

NEXUS COMMUNITY PARTNERS

SHARED OWNERSHIP EQUITY SUMMIT

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Community owned real estate supplemental workbook
Building local economies through shared cooperative ownership of real estate



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nexus
COMMUNITY PARTNERS



SAINT PAUL
MINNESOTA



commercial
real estate.

A workbook to build local economies through cooperative ownership of real estate.

Who is this for?

This workbook is designed for public employees, funders, and professional service providers, who are interested in supporting emerging real estate cooperatives and other community-owned real estate initiatives. This workbook is a practical guide to help you move from ideas to action and create meaningful impact in your practice or community. Support can take on a variety of actions including providing technical assistance (TA), financial support, regulatory changes, and leveraging connections. Support ranges from individual actions to systems change initiatives.

As a leader in your community, you have the power to leverage resources both monetary and technical to support cooperatively owned real estate initiatives. Use this workbook as an interactive tool to better understand your position as a changemaker in the field and how to make strategic connections and decisions to advance community ownership of real estate.

Who are we?

Nexus Community Partners is a non-profit based in Saint Paul, MN that builds more engaged and powerful communities of color through innovative initiatives. The Shared Ownership Center @ Nexus is partnering with the City of Saint Paul to implement the LOCAL Fund¹, a new strategy funded by the American Rescue Plan Act (ARPA) that supports worker-owner cooperative development and shared ownership of commercial real estate through acquisition, development, and rehabilitation funds and technical assistance. [Contact: SOC@nexuscp.org](mailto:SOC@nexuscp.org)

Platform CRE is a special benefit corporation commercial real estate brokerage and development company based in Saint Paul, MN. Platform's mission is to democratize commercial real estate for community good. [Contact: Erin Heelan, erin@platformmn.com](mailto:erin@platformmn.com)

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Section 1

**Introduction to
Community-Owned Real Estate**





What is Community-Owned Real Estate?

Community-owned real estate is comprised of land/properties that are purchased, rehabbed, and managed with the purpose of benefiting local residents, community members, and tenants.

Community-owned real estate is an ownership model used to:

- Promote local ownership that is supportive and affordable for local businesses
- Catalyze storefront or corridor revitalization
- Enable community-driven business recruitment and retention

What is a Cooperative?

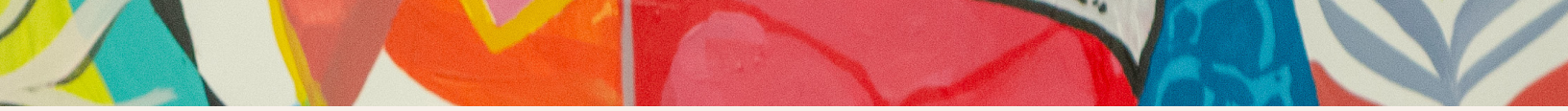
Cooperatives are **people-centered enterprises** owned, controlled, and run by and for their members to realize their common economic, social, and cultural needs and aspirations.

Cooperatives bring people together in a democratic and equitable way. Whether the members are the customers, employees, participants or residents, cooperatives are democratically managed by the 'one member, one vote' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

As businesses **driven by values**, not just profit, cooperatives share internationally accepted principles and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create **sustainable enterprises** that generate long-term jobs and prosperity.

Cooperatives allow people to take control of their economic future and because they are owned by community members, the economic and social benefits of their activity stay in the neighborhoods where they are established. Profits generated are either reinvested in the enterprise or allocated and distributed to the members.²

² Definition by International Cooperative Alliance <https://ica.coop/en/cooperatives/what-is-a-cooperative>



Section 2

Defining Community-Owned Real Estate Entities



Shared Definitions and Models

There are several models of community-owned real estate that benefit communities through local decision-making. While this workbook emphasizes Real Estate Investment Cooperatives, the following models are part of Nexus' definition of shared ownership and play a critical role in the ecosystem.³

Real Estate Investment Cooperatives

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

Community Land Trusts

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

Leasehold Cooperatives

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

Community Investment Trust

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

Nonprofit Ownership

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

³ Definitions are from the Local Initiative Support Corporation (LISC) Twin Cities Report, "Community Ownership Through Real Estate."

Denise Butler and Christina Nicholson presenting at the 2024 National Conference on Black Cooperative Agenda



Comparing Community Ownership Models

Model	Entity Type	Community Benefits Examples	Precedents
Real Estate Investment Cooperative	For-Profit Businesses	<ul style="list-style-type: none"> One member one vote - shared equity model Local control Potential for shared equity 	<ul style="list-style-type: none"> Ignite Business Women Investment Group Taproot Investment Co-op NorthEast Investment Co-op Northside Investment Co-op Enterprises Midway Investment Co-op Eastside Community Investment Co-op Mercado Central
Community Land Trusts (CLT)	Non-Profit 501c3	<ul style="list-style-type: none"> Local control Long-term affordable ownership and rental opportunities Anti-displacement 	<ul style="list-style-type: none"> Rondo CLT Partnership in Property CLT City of Lakes CLT (Housing)
Leasehold Cooperatives	Hybrid Nonprofit + For-Profit Partnership	<ul style="list-style-type: none"> Stable and affordable rents Local control Potential for shared equity 	<ul style="list-style-type: none"> Riverton Community Housing
Community Investment Trust	For-Profit Business	<ul style="list-style-type: none"> Local control Potential for shared equity 	<ul style="list-style-type: none"> Mercy Corps Northwest's Community Investment Trust (Portland, OR)
Nonprofit Ownership	Nonprofit 501c3	<ul style="list-style-type: none"> Local control Supportive ownership model often paired with small business TA and lending Stable rents for local entrepreneurs and businesses Corridor revitalization 	<ul style="list-style-type: none"> Seward Redesign Latino Economic Development Center Neighborhood Development Center



Section 3

Real Estate Ownership Readiness and Cooperative Feasibility

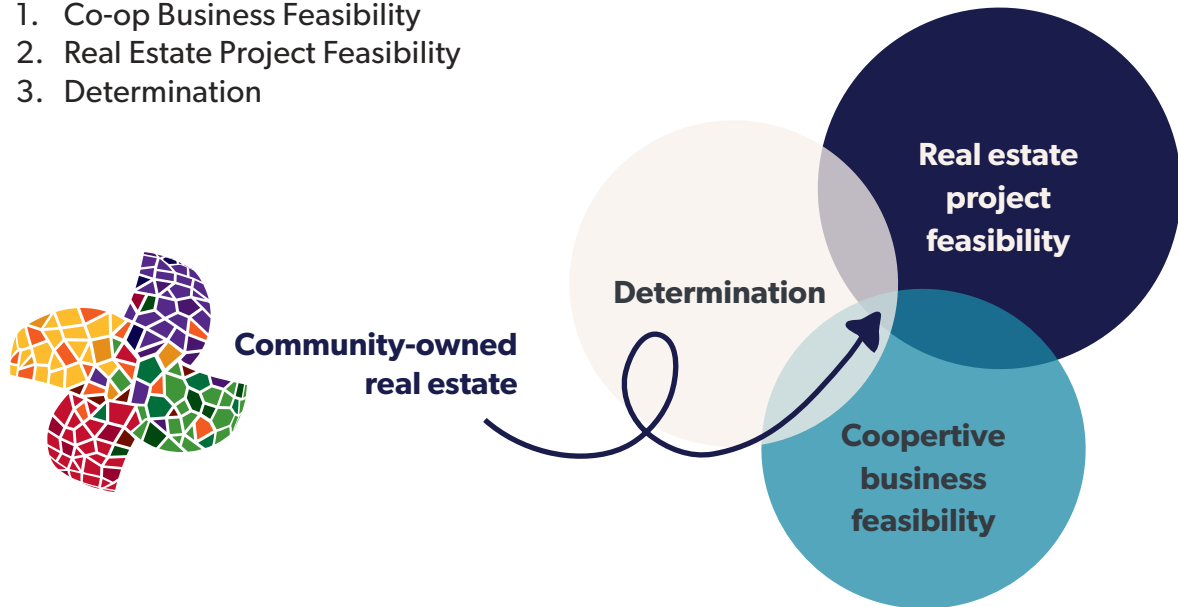


Feasibility

To understand how to help, you must first understand the foundational components of cooperatively-owned real estate projects. Co-op founders pool their resources, talents, and energy to start a business together. It takes focus, time, and patience to build a strong co-op business model and a real estate project. Once the co-op is officially formed, the work is not complete; similar to any other small business enterprise, there is significant unpaid labor dedicated to both start-up and continuing operations.

Successful cooperatively owned commercial real estate projects share key characteristics including:

1. Co-op Business Feasibility
2. Real Estate Project Feasibility
3. Determination



Starting a Real Estate Investment Cooperative (REIC) is difficult. It takes persistence to build and operate a co-op. Like any other start-up, building a co-op is a significant time commitment.

- **Determination:** REICs are an emerging business model where a one-size-fits-all model does not apply. There is a significant learning curve and the process can be very confusing. Although the model can be replicated and a good TA provider can troubleshoot solutions as they arise, co-op governance is technical, models are highly individualized, and implementation can be rigorous. Communities have individual needs and want to build a model to respond to the local context - this takes patience. Remember to celebrate wins and view every challenge as a learning opportunity.
- **Co-op Business Feasibility:** To have strong business feasibility as a co-op you need to have a strong governance structure/model, a solid operating model, and ideally start-up/working capital. The Co-op Feasibility Checklist is a starting point to building a successful entity.
- **Real Estate Project Feasibility:** REICs come together to solve a problem that the private market will not. When selecting a project it is essential that the project meets community goals *and* that it cash flows. A strong project team is essential to understand risk and project potential. The Real Estate Project Feasibility Checklist is a starting point to building a successful project.

Co-op Business Feasibility Checklist

Use this checklist as a starting point to understand all of the components to creating a successful co-op.

Governance

- Committed and Engaged Board of Directors and Membership
- Clear Mission, Vision, Values and Goals
- Articles of Incorporation and Bylaws

Operations

- Diversity of Member Skill Set: Most REICs are operated pro bono by their Founders; Boards should include legal, accounting, finance, project management, etc.
- Business and Operating Plan
- Operating Budget with Identified Sources of Income (Examples: accountant, insurance, attorneys fees)
- Security Offerings Strategy
- New and Existing Member Engagement and Communications Plan

Technical Assistance

- Internal or external expertise guiding operations
- Co-op technical assistance
- Professional Services
- Bookkeeper and/or accountant
- Attorney
- Insurance

Real Estate Project Feasibility Checklist

Use this checklist as a starting point to understand all of the components to identifying a successful project.

Market

- Development Concept - Does the project fulfill a community need?
- Buying power - Does the community have buying power to make the project work long-term?

Technical

- Co-op Member experience owning and operating real estate
- Project Team
 - Commercial Real Estate Broker*
 - Real Estate Attorney*
 - Lender*
 - Architect*
 - General Contractor*
 - Development Consultant*
 - Insurance Company*
 - Asset Manager*
 - Property Manager*
- Zoning analysis
- Environmental investigation
- Building inspection or capital needs assessment

Financial

- Project Financial Feasibility - Gap Analysis
- Sources and Uses
- 5-10 year cash flow
- Capital/Equity Investment
- Availability of Capital and Credit
- Annual Operating Budget (Examples: landscaping, snow removal, waste removal, etc)
- Short and Long term Capital Requirements (Examples: Roof, HVAC, Windows, etc)

Management

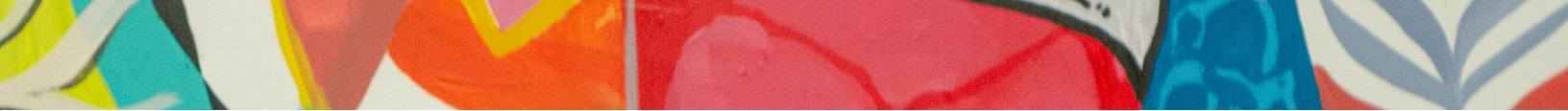
- History of the business or organization
- Key staff review (professional, experience and skills)
- Key staff assessment (qualifications and character of management team)
- Asset Management Plan



Section 4

Moving Community Ownership Models to Action





Moving Models to Action

Community-owned real estate and/or real estate co-ops tend to develop from situations when the private market isn't fulfilling a shared goal of the community. Let's list the common situations that community members typically rally around:

- 1. Abandoned Property:** There is a blighted or underperforming building in a neighborhood and the community is interested in acquiring, rehabbing, or redeveloping the site.
- 2. Small Business Displacement:** Local community-based businesses are or at risk of being forced to move because of rising rent and/or because the building they're renting is being sold.
- 3. Retail Recruitment + Vacant Storefront:** A commercial building on a busy street is sitting empty; the community has identified local retail or services that are needed in the community.

4. Insights from the panel discussion:

5. Your own insights:



Reflection Questions

1. Community-ownership of real estate takes many partners to succeed. How and what can you contribute in your current role as a practitioner? As an individual?
2. How might you identify community groups and allied partners that are strong candidates for community ownership of real estate in your community or practice?
3. Which organizations and leaders in your region could serve as partners in the next steps of growing community-owned real estate?
4. What are data sources you could tap into or create for sustained, up-to-date information that could help community-owned real estate projects be successful?





Section 5

Mapping the Ecosystem



Ecosystems

It takes a village to acquire, develop, and sustain community-owned real estate. Ecosystem partners include elected officials, public employees, funders, community members, small businesses, nonprofits, and professional service providers. Significant gaps exist in the current ecosystem as many of these models are emergent and complex. As a supporter of community-owned real estate, knowing the existing ecosystem is essential to its growth.

Current ecosystem supporters are using the following levers to enable and support community owned real estate:

1. **Building Capacity and Technical Assistance**
2. **Leveraging Financial Resources**
3. **Advocating for Policy and Systems Change**
4. **Building Awareness**



Activity

The tables on the next few pages are tools to organize and highlight potential partners. Please add your knowledge and expertise to grow the ecosystem.

Snap a photo and share with the Shared Ownership Center @ Nexus at SOC@nexuscp.org

Public Sector

Be specific as possible! Hint: revisit the levers...

Organization Type

Organization name and contact within your community

What existing programs, TA or resources are available?

Describe challenges or policies that need to be changed?

Government agencies that support business, economic, and real estate development

City of St. Paul

MN DEED

LOCAL Fund

Targeted Community Capital Projects

Ecosystem Spotlight



The City of Saint Paul, in partnership with Nexus Community Partners established the LOCAL Fund.



Minnesota Department of Employment and Economic Development (DEED) provided \$18M in grants to support community-driven real estate projects in 2022.

Government procurement departments

Elected officials

Small Business Development Centers

Business Improvement Districts

Others?


Hot Tip: Map the data and make it public

By ensuring zoning and land use information is available online, this can help communities determine what land is currently commercially used and which parcels are zoned commercial. By making ownership information more accessible, communities can be more involved. Most local governments maintain basic zoning and land use information.

Financial Sector

Hot Tip: Ensure co-ops are eligible for your organization's lending products

Understand the co-op model, waive personal guarantee requirements, and consider partnering with other institutions (CDFIs, Nonprofits, etc) that are already lending to cooperatives.

Organization Type	Organization name and contact within your community	Do these lenders support co-ops or community owned real estate?	Describe challenges or policies that need to be changed?
Community development financial institutions (CDFIs)	Shared Capital Cooperative MCCD		
Conventional lenders			
Impact investors			
Community capital			
Credit unions			
Others?			

Ecosystem Spotlight



Shared Capital Cooperative, a local CDFI, has been doing cooperative lending since 1978 to cooperative businesses and housing throughout the United States.



Metropolitan Consortium of Community Developers (MCCD) offers 4% loans with flexible terms to support the growth of cooperatives, other jointly owned and democratically controlled businesses, and real estate endeavors including commercial land trusts and real estate investment cooperatives.

Nonprofit Sector

Organization
Type

Organization
name and
contact within
your community

How do these
organizations
support community
owned real estate?

Describe
challenges or
policies that need
to be changed?

Local philanthropy &
foundations

Placed-based community &
economic development
organizations

Co-op developers

Universities &

Other community-based
or non-traditional
business connections
with trusted relationships

Hot Tip: Role of Government and Philanthropic Funders

Seed funding can play a crucial role in the creation of Real Estate Investment Cooperatives (REICs). The success of an REIC depends on effective community engagement, sound legal guidance, and technical assistance. Supporting a co-op start-up directly or through an allied nonprofit community organization can be instrumental. Additionally, funders can provide resources essential to mitigating risk for individual real estate projects including due diligence and predevelopment grants.

Private Sector

Organization Type	Organization name and contact within your community	How do these organizations support community owned real estate?	Describe challenges or policies that need to be changed?
Commercial Real Estate Brokers, Consultants, TA providers			
Accountants / CPAs specializing in co-ops			
Attorneys specializing in real estate, co-ops, securities law			
Others?			

Ecosystem Gap Nexus Community Partners is leading the way in developing worker-owner and real estate cooperatives in the State of Minnesota. This community-centered work is within Minnesota's 308A Cooperative Statute, a statute originally designed for farm and purchasing cooperatives. The idea and promise of shared and democratized ownership structures have spurred an abundance of community innovation throughout Nexus' networks and partners. The state is seeing an uptick in start-up worker cooperatives, business transitions to worker cooperatives, artist cooperatives, and real estate investment cooperatives. And yet, there is a gap of technical service providers, including business technical assistance, accountants, bookkeepers, attorneys, and financial institutions that provide services to cooperatives. How can we work together to address this critical need?



MN 308A

Mapping the Capital Stack

In recent years, community-ownership of real estate has become a priority for Twin Cities neighborhoods and therefore a priority for funders. Real estate grants and loans typically fall into four categories. Some examples are provided to get you started, please add other sources below:

1. Technical Assistance, Due Diligence and Predevelopment

- LOCAL Fund, City of Saint Paul in Partnership with Nexus
- City of Minneapolis DTAP
- East Side Funders Group Predevelopment
- Local Initiatives Support Corporation (LISC) Feasibility
- Metropolitan Council LCA Predevelopment

2. Acquisition or Down Payment Assistance

- LOCAL Fund, City of Saint Paul in Partnership with Nexus
- LISC CATalytic Community Investment (CAT) Fund
- Minneapolis Ownership and Opportunity Fund
- Fortis Capital
- DEED - Targeted Community Capital Program (currently not available)
- Philanthropy (with nonprofit partner)

3. Brownfields Clean-up

- Metropolitan Council Tax Based Revitalization Account (TBRA)
- DEED Contamination Cleanup Grants
- Ramsey County Environmental Relief Fund (ERF)
- Hennepin County ERF
- Minnesota Brownfields

4. Construction or Rehab

- LOCAL Fund, City of Saint Paul in Partnership with Nexus
- Met Council Livable Communities Demonstration Account (LCDA)
- State of Minnesota Bonding
- Philanthropy (with nonprofit partner)

