Community Wealth-Building Models

Opportunities to Bolster Local Ownership

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Opportunities are growing to expand asset ownership for individuals and institutions in local economies. Historically, private and public institutions have made it difficult for Black, Latinx, and Indigenous people, particularly those with low incomes, to accumulate wealth, whether through homeownership, small-business ownership, or other investment. Meanwhile, community-based organizations have struggled to identify reliable funding streams to serve the needs of community members. Today there is momentum for new and creative mechanisms to expand community ownership, enable community-led investment decisions, and generate revenues from community-based assets that can further local ownership and both individual and community wealth building.

Notwithstanding the Civil Rights movement, the community development movement, and the good intentions of many people and institutions, inequities in access to capital and investment opportunities persist among both individuals and communities. These inequities can leave people of color, those living in rural areas, and the nonprofit organizations that serve them without the financial resources needed to improve economic stability, health and well-being, and resilience.[1] Community wealth-building models are a path to protect local land and real estate assets for community benefit, reduce individuals' cost burdens, and ensure that community members get a share of the economic benefits that neighborhood transitions bring. In addition to individual and institutional wealth creation, community wealth-building models can embrace a range of social outcomes associated with projects such as job creation, environmental sustainability, neighborhood development, transit connectivity, food access, and health improvements. Bringing them to life will require navigating across domains and bringing partners—meaning residents, community-based organizations, developers, government, and philanthropy—together in new, creative ways.

The Need for Community Wealth-Building Models

Property ownership is one of the most important individual wealth-building strategies, but it is one from which many are excluded. Homeownership has historically been the principal way lower-, moderate-, and middle-income families have saved and invested. However, more than one-third of households are renters, meaning they are not building wealth through this strategy.[2] Further, there are stark racial and ethnic disparities in the rate of homeownership. In 2021, 56 percent of Black households and 51 percent of Latinx households do not own homes compared with approximately 26 percent of white households.[3] This trend has several causes, including predatory lending practices and undervaluation of homes (Gruenstein Bocian, Li, and Ernst 2010).

Similar disparities also exist with other types of assets and are generated by the same systems and processes. In 2019, 68 percent of white families had access to an employer-sponsored retirement plan (such as a 401(k)) while only 56 percent of Black families and 43 percent of Latinx families had access to such a plan. In terms of average savings in liquid retirement saving plans (such as 401(k)s and individual retirement accounts), in 2019 white families had on average 2.5 times the amount of savings Black or Latinx families had.[4] Business ownership is another such example of disparities in asset ownership. Sixteen percent of adults in the US are Latinx people, but Latinx-owned firms in the US have just 3 percent of revenues, and 12 percent of adults in the US are Black people, but Black-owned firms have just 1 percent of revenues. (Six percent of US adults are Asian people, and Asian-owned firms have 6 percent of revenues; 64 percent of US adults are white, and white-owned firms have 89 percent of revenues.)[5]

But wealth building is about more than individuals: it is also about communities and local institutions. Community-based organizations (CBOs) and local human-services organizations play a critical role in supporting neighborhood quality of life, ensuring (among other things) quality affordable housing, and promoting improved health outcomes in communities. But these groups struggle to match funding sources to program need (Walker and McCarthy 2010).[6] Both limited and financial resources and lack of liquidity to make investments and to cover the full cost of providing services are among the roadblocks CBOs face when trying to serve communities to their fullest potential.

Although larger changes to policy, lending, appraising, and other points of influence are urgently needed, an exciting new wave of projects is introducing creative alternatives for residents and CBOs to own community assets and build wealth. Pooled or institutionally backed investment opportunities make ownership and decisionmaking stakes more accessible to populations who traditionally have not been able to participate as owners in their local economy and share in the benefits of development. Ownership is more than a financial return—it also means having a say in how one's neighborhood develops. Community wealth-building models can help residents achieve personal financial goals, contribute to residential stability, and help local institutions further their missions. Most importantly, they help residents prosper in place.

Four Conceptual Models

Community wealth building can be achieved through several avenues. Some models allow individuals to build their personal wealth through participation in a commercial transaction that generates returns. Other models bolster the marginal finances of CBOs that carry out important work in neighborhoods. Still others bring capital in from outside the community in a manner that enables community participation in the upside of development. While community-based financial institutions (CDFIs) and community development credit unions (CDCUs) have been and are still an important vehicle for safely growing assets and supporting community development, the four models of community wealth-building discussed here have the potential to offer returns on investment and more control over where capital is directed. But many are still new, and only a piece of the puzzle. It will be important to track their progress and assess their ability to optimize wealth-building for low-income and marginalized residents.

In this brief, we outline four models for community wealth building and highlight projects that fall into each category. We summarize them briefly here:

Neighborhood Crowdfunding: Individual community members have fractional ownership or a small stake in an income-producing business or property.

Occupant Equity: Groups of community members pool their resources together or source funding from the philanthropic and public sector to buy real estate, remove it from the speculative market, and provide long-term affordable housing or business operating space to community members.

Local Institutional Equity: Local institutions such as nongovernmental organizations or CBOs have an equity stake in local real estate that generates a long-term future revenue stream that can support their community-based and mission-oriented operations.

Neighborhood Nonprofit Trust or Endowment: A nonprofit entity partners with community residents to establish a perpetual pool of capital from which local grants can be made.

Individual projects may include more than one community wealth-building model. For example, a project might allow both local investors and building occupants to have stakes in the same deal, making it both a Neighborhood Crowdfunding and Occupant Equity project. Or a project could both generate operating revenue for a local institution while also creating a fund from which grants can be made, making it both a Local Institutional Equity and Neighborhood Nonprofit Trust or Endowment project.

Neighborhood Crowdfunding

Members of a community can simultaneously build individual wealth and support local economic development through opportunities to make small investments locally. Neighborhood Crowdfunding involves projects that provide local community members fractional ownership or a small stake in an income-producing business or property. They allow investment from nonaccredited investors[7]—meaning community members with lower incomes or net worth—who are often excluded from commercial investment opportunities.[8] In some projects, community members do not own shares but rather purchase notes with fixed rates of return that generate funds that are lent to small mission-oriented businesses or neighborhood infrastructure projects.

Neighborhood Crowdfunding opportunities go by many names and are enabled through several legal models. Theodos and Edmonds (2020) provide a more in-depth explanation of these efforts and their design considerations. But in short, common legal models include the following:

- **Real estate investment trust:** Neighborhood real estate investment trusts buy local parcels in which nonaccredited investors[9] from the neighborhood can have shares. Community members can thus invest in large-scale, income-producing real-estate or related assets. They can be set up to acquire property on an ongoing basis.

- **Investment cooperative**: Community members own democratically controlled business enterprises, including commercial real estate, agriculture, or other sectors, where investments typically fit into an ideological framework that combines investment with governance.

- **Community investment trust, community stewardship trust, or democratic investment fund**: Community members purchase notes with fixed rates of returns rather than shares. The capital raised from the notes is lent to small mission-oriented businesses or neighborhood infrastructure projects.

Some projects stipulate that an investor must live or work within a certain geographic area, such as within a set of surrounding zip codes. Others allow nonlocal investors but may have more favorable terms for the local shareholders. Investors may also be required to meet other requirements, such as completion of a financial literacy curriculum.

In some cases where an anchor investor buys a property and takes small investments from community members, the anchor investor might intend to be fully bought out by local shareholders so that a building is 100 percent community owned. This also frees capital for the original investors to purchase other properties and sell shares to more community members in a similar manner. In other cases, the original investor keeps a portion of the equity. Projects may include subsidies if the economics of the investment would not work without some form of concessionary capital in the deal. As detailed in Theodos and Edmonds (2020), they may also include protections for investors, such as guarantees or a loan loss reserve.

The frequency at which investors pay into Neighborhood Crowdfunding projects varies. Sometimes it is a one-time investment; other projects allow investors to make small monthly payments. Some minimum investment is always stipulated, as low as $10 a month in some cases. When the investment involves a single property, the number of shares available may be capped.

Neighborhood Crowdfunding opportunities can give community members a seat at the table in terms of deciding where financial resources are invested in a community. Residents can be empowered to govern initiatives rather than just pledging their dollars. In some cases, community members pool their capital to purchase commercial real estate. In other instances, capital is collected in a central fund and contributors collectively determine where equity and debt is invested, such as into local businesses or projects.

BOX 1

The Guild's investment and the Atlanta's Capital View Neighborhood (Neighborhood Crowdfunding)

The Guild, a community organization in the Capital View neighborhood of Southwest Atlanta, GA, purchased a prime piece of real estate in the neighborhood in November 2020. The building will be redeveloped with 18–20 affordable rental units plus a locally sourced grocery store and shared kitchen space for emerging Black restauranters.[10] The Guild will try to balance permanent affordability with community wealth building.

In alignment with its mission to close the racial wealth gap in Atlanta, the Guild has formed a community real estate trust where anyone in the building's zip code can invest $10 to $100 a month in shares of the trust. Investors will receive voting rights and annual dividends. The share price is tied to the value of the property, which is expected to appreciate.[11]

In the longer term, the Guild sees the community completely buying out its shares in the Capitol View property so that it is entirely community controlled. The investment is a pilot project for a larger vision from the same team: Groundcover. Groundcover will work with communities to assemble project financing that creates investment opportunities for residents and prevent the extraction of value from neighborhoods.[12]

BOX 2

The Boston Ujima Project's Community-Governed Investment Pool (Neighborhood Crowdfunding)

The Boston Ujima Project is an economic development and community-organizing collective. It launched a pilot process in 2016 as a precursor to a Democratic Investment Fund formally launched in 2018. The fund lends to small businesses owned by people of color and to neighborhood infrastructure projects. Nonaccredited investors from Massachusetts can purchase notes from $50 up to $10,000 and can expect to earn an average return of 3 percent annually after a three-year term. A loan loss reserve supported by philanthropy was established to mitigate risk for first-tier investors and to guard against losses.

The fund has two other tiers of noteholders. The second tier is open to accredited investors from across the country and nonaccredited investors in Connecticut, Maine, Massachusetts, New York, and Rhode Island who can invest $1,000 to $250,000. This tier can expect a 2 to 3 percent return after three to seven years. The third tier is for philanthropic investors who can invest $5,000 or more with a return target of 1.5 percent annually and a seven-year term.

Ujima Voting Members, who may or may not be noteholders, vote on where to collectively invest funds. Voting Members must identify as working class or a person of color. To align with community priorities, Ujima consults with residents and local businesses through neighborhood and citywide planning assemblies and has created a community standards committee to screen investment candidates. All investment proposals are presented by an investment committee made up of local finance professionals and Ujima members before a vote is taken.

Creation of the Ujima fund provides a community-governed source of capital that can support equitable economic development locally while also giving community members an opportunity to earn a return on their investments.

Occupant Equity

The occupant equity model may be the most common form of community wealth building and it is the longest standing. It is used to create and preserve long-term affordable housing and commercial spaces for community use. In areas with rising property values, groups of community members pool their resources or source funding from the philanthropic and public sector to buy real estate; remove it from the speculative market; and provide long-term affordable housing, commercial, or agricultural space to community members and businesses. When community members move out of stabilized units, they can sell their property or share for an amount determined by a formula that gives them a return on the equity invested into the units.

By capping returns, units are made affordable for other residents or businesses. In this way, occupant equity projects simultaneously meet community needs for affordable residential and commercial space over the long term while also enabling community members to build wealth. A note to be made here is that the two goals Occupant Equity models strive to address—addressing communities' immediate need for affordable real estate (whether for residential or commercial use) and addressing the long-term need for wealth building—often conflict with one another. To balance these goals, Occupant Equity models typically provide residents and businesses occupying collectively owned real estate with modest returns when they move out, in comparison to programs like low-cost home purchase assistance services.

Organizations that employ this model either use nonprofit (meaning 501(c)(3)) or cooperative legal structures. In either case, residents of stabilized properties and local community members are usually represented in the governing bodies of the organizations and vote on key decisions.

BOX 3

Community Land Trusts (Occupant Equity)

With property values rising in many markets, community land trusts, or CLTs, are gaining prominence as a way to create wealth and preserve affordability (Theodos et al. 2019). CLTs, of which at least 225 exist in the US,[13] do so by retaining ownership of land, while residents and businesses own improvements on the land (i.e., the buildings).

Tenants of CLT units are responsible for maintaining their units, paying down loans, and paying rent for the CLT land they are leasing. Lessees benefit from the appreciation of the CLT land and real estate when they resell their leases. Using a resale formula, CLT lessees are allowed to sell their leases for a maximum price that provides them with modest returns on their investments in their units while keeping the units affordable for prospective buyers.

CLTs often require a subsidy to purchase, rehabilitate, or build properties. As they grow their portfolios and expand partnerships in the private and public sector, CLTs often seek to achieve financial sustainability and independence from philanthropic support in their operating budgets (but new property purchases will often require additional subsidy).

The traditional governance structure of CLTs is made up of three groups with equal representation: tenants who live in properties on CLT-owned land, community members, and community development practitioners. Through organizing efforts, funding drives, and support from public and private sources such as community development financial institutions, CLTs pool resources to obtain land and redevelop it according to community needs.

One CLT focusing on residential housing is the Douglass Community Land Trust in Washington, DC, founded and later incorporated in 2019 as a 501(c)(3) nonprofit.[14] With 219 housing units and more in the pipeline, the residential CLT works to equitably meet community needs for land and real estate.[15] Most recently, Douglass CLT partnered with DC Mayor Muriel Bowser's administration to develop 55 housing units on the historic Langston and Slater Schools site near North Capitol Street in the District.

CLTs can focus on more than residential units; some provide affordable commercial spaces for local businesses. Although some commercial arms of CLTs choose to rent units to commercial tenants, many apply the land lease model to their commercial properties as well, selling the building to commercial organizations and leasing the land. One such example is the Oakland CLT, which stabilizes and stewards 50 residential properties in the East Bay. The Oakland CLT also stewards commercial spaces, including a live-work art space, an employee-owned café, and office spaces for several nonprofit CBOs.[16]

BOX 4

The East Bay Permanent Real Estate Cooperative (Neighborhood Crowdfunding and Occupant Equity)

In the aftermath of the 2008 financial crisis, a group of community members from the historically disinvested, marginalized neighborhoods of Oakland, California, banded together to form the East Bay Permanent Real Estate Cooperative (EB PREC) in one of the country's most rapidly gentrifying markets.[17] The project is oriented toward combating extractive real estate investment practices and skyrocketing housing costs in the community.[18]

EB PREC combines the Occupant Equity model and the Neighborhood Crowdfunding model. It has four types of member owners: community owners (who live in the East Bay and pay annual dues), investor owners (who pay $1,000 a share with limits based on whether they are accredited), resident owners (individuals who live or work in properties stabilized and owned by EB PREC), and staff owners (the permanent staff members of EB PREC who provide technical support to resident owners and manage the day-to-day operations of the coop). EB PREC requires that investor owners maintain their shares for a minimum of five years and aim to provide investor owners a 1.5 percent target annual return on investment.

In EB PREC, members work together to identify existing properties for acquisition (e.g., abandoned properties, properties at risk of being sold to speculative investors, etc.), pool equity from investor owners, raise capital from external funders, and secure loans to purchase properties. Once properties are collectively purchased, the cooperative entity holds the titles to the properties. The monthly contributions of resident members who live or work at each property are calculated to cover the costs associated with the property (property taxes, utilities, maintenance, etc.), and a small fee to cover the Cooperative's expenses. Any surplus (or "profit") generated from the property (when expenses are less than resident contributions) are reconciled at the end of the year and allocated to resident accounts, which may be held in reserve, or distributed to members if they ever decide to leave the cooperative. This arrangement builds wealth for the community in the form of property, provides a modest return (1.5 percent) to investor owners, creates affordable housing for current and future residents, and shares any surplus with those who generate them: the residents themselves. The cooperative can customize each Resident Share Agreement to meet the needs and context of the project and community.

Local Institutional Equity

Community ownership and institutional wealth expands when community-oriented institutions invest in neighborhoods where they operate. Local Institutional Equity refers to projects where local institutions, such as nongovernmental organizations or CBOs, gain an equity stake in local real estate that generates a long-term future revenue stream. This ongoing cash flow is a resource that can be used for future community investment and programming. It is a model of community ownership of economic development, where new revenue streams from commercial ownership stakes expand the possibilities for CBOs to serve their communities.

The promise of a long-term, place-based investor such as a CBO with an equity stake in adjacent properties can make neighborhoods favorable for additional investment and attract new capital to underinvested areas. In some cases, the growth of institutional wealth has spurred additional economic growth and investment in neighborhoods.

The growth of local institutional equity is often supported by mission-oriented investors or philanthropies that provide grants or highly subsidized loans to help institutions increase their stakes in local investments. Although deals can be completed without such funding, concessionary funding can greatly improve the economics of investments for CBOs.

BOX 5

Always Growing, Auburn Gresham (Local Institutional Equity)

Always Growing, Auburn Gresham is a plan imagined by three organizations—the Greater Auburn-Gresham Development Corporation (GAGDC), Green Era Partners, and Urban Growers Collective—to bring healthy living, generate renewable energy, and build community assets in the Auburn Gresham neighborhood of Chicago.

When the team was awarded a $10 million grant from the Pritzker Traubert Foundation (the Chicago Prize), GAGDC, Green Era Partners, and Urban Collective Growers arranged for some of the financing to pass through GAGDC to the other entities. Of the $10 million prize, $2 million supports the operation of an education campus at the urban farm run by Urban Collective Growers; approximately $4 million will support a healthy hub that will have a federally qualified health center, a pharmacy, a high-tech teaching kitchen, retail space, and a green roof; and $3 million is an equity investment from GAGDC into the for-profit anaerobic digestion operation run by Green Era Partners (a process through which bacteria break down organic materials to create energy). Part of the grant supporting the healthy hub helped pay off an obligation to a local developer so that GAGDC had full ownership of the property as it began implementing its build out of the healthy hub.

The healthy hub that GAGDC is building brings a federally qualified health center and pharmacy to one of Chicago's most medically underserved areas while also providing space for new retail ventures such as a coffee shop, restaurant, and bank.

This investment by GAGDC into a for-profit operation is novel in its potential to create an ongoing revenue stream for the community development enterprise. Its ownership stake will generate institutional wealth that will support positive community transformation. On top of generating revenue for GAGDC, the investment furthers the vision that GAGDC, Green Era Partners, and Urban Collective Growers share of a greener, healthier Auburn Gresham, making GAGDC a mission-aligned investor in Green Era Partners' anaerobic digester.

This is only the beginning. Always Growing, Auburn Gresham will attract more foot traffic and has catalyzed more investment. A mixed-use development is planned across the street, and a Metra station has broken ground nearby. Meanwhile, GAGDC is considering how it can continue to drive positive transformation in the community using its new revenue stream.

BOX 6

Whitman-Walker's Investments to Stay in Place (Local Institutional Equity)

In 2013 Whitman-Walker, a community-based health care provider that started by serving the needs of LGBT people, leased and renovated a new space to house its expanding operations on 14th Street NW in Washington, DC. Meanwhile, the land on which its old clinic sat two blocks away was appreciating. Instead of selling the land outright in a fee simple sale, Whitman-Walker contributed land to a joint venture in a mixed-use development called the LIZ. It now has an ownership stake in a very valuable building. By doing so, the enterprise secured a stream of annual payments that will serve as a stable source of future operating revenue. Further, rather than putting the full value of the land into the LIZ development deal as equity, Whitman-Walker liquidated 30 percent of the land's appreciated value as a diversification strategy. It was used to pay off debt and plan for a future expansion.

While Whitman-Walker's primary contribution to the LIZ development was the land, it also contributed financial equity. Using a novel financing structure, Whitman-Walker received concessionary debt contributions from two mission-aligned philanthropic investors that it then used to make a cash equity contribution to the deal. This equity replaced more expensive money in LIZ's capital stack. Doing so moved up the timeline for return on investment for Whitman-Walker. In addition, the philanthropic investors agreed to defer interest payments on the debt for two years so Whitman-Walker could pay down more expensive capital. Ultimately, the funding stream from this project will help fund Whitman-Walker's expansion of services east of the Anacostia River into the District's Ward 8, which is closer to the population Whitman-Walker serves.

Neighborhood Nonprofit Trust or Endowment

An emerging approach to community wealth building is the Neighborhood Nonprofit Trust or Endowment model. In this model, a community-based organization partners with community residents to establish a pool of capital funded from private, public, and philanthropic sources. The trust or endowment then makes local grants and investments with neighborhood residents involved in deciding where and how the capital is allocated. In some models, profits are generated from investments over time, and some of it may be set aside for grant-making. The community-based organization works with community residents to decide how to distribute grant funds to meet the needs of the community. The projects are intended to help community residents directly benefit from development occurring in their neighborhoods. In comparison with the models described previously, this model gives residents more control in how they use collective equity to meet their needs.

BOX 7

Trust Neighborhoods in Kansas City, Missouri, and Tulsa, Oklahoma (Neighborhood Nonprofit Trust or Endowment)

Trust Neighborhoods, a nonprofit founded in 2019, is working with neighborhood-based organizations on setting up Mixed-Income Neighborhood Trusts (MINTs) that own rental properties to mitigate displacement of residents where gentrification threatens future rising rents. Trust Neighborhood and their community-based partners use equity funding and bank debt to obtain properties that they renovate as mixed-income housing. The real estate is placed in MINTs.

Trust Neighborhoods worked with the Lykins neighborhood of Kansas City and the Kendall-Whittier neighborhood of Tulsa to launch two MINTs with $3 million in seed funding from patient capital sources including the City of Tulsa's Affordable Housing Trust, the Sunderland Foundation, the Zarrow Family Foundation, the Schusterman Family Foundation, and the George Kaiser Family Foundation.

MINTs are a novel community investment vehicle designed by Trust Neighborhoods that are centered around giving communities control over development in their neighborhoods. The Lykins and Kendall-Whittier neighborhood MINTs are controlled by perpetual purpose trusts, which legally mandate the MINTS to both preserve affordability in the neighborhood and generate profits for investors. Similar to other community wealth-building models, MINTs have oversight committees made up of community residents and are stewarded by neighborhood-based organizations. With support from the stewarding organization, residents on the oversight committees set priorities for their MINTs' development and operations. Trust Neighborhoods provides technical assistance to these parties.

MINTs can utilize a range of acquisition tools, including litigation to obtain abandoned properties owned by negligent out-of-state landlords; buy outs of underresourced, value-aligned property owners; or purchases from slumlords. After rehabilitating the properties, bespoke rental standards stabilize some units at today's naturally occurring affordable rates while floating others at market rates. This mix provides a cross-subsidy, supporting sustainable affordability, ensuring investor returns, and promoting socioeconomic diversity. Today's MINTs are focused on affordable rental housing, but a MINT could also provide affordable commercial units to small-business owners. Currently, the Lykins and Kendall-Whittier neighborhood MINTs hold 30 units between their two portfolios.

BOX 8

Kensington Corridor Trust (Neighborhood Nonprofit Trust or Endowment)

With rising demand for land and real estate in Philadelphia, the Kensington Corridor Trust (KCT) is working to secure land on a 1.4-mile stretch of northwest Philadelphia to avoid its transfer to speculative investors. Using flexible, patient capital sourced from three philanthropic foundations, KCT has acquired 11 vacant properties since being founded in 2019 and has set a goal of buying 5 properties each year moving forward.[19]

Concurrently, KCT has begun to raise capital to redevelop the abandoned properties according to community needs. To date, KCT has turned one of its vacant lands into a community garden. Although the KCT is a 501(c)(3) nonprofit, it is currently forming a purpose trust with a resident-led stewardship committee and plans to transfer current and future real estate assets into the trust to create a stable source of collective equity for the predominantly Black residents of the Kensington neighborhood.

BOX 9

Community Equity Endowment Theoretical Model (Neighborhood Nonprofit Trust or Endowment)

The inspiration for the Community Equity Endowment model stems from a desire to innovate within the neighborhood development field. This model draws from the concept behind Community Benefit Agreements (CBAs), a common tool negotiated between real estate developers and local planning boards during the zoning approvals process. Through CBAs, developers promise to make certain investments in the community in exchange for the zoning board approvals necessary for them to build in the community. But community members do not always benefit from the profits generated from new developments built in their community.

The Community Equity Endowment model provides an alternative to CBAs that better supports community wealth generation. In this model, a CBO establishes and stewards a community endowment overseen by a board of community members that is chartered to invest funds according to community needs. When private real estate developers seek approvals to develop in the community, they are required to place a certain amount of the development's equity shares in the community endowment. As the development project generates profits, the community endowment fund grows. The community board, with the administrative and technical support of the stewarding CBO, then allocates funds according to the needs of the community. This model provides community members with benefits proportionate to the profit margins of new developments in their communities. For example, in gentrifying neighborhoods where land values appreciate rapidly, the endowment would grow commensurately. The board could then use this endowment to prevent the displacement of original residents.

Conclusion

There is exciting momentum for new and creative models for economic inclusion where community members participate in the local economy. The examples in this brief that reflect this new, creative set of tools are just a few of the emerging options, and many are still early in their implementation. It will be important to track the progress of these projects to observe the full set and quantity of benefits—financial and beyond—that emerge from these models.

Wealth creation is not, of course, the only success metric for projects. Other important social and economic outcomes include job creation, environmental sustainability, transit connectivity, and health improvements. Aligning projects to local needs is pivotal, and those needs could include fresh food access, affordable financial services, or recreation opportunities. Additionally, it is important to consider whether and what form of neighborhood economic development residents want. If development is the goal, the extent to which private-market investment can be leveraged should be understood. Beyond having positive social outcomes, successful projects need to be financially viable.

We conclude with several lessons from these models. First, it is clear that **projects that shift ownership and wealth building from developers to community members take many forms.** Choosing a model may depend on who project sponsors want to empower through investment opportunities, such as individuals who may have historically been excluded from investments or trusted institutions with a community-driven vision for a neighborhood or corridor. Local residents can exercise control over neighborhood investments in either instance through ownership, voting rights, or advisory roles.

Second, a **project can work in multiple ways simultaneously.** There is no single model to build community wealth. Any of the models—Neighborhood Crowdfunding, Occupant Equity, Local Institutional Equity, and a Neighborhood Nonprofit Trust or Endowment could be combined in a project to shift control and financial ownership of neighborhood development to residents while creating long-term revenue streams for individuals and institutions.

Third, **philanthropy can support innovative community investments while also moving toward more standardization.** Many of the projects that build individual, institutional, and community wealth are made possible through intentional collaborations and the existence of patient capital. Subsidies play an important role in making way for atypical mixtures of investors while leveraging mainstream capital and new investments for the long term. In many of the examples described, the goal of providing affordable housing or other social goods clashes with community wealth-building goals. Having solid, patient support from mission-aligned investment partners is critical to achieving both positive financial and social outcomes. But philanthropies have limited capacity to participate in many bespoke transactions. It will be important to home in on replicable financing solutions that also provide the flexibility to match unique project goals, timing, and capital needs.

Fourth, **breaking the investment mold to center on community wealth building is not easy.** It requires a combination of dedicated partners, good communicators, savvy but socially minded financiers, and opportunities. The field will need infrastructure, institutional education, shared technology, and consumer education tools, and lenders will need to understand these models. Because each project and neighborhood context is different and projects can be time consuming to assemble, the field will have to move toward more standardized models. As community wealth-building models become less bespoke, they will become easier to implement. However, community input and decisionmaking will continue to be a highly valued aspect of these approaches.

Finally, **local government and to some extent state or federal government can do a lot to advance community wealth-building models.** Alterations to zoning processes, shifts in land ownership, preferences during public disbursement of land, and grants or tax subsidies can all help create a supportive ecosystem for community investments. Whether as part of a community benefit scheme or part of a regular approval or land dispersal process, government can do more to enable individual and institutional wealth-building opportunities.

When the right partners are brought together and projects are successful, they can contribute to community transformation beyond wealth building. They can catalyze investment from other sources, inspire the redevelopment of additional sites to match the needs of residents, and find new ways to activate community members and involve them in local decisions.

Notes

[1] Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Caleb Quakenbush, and Emma Kalish, "Nine Charts about Wealth Inequality in America (Updated)," Urban Institute, last updated October 5, 2017, https://apps.urban.org/features/wealth-inequality-charts/.

[2] The homeownership rate in the United States was just below 66 percent. Data per the US Census Bureau, Current Population Survey/Housing Vacancy Survey, November 2, 2021.

[3] US Census Bureau, Current Population Survey/Housing Vacancy Survey, November 2, 2021.

[4] Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," *FEDS Notes*, September 28, 2020, https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

[5] Authors' analysis of 2018 Annual Business Survey data and 2019 annual population estimates from the US Census Bureau.

[6] Susan N. Dreyfus and Tracy Wareing Evans, "Reframing Human Services for Greater Impact," Stanford Social Innovation Review, February 13, 2020, https://ssir.org/articles/entry/reframing_human_services_for_greater_impact#.

[7] Nonaccredited investors do not meet the income or net worth requirements set by the Securities and Exchange Commission. Accredited investors as of December 2021 have either a net worth of more than $1 million excluding the value of their primary residence, or an income of more than $200,000 annually ($300,000 combined with a spouse).

[8] The passage of the Jumpstart Our Business Startups Act (JOBS Act) in 2012, and specifically Title III in 2016 which allowed for equity crowdfunding, made more of these models possible. Prior to this, government regulations did not allow private investment to be marketed publicly and funding could not be acquired from nonaccredited investors through online portals. Rather, it has to be cobbled together privately, hence developers typically sought large investments. See Ruth Lyons, "How the JOBS Act Led to Real Estate Crowdfunding", *MillionAcres*, January 13, 2020, https://www.millionacres.com/real-estate-investing/articles/how-jobs-act-led-real-estate-crowdfunding/.

[9] Accredited investor is a designation defined by federal securities laws that applies to investors who exceed certain minimum financial requirements. Investors are required by these laws to meet these minimum requirements to invest in securities offerings that are not registered with the SEC. These laws are in place to protect individuals with minimal financial sophistication or capacity to sustain losses from unscrupulous and predatory individuals or organizations. More information about the minimum requirements of the accredited investor designation can be found at "Accredited Investors – Updated Investor Bulletin," Investor.gov, April 14, 2021, https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-3.

[10] See https://www.groundcover.us/pilot-project

[11] Adina Solomon/Next City, "Atlanta Neighborhood Buys Property to Raise Community Economy," *The Current*, February 25, 2021, https://thecurrentga.org/2021/02/25/atlanta-neighborhood-buys-property-to-grow-community-economy/.

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[18] See https://ebprec.org/join-us.

[19] Oscar Perry Abello, "Philly's Kensington Corridor is Taking Back Power over Economic Development," Next City, February 25, 2021, https://nextcity.org/urbanist-news/entry/phillys-kensington-corridor-is-taking-back-power-over-economic-development.

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