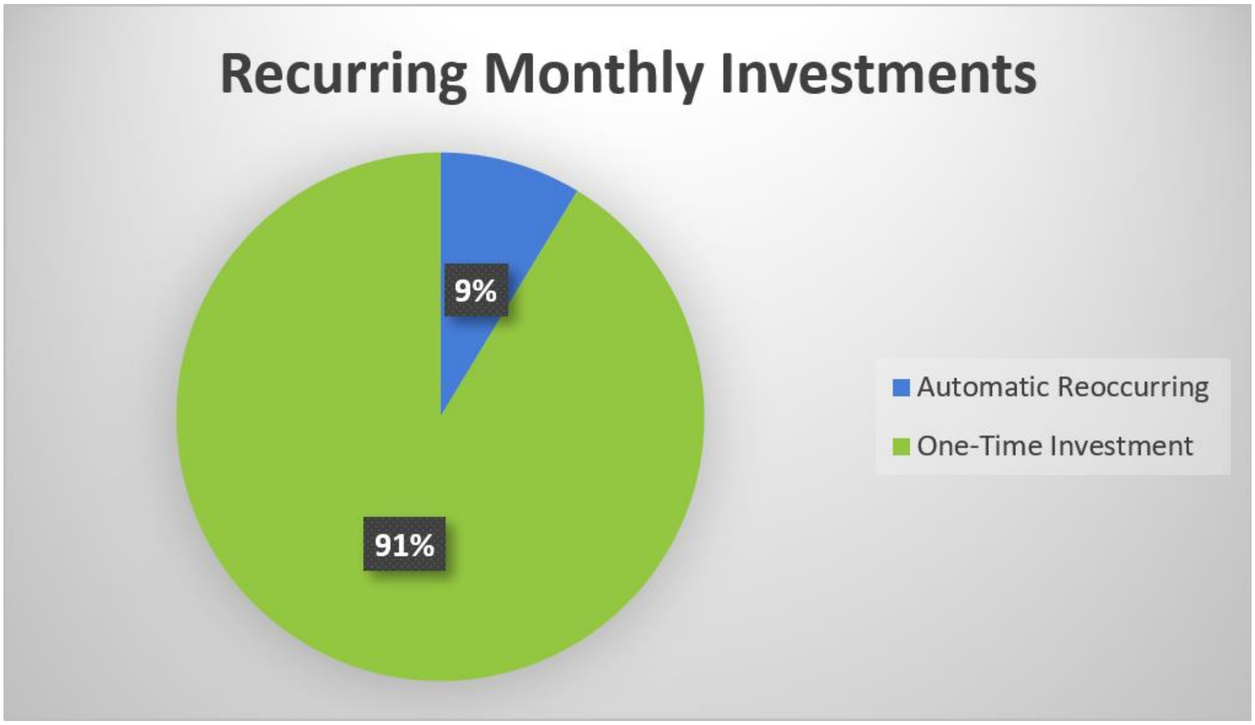
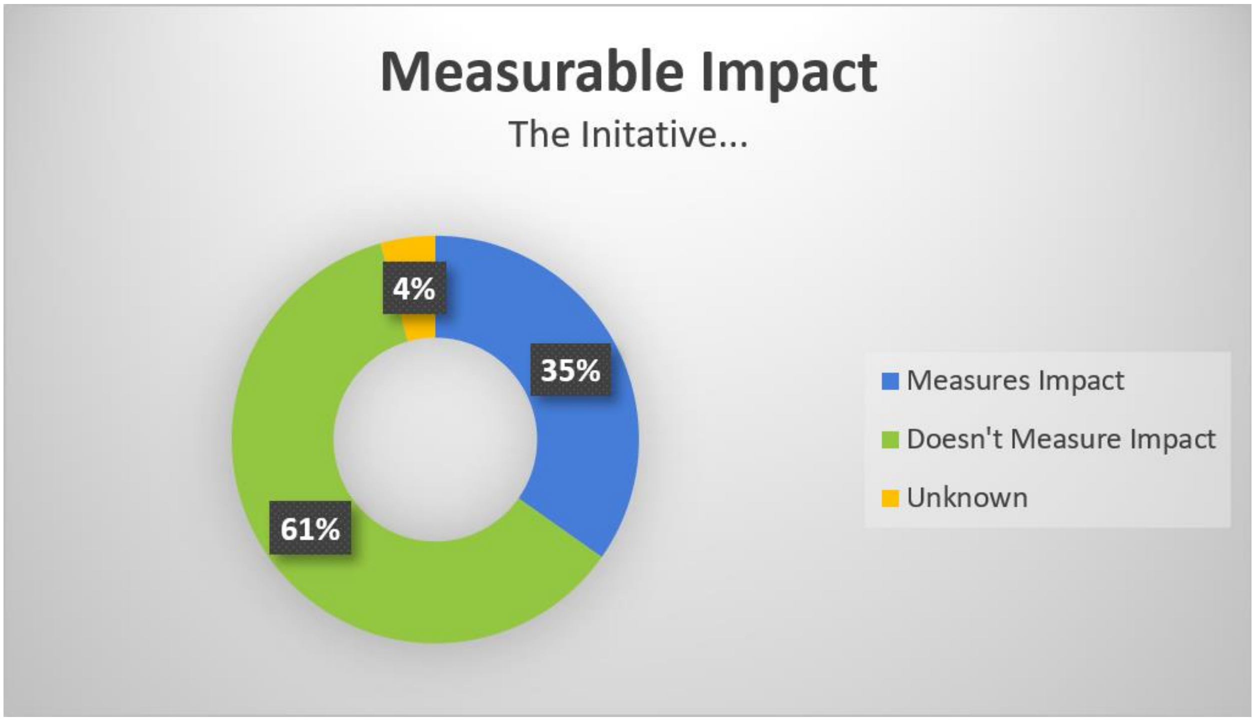
[3] 1 organization's minimum investment is unknown (Jane Place)

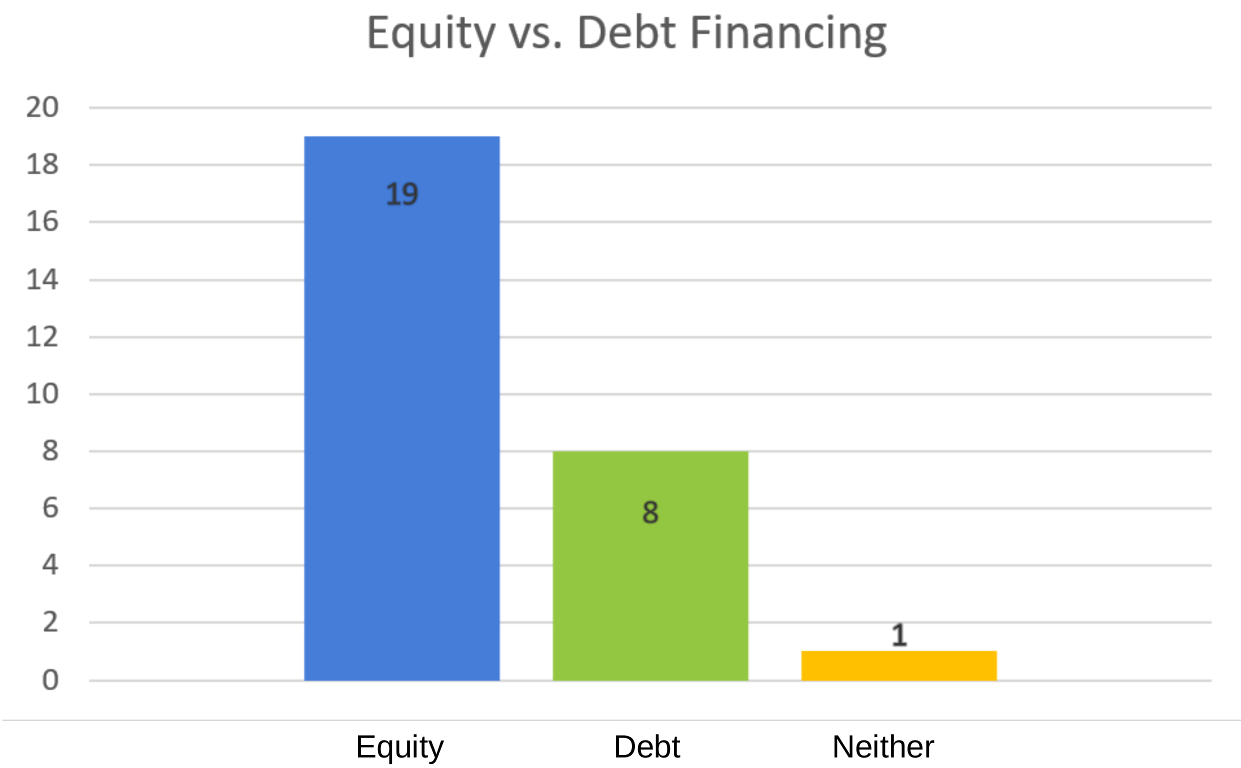
[4] The NYC REIT has a minimum payment of $10; but this is to become a member, and it is unknown if this amount is actually going to be invested in a property or go towards operating fees.



Another way the CIT sets itself apart is its monthly recurring investments. While other initiatives allow one to invest more than once, the investor has to take the prerogative to do so. The CIT and NICO are the only two initiatives that allow one to set up an automatic recurring monthly investment. At the beginning of the year (or whenever one joins), the investor can choose to invest $10, $25, $50, or $100 a month. Money will then be automatically taken from their bank account and invested in the CIT. This especially helps improve one's credit score, because there is no risk of accidentally missing a payment. At any time, an investor can pause their investments, and lower their monthly investment (they cannot raise their investment, however, until the next January).

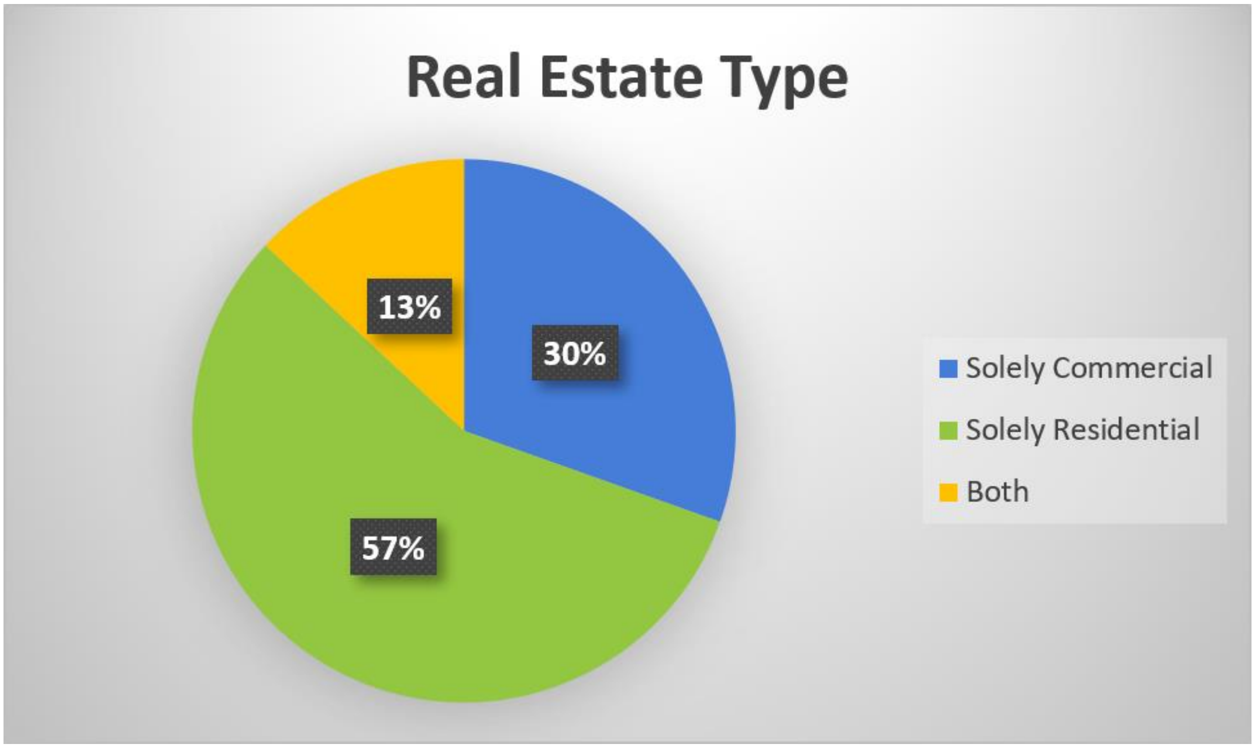


Of all WBIs analyzed, only 35% have a way to measure their impact. Being able to measure the impact of a project is critical in its expansion, and for receiving additional grant funding. The CIT measures its impact by giving out annual surveys- one to the tenants, one to investors, and one to community members.



Equity Finance: the investors are buying shares (equity) of the organization, and their shares increase/decrease in value as the property appreciates/depreciates
Debt Finance: the investors are loaning the money to the organization, the investors profit off of the interest accumulated on the loan

The CIT is equity financed, which further emphasizes its community aspect. When the tenants do well, the investors receive higher dividends, thus incentivising the investors to care about the local businesses in the plaza.



The Community Investment Trust owns the commercial property Plaza 122, a 29,000-square-foot mid-century commercial retail mall in outer Southeast Portland with approximately 26 to 30 businesses and nonprofit tenants.

Coop vs. CLT

~what is the difference?~

Coop: Short for housing cooperative, a coop is a housing unit in which members own equal shares of the property. When people move into a Coop, they are buying shares of the multi-unit property as a whole (think apartment complex).

CLT: short for Community Land Trust, a CLT is a trust that owns a plot of land with multiple properties on it. When people move into a CLT, they are only buying the property itself, not the land under it.

Similarities:

- Almost completely residential
- Purpose is usually affordable housing
- More popular in urban areas
- homeowners/tenants don't own the land their property is on

The Difference:

- In a CLT, you are the sole owner of your property, while in a coop you don't own the property you are living in, instead you own shares of the multi-unit property as a whole.

Benefits

Both help combat gentrification by keeping housing affordable. Most have rules in place for the selling price of a unit, whether that is a certain percentage of a city's median income, or a maximum percentage increase from the original purchase price. Also, the housing is more affordable because one is only paying for the house, not the land.

Drawbacks

However, since a tenant /homeowner doesn't own the land itself, they have less control over their property. They might face annual rent increases, or be evicted from their home if the unit is being sold for redevelopment.