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Helping Hundreds of Neighbors Move From Owing to Owning Together

The Community Investment Trust Model for Inclusively Owned Commercial Real Estate

AUTHORS

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ABOUT THE ASPEN FSP WEALTH INNOVATORS COHORT AND THIS PUBLICATION SERIES

In 2024, Aspen FSP invited leaders who are working at the forefront of inclusive ownership of commercial real estate (CRE) to participate in a Wealth Innovators Cohort. In addition to facilitating peer learning and networking, we have worked together over the past year to more deeply understand and communicate the opportunities this strategy presents for investors. More information about the Cohort is available at https://bit.ly/AspenFSPWealthCohort.

This case study is part of a suite of five publications, including a primer for investors on inclusively owned commercial real estate and case studies on Community Investment Trust, Chicago TREND, LocalCode Kansas City and LocalCode, and Partners in Equity. The primer[1] provides an overview of a variety of development strategies and approaches to inclusive ownership, including an examination of the legal structures, financing models, and strategies to make ownership possible for lower-income and lower-wealth investors. The case studies provide in-depth looks at four examples of how this type of development can work in practice. While each organization has a unique strategy, the Cohort members are united in their goal to change how and to whom capital is allocated to address long-standing racial inequities in real estate development. Both systemic injustices and real estate development practices that prioritize rapid returns to investors over long-term community benefits have made it challenging for people and families of color to build generational wealth. By expanding residents' ownership stakes in local CRE, Wealth Innovation Cohort members seek to disrupt practices that neither account for the needs of low- and moderate-income (LMI) residents and business owners nor share the benefits of development projects in their neighborhoods.

Together, these five publications demonstrate proof of concept: Developing commercial property for inclusive ownership benefits developers, accredited investors and non-accredited investors, neighborhood residents, and local economies. What is needed now is greater awareness among investors and more capital to enable growth and replication across the United States.

Community Investment Trust: Facts and Figures

Established: 2017

Location: Portland, Oregon

Plaza 122 acquisition and development cost:
$1.4 million (2017 dollars)

- Acquisition and development funding: Traditional debt, impact investments, and grants

Current property value: $2.15 million (2023 dollars)

Community investment mechanism: localized stock offering made in compliance with Section 3(a)(2) of the U.S. Securities Act with a direct pay letter of credit from Northwest Bank

- Initial share price: $10 (2017 dollars)
- 2023 share price: $19.65 (2023 dollars)
- Average annual dividend: 9.6%

Current local investors: 330

- Aggregate value of current local investors' equity: $730,000 (2023 dollars)

Prospective replicating locations: 13

Background: East Portland's LMI residents wanted but lacked opportunity to own local real estate

Across the United States, structural factors that create deep income inequality and perpetuate racial wealth gaps have led to a situation in which thousands of communities and households lack the wealth necessary to manage life's ups and downs and invest in their futures. Many of these communities have experienced disinvestment—a systematic lack of investment by public agencies and private firms—creating a state of disrepair with few opportunities. In others, real estate development that does occur rarely benefits longtime residents. In East Portland, Oregon, this manifested as housing segregation, with immigrant families living in the most disinvested places. According to a 2024 report by United Way, 58 percent of households in East Portland have at least one working household member but lack sufficient income to make ends meet and own few assets, with 15 percent of households falling below the federal poverty line.[2]

In 2017, Mercy Corps, a global nonprofit with a U.S.-focused Community Development Financial Institution (CDFI), Mercy Corps Northwest (both based in Portland, Oregon), conducted surveys with East Portland residents and found a strong desire but little capacity to invest in local real estate. Under the leadership of John W. Haines, Mercy Corps responded by launching the Community Investment Trust (CIT), a pilot project designed to test a new model of community-centered economic development. CIT has since spun off from Mercy Corps into an independent organization and established the East Portland Community Investment Trust (EPCIT).[3]

In 2017, CIT acquired a property in East Portland, a strip mall called Plaza 122, and made it possible for residents of the four ZIP codes surrounding the property to become part owners of the renovated development. CIT prioritized allowing LMI residents with low net worth to participate, share in the Plaza's profits, and benefit from the wealth-building potential of owning an equity stake in an appreciating asset in their community. Such investment opportunities are generally restricted to private firms and wealthy individuals who meet the federal requirements to be "accredited investors."

This case study explores how CIT was able to extend this opportunity to hundreds of non-accredited investors,[4] most of whom are immigrants, renters, women, people of color, and first-time investors. Where possible, there are citations to publicly available information, but much of the content is drawn from structured interviews with Aspen FSP and the authors, meetings of the Wealth Innovators Cohort, and additional conversations with CIT leadership throughout 2024.

Currently, 330 local families have invested $730,000 in Plaza 122 (34 percent of the appraised value of $2.15 million). An additional 113 investors have cashed out $270,000 for a range of purposes such as making a down payment on a house, paying for higher education, or coping with financial shocks. Shares were initially offered at $10; their value is updated annually and has appreciated to $19.65 (an inflation-adjusted growth of 58 percent). Community investors receive annual dividends, which have averaged 9.6 percent. The benefits are not just financial; investors and their families also report a greater sense of belonging with increases in activities such as voting, volunteering, and relationship building.

From the beginning, CIT Services has focused on ways to facilitate replication, including the creation of a feasibility study system, analysis resources, and a community of practice for organizations seeking to replicate their model across the country.[5] The organization is currently exploring replication opportunities in 13 cities across the country.

Plaza 122 has flourished with inclusive, local ownership

The CIT team conducted a thorough evaluation of prospective properties to purchase, considering factors such as the proximity to targeted low-income renters, purchase price, property condition and potential for improvement, and eligibility for public funding. Other important considerations included zoning, access to public transportation, and the demographic characteristics of the surrounding area.

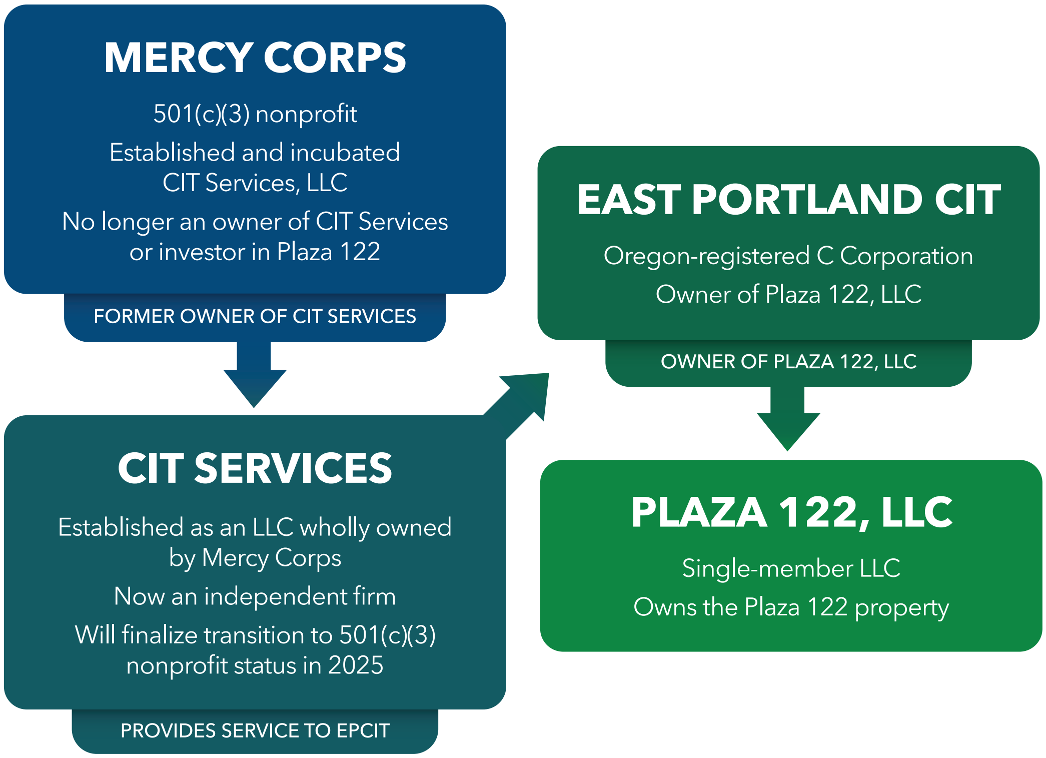
Plaza 122—a 29,000-square-foot strip mall built in 1962—fit the criteria, and it offered proximity to subsidized affordable housing and social services, allowing it to meet local needs. With these elements aligned, the CIT acquired Plaza 122 in 2017 for $1.2 million and spent approximately $200,000 on repairs and improvements.[6] At the time, the property was half-vacant; today it is 90 percent leased and generating positive cash flow and profits. The transformation of Plaza 122 has driven increased economic vitality and well-being within the property and the surrounding community.

Organizational structure

From the outset, Mercy Corps created a tailored legal structure of three distinct entities, each designed to fulfill specific functions:[7]

- CIT Services[8] is dedicated to supporting existing CITs and replicating the CIT model across the country. It led the site selection process and helped EPCIT secure financing for acquisition and development of Plaza 122. It continues to provide asset management and advisory services. CIT Services is also working with numerous public and private partners to support replication in more than 10 cities across the country.
- East Portland CIT Corporation (EPCIT) is an Oregon C Corporation (C Corp).[9] It is an independent firm that contracts with CIT Services. EPCIT operates Plaza 122 and is governed by a board of directors elected by the community investors, ensuring that management is aligned with local interests.
- Plaza 122 LLC, which is owned by EPCIT, owns the property.

Figure 1. CIT Organizational Structure



This unique structure enables CIT Services to access grants to support qualified charitable activities (such as community outreach and education, as well as replication of CIT's model) while providing other services through contracts (including asset management, financial and investor management services, and advice to EPCIT's board of directors). Registering EPCIT as an Oregon-based C corporation enables CIT to limit participation to non-accredited investors who live in physical proximity to the development (only corporations registered in and solely operating within the state where the shares are offered may restrict eligibility in this manner).

Sources and uses of capital

CIT Services secured $900,000 in bank loans from Beneficial State Bank and $450,000 in subordinated debt from impact investors and Mercy Corps Northwest to acquire and improve Plaza 122.[10] Philanthropic organizations—including The Collins Foundation, JPMorganChase Foundation, and the Meyer Memorial Trust—contributed grant funding to support programming, capacity-building initiatives, and operational management. These resources have been instrumental in strengthening CIT's infrastructure and ensuring the ongoing success of its community-centered model.

The CIT model includes an innovative approach to making commercial real estate investment available to low-income and low-wealth individuals who are not accredited investors. (Accredited investors, according to the U.S. Securities and Exchange Commission, may be individuals or businesses. An individual must have net worth over $1 million and reported income of at least $200,000 in the prior two tax years.[11]) The most direct pathway to sharing the benefits of development with these local stakeholders is to sell them shares in the property, which requires compliance with the federal Securities Act.[12] The Securities Act holds that private businesses can only sell securities, including shares in a firm, to non-accredited investors if they register with the Securities and Exchange Commission (SEC) and comply with stringent and costly reporting rules.

Section 3(a)(2) of the Securities Act allows state and federally chartered banks to issue securities that are exempt from SEC registration.[13] A qualified bank can also ensure payment of a non-bank business's security under Section 3(a)(2). One tool banks use to achieve this exemption is a "direct pay letter of credit" issued to the business. The direct pay letter of credit secures the value of non-accredited investors' principal and ensures they can withdraw funds at any time. These provisions protect investors from losses and provide liquidity to the project. For a deeper discussion of the strategies developers can use to meet federal legal requirements while offering ownership opportunities to non-accredited, low-wealth investors, see Aspen FSP's primer on inclusively owned commercial real estate.[14]

EPCIT is the only inclusive ownership commercial developer currently using this exemption, which it pioneered with pro-bono legal assistance from Orrick, Herington & Sutcliffe LLP, a global law firm. Northwest Bank provided the direct pay letter of credit, which secures local investors' funds up to $5,000 per person. CIT Services constructed a stock offering of 45,000 shares (then $10 per share) that restricted eligibility to residents of the four ZIP codes surrounding the Plaza.

Table 1 details the typical capital stack that CIT puts together to finance property acquisition and development and how each source of funds is deployed.

Once half-vacant, Plaza 122 is now 90% leased and an economic center within East Portland *(Photo courtesy of East Portland Community Investment Trust).*

Table 1. CIT's Sources and Uses of Capital for a Typical $2 Million Project

RISK TO DEVELOPER: HIGHEST (top) to LOWEST (bottom)

	DESCRIPTION	SOURCES	USES	% OF TOTAL COSTS
EQUITY	One or two loans at concessionary rates (2-4%), total of $600,000.	Philanthropic or impact investors	This serves as the down payment on the property. As residents invest, their funds are used to pay off these loans and equity shifts from impact investors to local owners.	30%
DEBT BANK MORTGAGE	Mortgage includes performance covenants: debt service coverage ratio[15] of 1.25:1.0 and loan to value ratio of 70%-75%.	Bank lender	The mortgage loan provides the remainder of funds needed to acquire the property.	60%
DEBT LETTER OF CREDIT	Bank-issued Direct-pay Letter of Credit with the same covenants as the mortgage.	Bank (may be same bank as primary mortgage provider)	This is required under Section 3(a)2 of the Securities Act. It guarantees the value of non-accredited investors' principal and provides liquidity.	n/a
GRANTS	Grants totaling $200,000 enhance investor yield and mitigate risk.	Philanthropic institutions	Property purchase and/or liquidity reserve.	10%

Community investor eligibility and benefits

As mentioned above, EPCIT members must live in one of the four ZIP codes directly surrounding Plaza 122: 97216, 97230, 97233, and 97236. They must also complete the "Moving from Owing to Owning" course, designed and implemented by CIT Services, which provides foundational financial education and investment skills. To date, more than 500 neighborhood residents have completed the course. To reduce barriers to participation, EPCIT members make small monthly contributions rather than a large initial investment, ranging from $10 to $100 (over 70 percent of participants invest the maximum $100). These investors may withdraw their funds at any time, not only because that is a condition of the direct pay letter of credit but also because that design better supports LMI investors.

Community investors purchase shares directly through a financial technology platform—designed and built by the CIT team—that enables the CIT Services to manage and track transactions in the East Portland CIT Corporation. EPCIT currently has 330 investors, a majority of whom are renters: 61 percent are low income; 44 percent are immigrants; 58 percent are women; and 66 percent are people of color.[16]

Community investors benefit from dividends as well as share price appreciation. Plaza 122 LLC has positive cash flow and produces regular annual dividends to shareholders, averaging 9.6 percent. Share price is determined annually through a formula that accounts for changes in appraised property value, debt reduction, and the total number of authorized shares. Shares were initially offered at $10; their value is updated annually and has appreciated to $19.65 (an inflation-adjusted growth of 58 percent[17]).

By 2023, 45 percent of EPCIT's community investors had taken steps to pursue further investments, underscoring the CIT model's ability to foster sustained wealth building. Among those who cashed out their investments to meet needs or pursue new opportunities, 90 percent returned to reinvest later. As investors near the $5,000 share value cap, CIT proactively connects them with additional investment and savings options, such as Roth and Traditional Individual Retirement Accounts (IRAs). To date, 113 investors have redeemed a total of $270,000, supporting down payments, educational expenses, and family needs. CIT Services' research has also documented benefits including increased civic participation, improved credit scores, greater spending at local businesses, and stronger relationships with local nonprofits.

The current aggregate value of residents' investments in Plaza 122 is $730,000. This has fully funded the repayment of loans that were used as down payment funds, shifting the equity in the project from impact investors to local investors. With consistent business and nonprofit tenants, Plaza 122 has proven to be a sustainable model for community-driven real estate investment, empowering local residents to participate in and benefit from neighborhood economic growth.

Olena's Investment Returns: Homeownership and Citizenship

For many East Portland residents, investing in EPCIT has been transformative. For Olena, a single mother who immigrated to the U.S. from Ukraine, it meant a pathway to financial stability and to building credit. When she sold her initial investment, she applied the proceeds to the purchase of her first home in Portland. After reinvesting, she once again drew on her CIT funds, this time to cover the cost of her applying for U.S. citizenship. She has since reinvested in the fund, knowing it is an asset that supports her growing dreams. Reflecting on her journey, Olena shared, "It gave me the chance to own something tangible, to feel the pride of ownership, and to belong to the community I now call home. None of this would have been possible without the CIT." Moved by her own experience, Olena joined the CIT Services staff, eager to help bring this model to communities nationwide and empower others to realize their dreams as she has.

Community engagement and governance

In the early days of operating Plaza 122, EPCIT's board of directors included John Haines and two experts in community development and finance. Since the property has become financially stable, the organization has moved to deepen community investors' leadership.[18] EPCIT began transitioning to a community-led board in 2021, progressively shifting control of the property's development to the local investors. In the summer of 2023, six community investors received training on fiduciary responsibility, and by 2024, two of these members had joined the board of directors, while the remaining four transitioned into an advisory committee role.

CIT Services has played a crucial role in this transition, providing comprehensive oversight and support in financial management, governance training, and community engagement. By offering resources like financial action courses and reinforcing community-centered decision-making practices, CIT Services is fostering social cohesion and empowering each investor to shape and benefit from an inclusive, thriving East Portland. This transition process has equipped CIT investor board members with essential governance skills, ensuring a sustainable alignment between the long-term success of Plaza 122 and the economic well-being of its community investors.

Expansion and replication

Building on the success of the East Portland CIT, CIT Services is exploring national replication of the model, with support from JPMorganChase Foundation. CIT Services supports local communities to complete a 10-step feasibility study process.[19] It is currently guiding the formation of CITs in Albany, Brooklyn, Dallas, Detroit, Everett, Minneapolis, New Orleans, and Tulsa. Six other cities—Omaha, Milwaukee, Kansas City, Colorado Springs, and Fresno—are conducting feasibility studies to evaluate the potential and challenges of launching the model.

In addition, CIT Services has established the CIT Community of Practice, which identifies and shares best practices, supports impact tracking, and offers a collaborative space for problem-solving, aligning solutions, and accelerating replication. And it shares the portal it created and manages for EPCIT investors with organizations that are replicating the model. The portal enables replicators to manage and collect investor data and track impacts.

CIT Services estimates that each replication site will need $2 to $5 million, with a blended capital stack consisting of a conventional bank mortgage loan, impact investment equity and loans, grant equity, and a direct pay letter of credit that meets the requirements of Section 3(a)(2) of the Securities Act. The capitalization of each CIT requires a consistent capital structure to manage the risk for the new corporation and the banks that issue direct pay letters of credit. CIT Services is exploring the creation of a national equity investment fund to support these projects, offering impact investors and traditional investors opportunities to help build thriving, resilient neighborhoods across the country.

Conclusion

The East Portland CIT Corporation is demonstrating how resident ownership of commercial real estate can transform lives by creating pathways to financial empowerment, wealth building, and a greater sense of belonging. The CIT strategy challenges traditional thinking about economic inclusion and expands the definition of community ownership. Through an accessible investment model, financial education, and an inclusive governance structure, EPCIT has enabled community members to move from being passive stakeholders to active owners in their neighborhood, with a measurable impact on their financial security and wealth, as well as their propensity to vote, volunteer, and build relationships in the community. Its success in Portland is serving as a blueprint—and inspiration—for inclusive development in other communities.

By prioritizing resident well-being alongside financial returns, the CIT model offers a way to build sustainable local wealth. As it scales, CIT invites other neighborhoods to embrace shared ownership and envision a future where every community has a tangible stake in its own prosperity.

Citations

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7 Mercy Corps, 2020.

8 CIT Services was established as a limited liability company (LLC) wholly owned by Mercy Corps. Now a fully independent entity, CIT Services is in the process of transitioning from a for-profit firm to a 501(c)(3) nonprofit organization.

9 A C Corporation is a business whose profits are taxed directly as corporate income (in contrast to S Corporations, which pass through profits and tax liabilities to the firm's partners). More information about C Corporations in Oregon is available from the state's Small Business Development Center at https://oregonsbdc.org/s-corp-vs-c-corp-what-are-the-pros-and-cons/.

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15 A debt service coverage ratio is equal to the property's net operating income divided by its debt service (required payments on outstanding debt, including principal and interest). A DSCR of 1.25:1.0 indicates that the property's net operating income must be at least 1.25 times greater than the amount of its debt service costs.

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17 Inflation adjustment calculation based on the U.S. Bureau of Labor Statistics inflation calculator for the Consumer Price Index, available at https://data.bls.gov/cgi-bin/cpicalc.pl.

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