Finding Common Grounds in Eastside Detroit

Community Ownership of Land and Real Estate Developments for Affordability and Inclusive Growth

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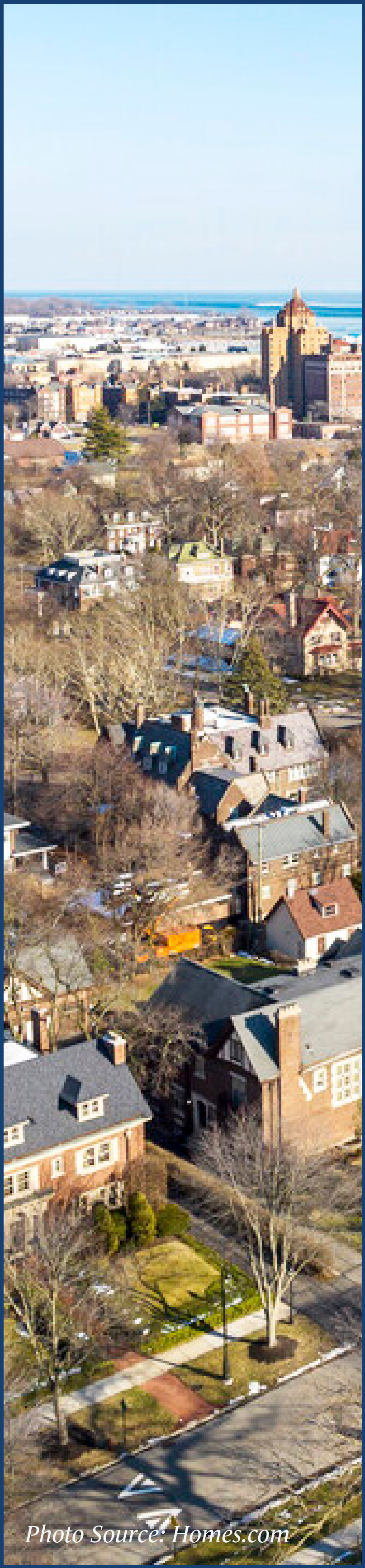

Acknowledgements

We would like to express our gratitude to the following people and organizations for their insight and time that made this report possible.

Land Acknowledgment

The project context area of the Islandview and Greater Villages neighborhoods is on the land known as Waawiiyaatanong. This is the ancestral land of the Three Fires Confederacy, the Ojibwa, Odawa, and Potawatomi as well as the land of the Wyandot nation. We acknowledge that this land was colonized via the Treaty of Detroit in 1807.

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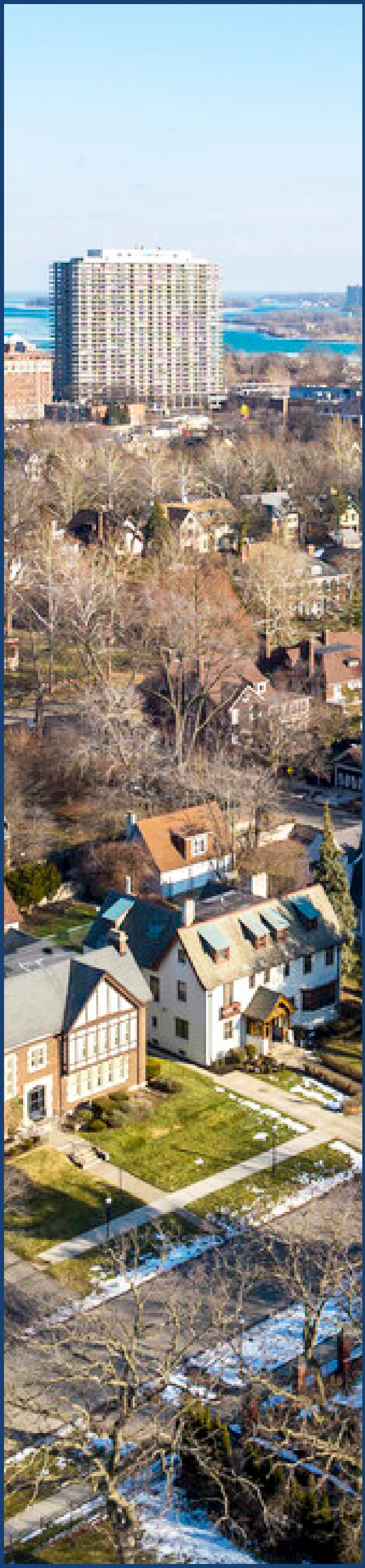

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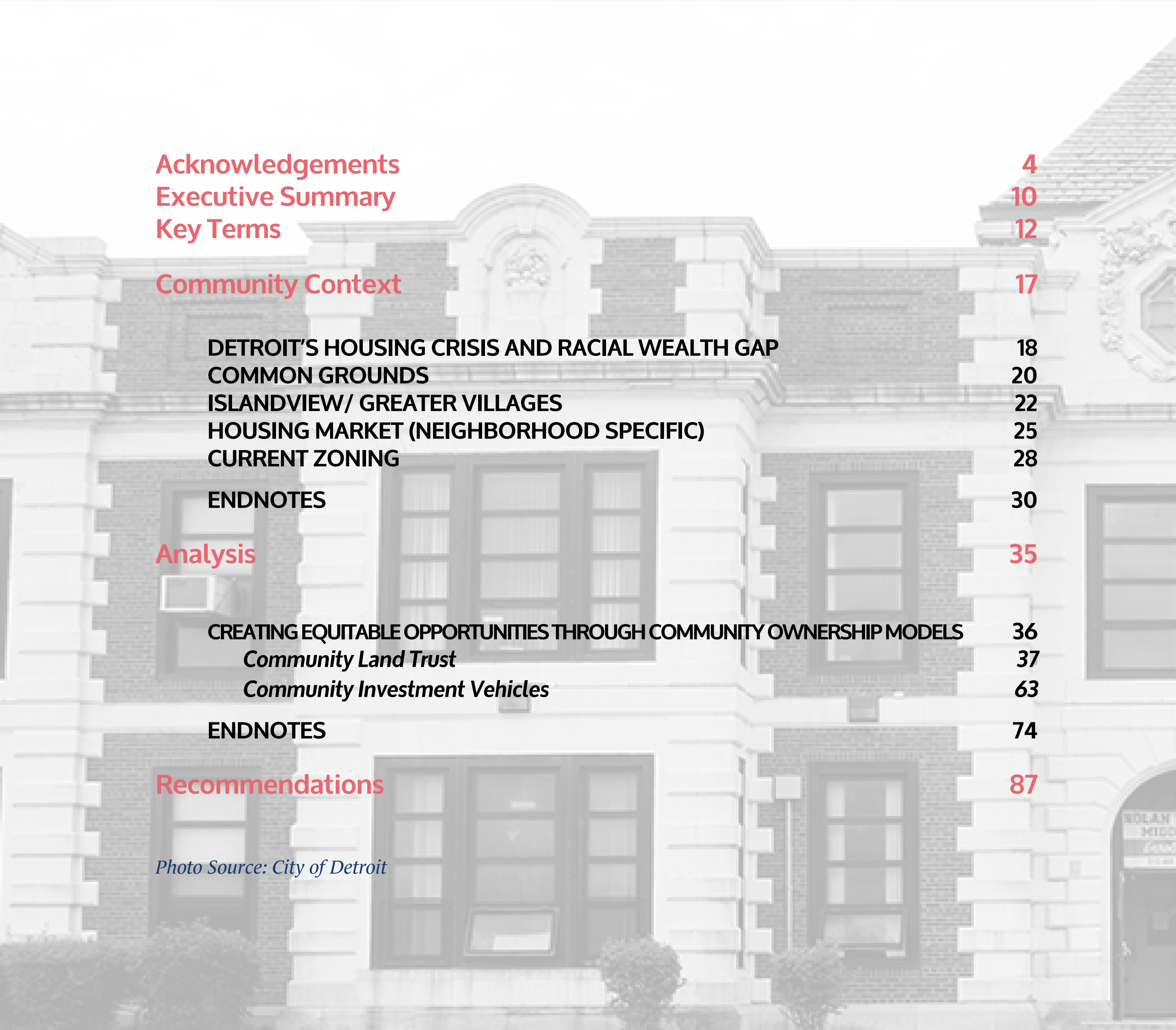

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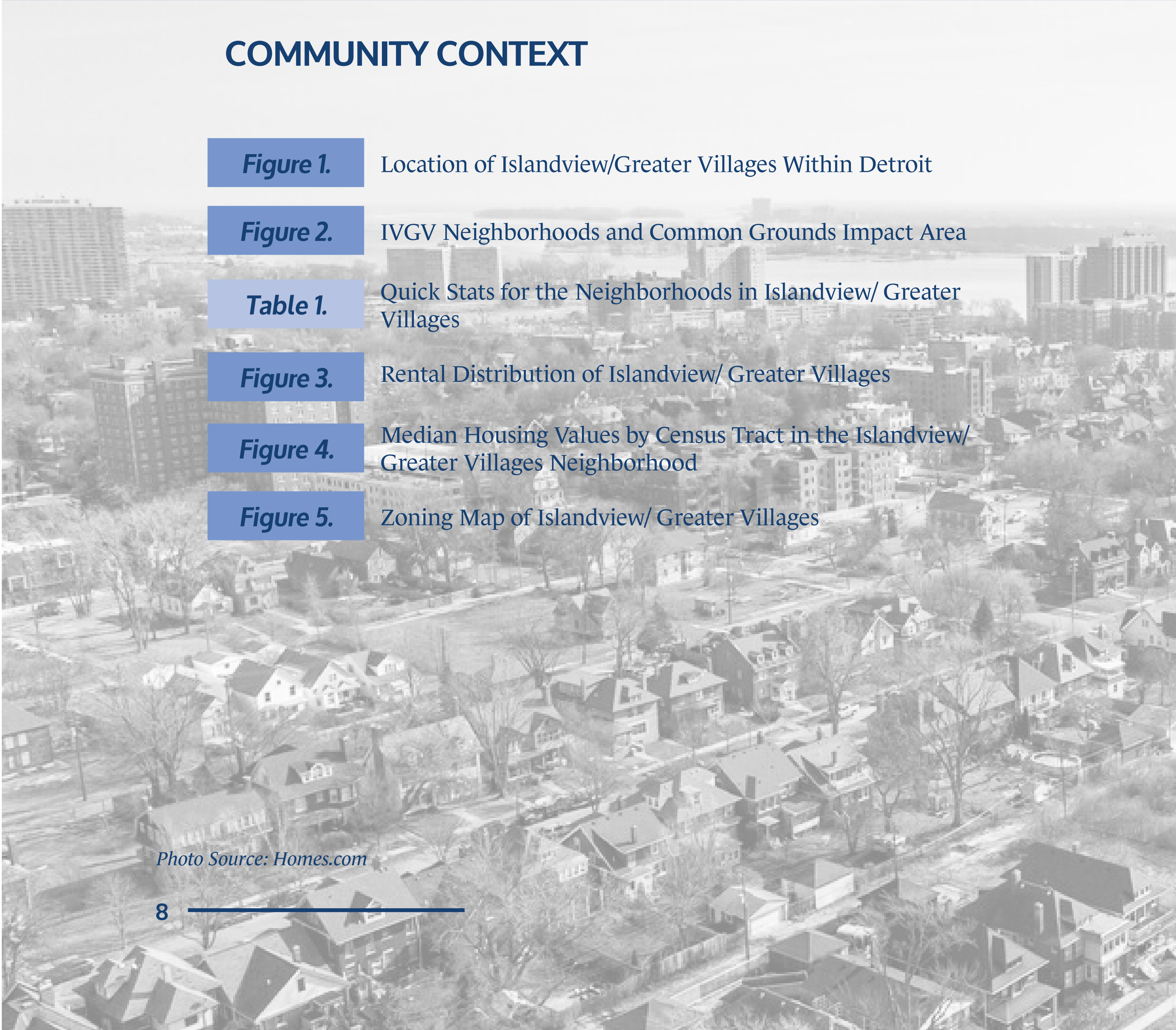
COMMUNITY CONTEXT



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ANALYSIS

Executive Summary

The racialization of housing and space through historic practices like redlining and pervasive use of racially restrictive covenants have contributed to segregation, a decrease in property value, economic withdrawal, and blight in many Detroit neighborhoods. However, over the past decade, Detroit has experienced a surge in investments, resulting in new developments throughout the city. Although this renaissance has offered numerous benefits for Detroit, it also raises several concerns about gentrification and displacement and who really benefits from these developments. This report focuses on a specific area of the city containing the Islandview and Greater Villages neighborhoods, which has seen an influx of investment and development due to its inclusion in the City of Detroit's Strategic Neighborhood Fund. Common Grounds, a partnership between three community organizations in Detroit, was formed after Islandview and Greater Village residents raised concerns regarding gentrification and displacement due to the increasing development. They aim to address gentrification, housing affordability, and economic inequality through two community ownership models: a community investment vehicle (CIV) and a community land trust (CLT).

Partnering with Common Grounds, our team has provided an analysis of community land trusts and community investment vehicles, specifically analyzing each model's funding, financial, and organizational structures through numerous interviews and literature reviews.

- Community Land Trust: In Michigan, these have two main structures: tripartite governance and administrative structures. The development of a CLT requires finances and funding to acquire property and maintain permanent housing affordability.
- Community Investment Vehicles: These models can vary significantly; however, all CIVs ultimately aim to increase community ownership, participation, wealth, and economic development.

Adoption of our proposed recommendations by Commons Grounds will enable empower residents to take ownership of their community's future and foster inclusive and equitable development.

The goals of our project are to:

- Identify common elements in community ownership models related to funding sources and organizational and financial structure.
- Explore state, local, and federal policy related to community ownership models.

Our analysis has guided our recommendations for Common Grounds' community ownership plan.

Our recommendations for a community land trust include:

1. Operating with an administrative structure until having enough community land trust homeowners to establish a tripartite governance board.
2. Acquiring property for a scattered-site model from both publicly- and privately-owned sources.
3. Utilizing any available housing-related funding sources - prioritizing grants from philanthropic organizations.
4. Reserving a portion of the ground lease payments in a homeowner's repair fund.
5. Utilizing a 75-25 shared equity model to help fund continued operations of the CLT.

For a community investment vehicle, we have provided the following recommendations:

1. Create a real estate investment cooperative and incorporate a diversified community investment fund
2. Conduct a robust community engagement campaign
3. Idenify grants and CDIF loans for funding
4. Consider utilizing the MILE ACt to raise additional capital
5. Consider investing education courses for residents
6. Consider management of the commerical property

Additionally, our analysis led us to create some recommendations for the policy environment. These recommendations would facilitate continued development and operations of community ownership models.

1. Define CLTs in local and state law.
2. Detroit Land Bank Authority continue and expand partnerships with Community Land Trusts
3. Alter Michigan's Principal Residence Exemption to allow homeowners in CLTs to receive the tax exemption on the land as well as the home.
4. Create a Detroit-based area median income for home affordability measures.
5. Prioritize affordable housing in the funding allocation for the Strategic Neighborhood Fund.

Key Terms

ACCREDITED + NON-ACCREDITED INVESTOR

An accredited investor is anyone who meets one of the following criteria:

- Individuals who have an income greater than $200,000 in the past two years (or joint income with spouse is greater than $300,000 in the past two years), and a reasonable expectation of the same income level in the current year.
- Individuals with a net worth or joint net worth with a spouse of at least $1 million (not including the value of their primary residence).
- Individuals who are knowledgeable employees of a private fund.
- Individuals holding in good standing a Series 7, Series 65, or Series 82 license.
- A business entity whose assets exceed $5 million.[1]

A non-accredited investor is any investor who does not meet the income or net worth requirements set out by the Securities and Exchange Commission (SEC).[2]

B CORPORATION (B CORP)

A business structure, often of a for-profit company, that has received a certification to meet certain social and environmental standards.[3] B Corps are required to publish their social and environmental contributions, and their certification needs to be recertified every three years by B Lab, a nonprofit organization that works to ensure businesses provide a benefit to communities.[4] B corps are subject to the same tax laws as any other business entity (like a C corp).[5]

BROWNFIELD TAX INCREMENT FINANCING (TIF)

An economic development tool that covers the costs of redeveloping a brownfield property by "freezing" property taxes at the value they were in the year the TIF was created, and reimburses the developer of the project with the "incremental" increase in property taxes that result from the redevelopment.[6] In Michigan, a "brownfield" is defined as "a vacant, blighted, contaminated, or otherwise challenged property".[7]

C CORPORATION (C CORP)

A business structure where an independent legal entity is owned by its shareholders. Shareholders are taxed separately from the entity, and C corps are subject to a "double tax."[8] This double tax includes a tax on profits or corporate income and an additional capital gains tax on that same profit when shareholders receive dividends.[9]

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)

A financial institution that offers loans and financial services to individuals, organizations, and businesses in underserved markets and communities.

COMMUNITY INVESTMENT VEHICLE (CIV)

A wealth-building strategy where community members combine and invest money and resources to have an ownership stake in a real estate asset in their neighborhood, such as a multi-family or commercial property.[10]

COMMUNITY LAND TRUST (CLT)

A form of community ownership that aims to maintain the permanent affordability of housing. An organization, typically a non-profit, has ownership over the land the structure sits on, while the resident retains ownership of the structure.

COMMUNITY OWNERSHIP MODEL (COM)

COMs encompass a variety of strategies and programs that allow for shared ownership of a residential, commercial, financial, or other asset. These can include CLTs, CIVs, or "worker, producer, consumer, or housing cooperatives."[11]

DETROIT LAND BANK AUTHORITY (DLBA)

A local quasi-governmental entity that owns underutilized property and aims "to return the city's blighted and vacant properties to productive use" through a variety of programs.[12]

GROUND LEASE

In a community land trust (CLT) home, the non-profit organization owns the land beneath the home and allows full access and exclusive use of the land for the resident of the home using a ground lease.[13] In Michigan, CLTs typically offer ground lease lengths of 89 years and can be renewed or inherited by other members of the household after death.[14] The ground lease defines the relationship between the non-profit and the homeowner, including how equity and ownership are shared.[15]

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (MSHDA)

Key Terms

A quasi-public state entity that aims to preserve and create affordable housing and community development opportunities through financial and technical assistance efforts.[16]

PRINCIPAL RESIDENCE EXEMPTION (PRE)

A tax exemption that incentivizes homeownership in Michigan. Homeowners receive a tax exemption "from the tax levied by a local school district for school operating purposes up to 18 mills" if they use the home as their principal residence.[17]

REGIONAL HOUSING PARTNERSHIP (RHP)

Regional Housing Partnerships create action plans in collaboration with local governments, community organizations, and businesses. Throughout the State of Michigan, 15 Regional Housing Partnerships were created in specific geographic areas to implement the Statewide Housing Plan to create or preserve 75,000 units in the State.[18]

U.S. SECURITIES AND EXCHANGE COMMISSION (SEC)

This governmental organization oversees investment activities, including the regulation of the U.S. stock markets and facilitating access to capital for entrepreneurs.[19]

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Community Context

Detroit's Housing Crisis and Racial Wealth Gap

KEY TERM: DETROIT LAND BANK AUTHORITY, DEFINED ON PAGE 11

The United States is currently experiencing a national housing crisis due to the inaccessibility of affordable rental housing and homeownership opportunities.[20] This is illustrated by the shortage of approximately 7 million affordable homes for over 10 million low-income families.[21] In Detroit, only one-fourth of houses and apartments are affordable to residents who make 30% or lower of the area median income.[22] Decades of population decline, poor policy, and disinvestment in the City harmed neighborhoods and led to its current condition today. These factors contributed to a surplus of vacant properties with structures that can be expensive to rehabilitate. The **Detroit Land Bank Authority** owns most of the vacant properties and is considering selling them at market-rate prices to incentivize economic development in the area. Due to these factors, some neighborhoods in Detroit are left with a shortage of affordable housing stock and a surplus of demand. This is an issue because affordable housing allows households to increase intergenerational wealth and economic mobility.[23] Also, Detroit's housing crisis disproportionately impacts communities of color, particularly Black communities, due to redlining and other racist housing policies. Redlining was a widespread government-backed practice of planned racial segregation through mortgage underwriting. This practice involved the creation of security maps that color-coded neighborhoods based on perceived financial means - but in reality, it was based on race. The practice of redlining denied loans to households in predominantly Black neighborhoods by deeming them too risky, excluding them from homeownership and the ability to accumulate wealth.[24]

Income inequality alone does not address the economic gaps between US households. When understanding poverty, it is essential to consider not only income but also assets. In the US, 12.6 percent of Americans are experiencing income poverty.[25] Meanwhile, studies have shown that most low- to moderate-income households fall below the asset poverty threshold.[26] Asset poverty is defined as having insufficient net worth to cover three months of living expenses without income.[27] Having assets, such as savings or property, is vital for households when faced with an economic emergency like a healthcare bill or car expense.[28] Even though these households may be able to cover their basic monthly expenses, these economic emergencies can cause lasting financial hardships and a vicious cycle of debt. Assets and wealth allow individuals to invest in education for better jobs, save for retirement, and experience financial assurance. Those in asset poverty are unable to build wealth that would propel them into the middle class.

Although asset poverty affects most Americans, it disproportionately impacts people of color. Households of color are 2.2 times more likely to be asset-poor in the US compared to white households.[29] This number is continuously increasing due to various factors, including intergenerational poverty, inadequate education, and a lack of access to affordable investments.[30] Furthermore, in a 2022 analysis, the Brookings Institute found that the racial ownership gap is even larger than the racial wealth gap.[31] Very few Black households (only three percent) own nonresidential commercial real estate (CRE), while white households own eight percent.[32] Of households that do own commercial real estate, Black households only own $3,600 of it, compared to the $34,000 that white households own.[33] So, ownership of CRE, which includes retail shops, offices, and more, is concentrated in the hands of a few households.[34] This creates a significant missed opportunity for Black households to generate wealth and shape the character of their neighborhood.[35]

Common Grounds

Common Grounds is a collaborative initiative aimed at addressing the increasing development pressures faced by Islandview and the Greater Villages of Detroit. These neighborhoods are experiencing significant economic shifts through urban development, and community members have raised concerns about housing affordability and gentrification.

The partnership consists of the following organizations:

A dynamic community development organization dedicated to promoting health equity and inclusive development. GenesisHOPE combines community development expertise with health education using a multifaceted approach to empower individuals and neighborhoods. GenesisHOPE also actively makes efforts to address systemic inequities and promotes fairness at individual, institutional, and systemic levels. Guided by their core values and faith, they resiliently pursue positive change by creating healthier, more equitable places to live, work, learn, and play.[36]

An organization dedicated to comprehensive community development in Detroit's 48214 zip code. Originating from Mack Avenue Community Church in 2010, they prioritize empowering residents by fostering grassroots engagement and celebrating the unique character of each neighborhood. MACC Development's mission centers on holistic revitalization through the integration of spiritual and physical care and promoting sustainable development that enables communities to flourish.[37]

A diverse coalition of residents, labor groups, environmental advocates, faith-based organizations, and community groups that primarily aim to revolutionize the development process. Urban development often leads to displacement and environmental harm that disproportionately affects low-income and minority households. D4, in contrast, envisions a development approach that prioritizes democratic values of transparency and is not as traditionally hierarchical. They try to ensure that residents have a meaningful say in shaping their neighborhoods and allow underrepresented voices to be at the development table. They also advocate for construction practices that prioritize local hiring and support organized labor. D4, additionally, seeks to ensure that completed projects provide lasting benefits to corresponding communities through access to quality amenities, transit options, and affordable housing.[38]

The primary objective of Common Grounds is to establish a **Community Land Trust (CLT)** in Islandview and the Greater Villages that can preserve housing affordability in neighborhoods that are experiencing rapid growth in housing value.[39] Alongside the CLT, Common Grounds also seeks to create a **Community Investment Vehicle *(CIV)*** that provides opportunities for local residents and stakeholders to invest in real estate projects and influence the development landscape within their community. Formally, the stated goals of the project are:

» Community Master Plan: Common Grounds aims to engage community stakeholders in designing an inclusive economic development plan for the northern sector of The Villages of Detroit.

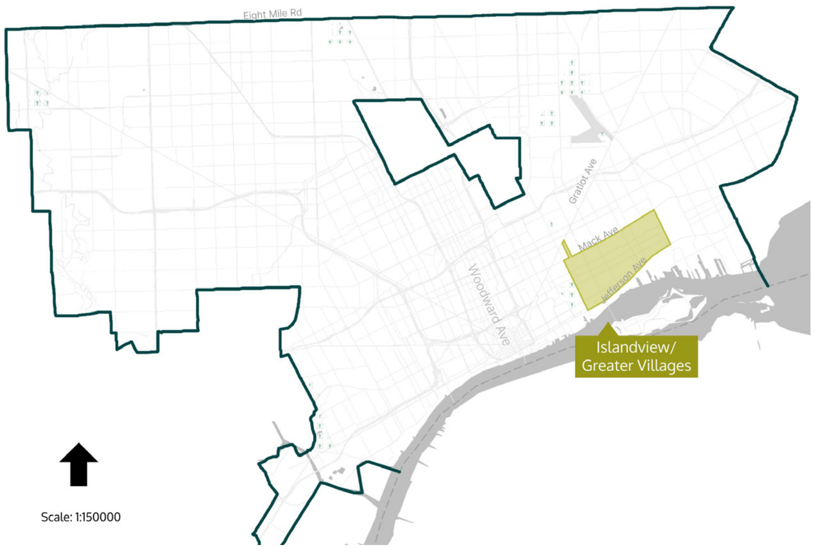
» Community Ownership of Land: Establishing a CLT is central to the project's goals. It will enable the community to acquire land and properties for development.

» Community Education & Leadership Development: Common Grounds empowers residents to take on leadership roles in their neighborhood's development by providing information and support and allowing them to participate in decision-making processes.

» Community Control & Choices for Neighborhood Development: The project assists the community in developing Requests for Proposals/Qualifications (RFP/RFQ) with community benefit agreements that guarantee a symbiotic relationship between the community and the development or developers.

KEY TERMS:
COMMUNITY LAND TRUST AND COMMUNITY INVESTMENT VEHICLE, DEFINED ON PAGE 11

Figure 1. *Location of Islandview/Greater Villages Within Detroit*



» Community Investment Opportunities: Through the CIV, residents can build generational wealth and contribute to their community's economic growth by investing in local real estate projects.[40]

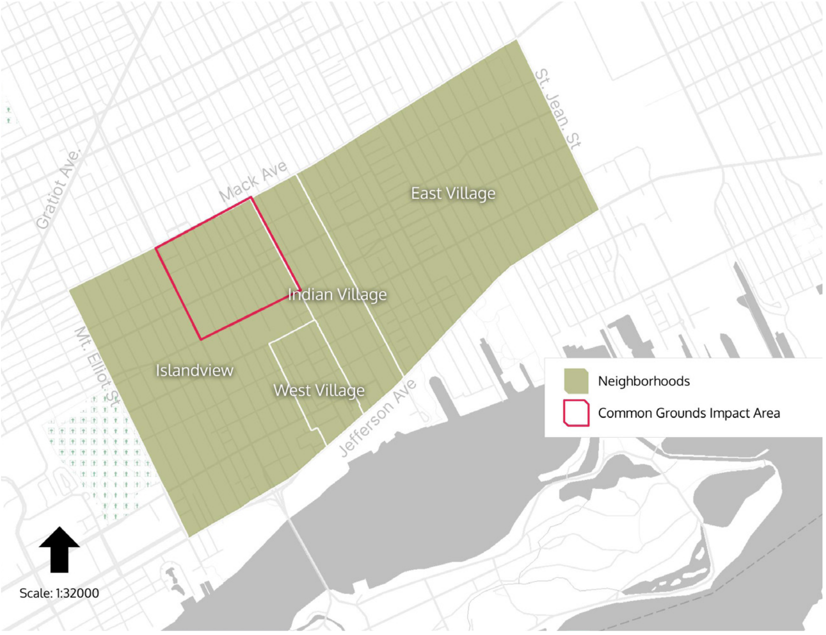
Common Grounds seeks to promote inclusive and equitable economic development in Islandview and the Greater Villages areas. Using a CLT and a CIV, the proposed project will empower residents to take ownership of their community's future so that development benefits all stakeholders. Common Grounds will focus on the northern portion of Islandview as the southern portion already has a significant number of projects in development.[41] Overall, Common Grounds aims to create a model for sustainable urban development that prioritizes local empowerment through collaboration.

Islandview/ Greater Villages

The Islandview/ Greater Villages (IVGV) area is on the Eastside of Detroit, as shown in **Figure 1**, and this area consists of four neighborhoods: Islandview, Indian Village, East Village, and West Village. **Figure 2** identifies the location of the Common Grounds impact area within Islandview. The IVGV neighborhood was chosen as one of the City of Detroit's strategic neighborhoods, and the Strategic Neighborhood Fund (SNF) is a source of funding that invests in the economic development of the chosen neighborhoods. The criteria for the selection of neighborhoods for SNF is not clear. The City's Planning and Development Department completed a

Neighborhood Framework Plan for the area, which details the community conversations that led to the implementations and recommendations for revitalization of the area. The housing stabilization implementation led to the preservation of 148 affordable rental housing units, the rehabilitation of 16 single-family homes and 36 duplex units, and the construction of 92 multi-family housing units.[42] The IVGV area was identified as a real estate "hot" market in the Detroit Preservation Action Plan based on 2017 market-rate rents, vacancy rates, the City's planned areas for investment and growth, and expert knowledge.[43] This identification may induce more development demand, which further affirms our client's concerns of increased development pressures in the area.

Figure 2. *IVGV Neighborhoods and Common Grounds Impact Area*



IVGV is a predominantly Black/ African American (Non-Hispanic) neighborhood as this racial category makes up 72.6 percent of the area's population, which is similar to the City of Detroit as a whole. In order to gain insight on housing affordability in IVGV, the housing affordability index can be used. This index measures whether a typical family could qualify for a loan for a typical house.[44] A typical family is one that earns the median household income, while a typical house is the national median-priced single-family home.[45] A score of 100 on the index means that that household has just enough income to qualify for a mortgage.[46] In 2023, the IVGV neighborhoods scored 123 on the housing affordability index,[47] indicating that the median income in the area is more than enough income to cover the cost of a mortgage for the average home price. However, this data is aggregated to include all four neighborhoods, which does not accurately represent what happens in each neighborhood.

Table 1. *Quick Stats for the Neighborhoods in Islandview/ Greater Villages*[48]

		Islandview	Indian Village	East Village	West Village
Residential Population		5,827	1,220	4,322	1,319
Race/ Ethnicity	**Non-Hispanic Black**	89%	61%	95%	84%
	Non-Hispanic Multiple Race	2%	4%	2%	2%
	Hispanic	1%	2%	1%	2%
	Non-Hispanic White	5%	32%	2%	12%
% Households Below Poverty Level		46%	<1%	32%	26%
Median Household Income		$28,179	$93,064	$30,998	$44,842
Median Home Value		$70,798	$431,081	$61,548	$260,714
Educational Attainment (HS Diploma/ GED or higher)		84%	95%	64%	86%

West Village and Indian Village are residential neighborhoods characterized by historic homes, high housing values, and very few vacant lots and structures. As of March 26, 2024, both of these neighborhoods only have one DLBA-owned lot/structure. In contrast, the Islandview and East Village neighborhoods have significantly more parcels of DLBA-owned lots and structures. **Table 1** gives additional comparison stats between each of the neighborhoods that illustrate the current economic inequalities between them. Islandview in particular has the highest poverty rate, lowest median income, and the second lowest median home value of the neighborhoods in the IVGV area. This data also illustrates the importance of the Common Grounds impact area being the northern sector of the Islandview neighborhood as seen in **Figure 2**.

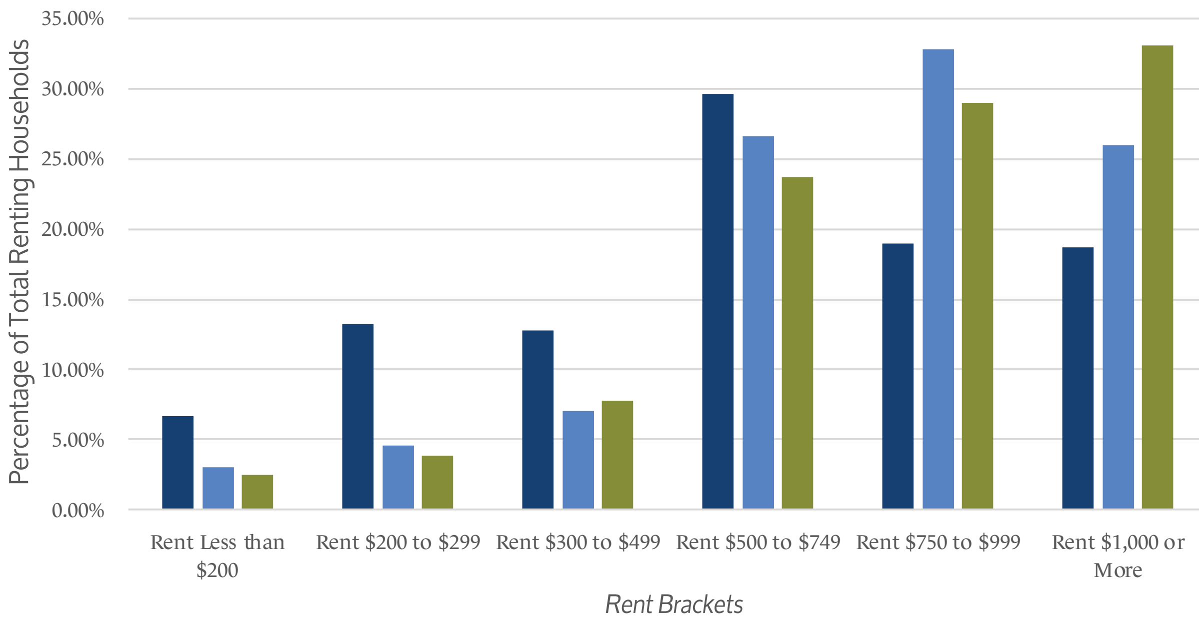
Housing Market (Neighborhood Specific)

The neighborhoods have 7,718 housing units,[49] which represent two point four percent (2.4 percent) of the total housing units available in Detroit (311,291 units).[50] A brief overview of neighborhoods and housing unit vacancies is provided below:

- Twenty-nine percent of all housing units are vacant or unoccupied in the IVGV neighborhood, but Islandview and East Village show the highest vacancy rates.
- The Census blocks that comprise Islandview report vacancies at 20-40 percent,[51] while East Village Census blocks report vacancies ranging from 18-30 percent.[52]
- In contrast, West Village and Indian Village report vacancies at 15 percent and 10 percent, respectively.[53]
- All of these neighborhoods, however, overrepresent vacancies by a large margin in comparison to all of Detroit (around 4 percent for both renters and homeowners).[54]

The housing market in these neighborhoods is dominated by rental occupancy. In fact, according to data available at the Census tract level, these neighborhoods have a tenure occupancy distribution of 59 percent rental units and 41 percent ownership units,[55] which is a significant departure from trends seen across the city where both types of tenures are represented almost equally.[56] The most commonly recorded rental typology is a one-bedroom unit.[57]

Figure 3. *Rental Distribution of Islandview/ Greater Villages*



Rental distribution in the target neighborhoods is described in **Figure 3**.[58]

- » A larger proportion of households in the IVGV neighborhoods rent at lower brackets ($0 to $749) than households in Wayne County or Michigan.
- » Units charging less than $500 rent monthly make up only 32 percent of the total occupied rental stock.[59]
- » About 30 percent of all rentals are leased out with rents in the $500 to $749 bracket, and units renting at or above $750 make up the rest of the rental stock (about 38 percent).
- » Housing cost burdens are also disproportionately experienced by households that rent, with 57 percent of renter households in these neighborhoods spending more than 30 percent of gross monthly income on rent.
- » In contrast, units rent at higher prices across Detroit. In fact, 40 percent of rental units in Detroit rent at above $800.

The median value of properties in these neighborhoods varies significantly, as seen in **Figure 4**.

- The northern portion of Islandview (Census tract 5193 and 5152) has the lowest median housing values, at $32,500 and $37,000, respectively. These neighborhoods have housing markets with significantly less interest than the ones surrounding them. The Common Grounds Impact Area lies within most of Census tract 5152.[60]
- East Village has two Census tracts (5138 and 5139) with median housing values of $72,000 and $70,400, respectively. These housing markets are similar to Detroit's broader housing market and may be on the cusp of attracting developmental interest.[61]
- Census tract 5164 in the southern portion of Islandview and Census tract 5153 in West Village have median housing values of $201,800 and $209,900, respectively. These tracts represent a housing market that is seeing developmental interest in the form of new projects.[62]
- Indian Village (Census tract 5154) has the highest median housing value in these neighborhoods, at $416,100. This neighborhood represents a housing market that has seen a significant number of projects developed within its boundaries.[63]
- In comparison, the median housing value across Detroit is $83,600, significantly lower than the median value of three of the seven Census tracts that make up the neighborhoods.[64]

Figure 4. *Median Housing Values by Census Tract in the Islandview/ Greater Villages Neighborhood*

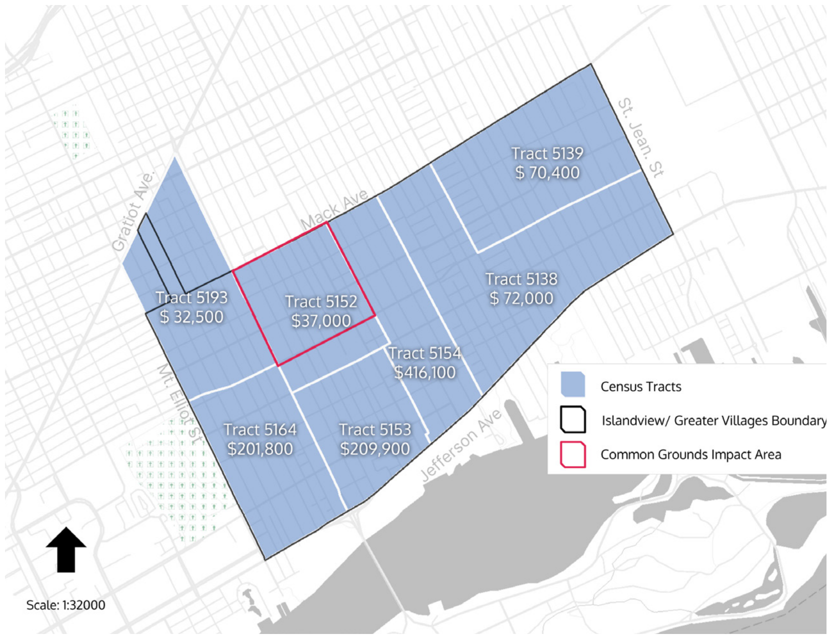


Figure 5. *Zoning Map of Islandview/Greater Villages*

CURRENT ZONING

Figure 5 shows that land in these neighborhoods is zoned primarily R-1 Single-Family Residential District and R-2 Two-Family Residential District. R-1 zoning permits only single-family units to be constructed on specified lots, while R-2 permits single and two-family units.[65] Both of these zoning districts are amenable to the typical single family home ownership goals of a Community Land Trust, which will be discussed in detail later in the report. The area also features industrial zoning on the west side of Islandview known as the Beltline Corridor.[66] The commercial-oriented zoning districts of B4 are situated along the larger east-west thoroughfares of Mack Ave, Kercheval Ave, and Jefferson Ave. The Common Grounds Impact Area is primarily R2 with some B4 and R5 zoning. Therefore, the commercial and residential developments that our clients wish to pursue are allowed somewhere within their chosen impact area.

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Endnotes

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Photo Source: City of Detroit Flickr

2

Analysis

Creating Equitable Opportunities Through Community Ownership Models

KEY TERM: COMMUNITY OWNERSHIP MODEL, DEFINED ON PAGE 11

Throughout the United States, various forms of **Community Ownership Models (COMs)** have been created in response to historically inequitable land distribution practices that led to the aforementioned racial wealth and racial ownership gaps. COMs are strategies and/or programs that allow for shared ownership of a residential, commercial, or financial asset. These models provide an opportunity for local residents to contribute to and participate in development occurring within their communities.[67] This type of engagement means power and decision-making get transferred to residents, which can impede gentrification and reduce resident displacement.[68] Specifically, some COMs can remove land from real estate market speculation, while other types may prioritize commercial real estate ownership as a means to accumulate wealth for community investors.[69] As a result, COMs have become increasingly popular in recent years.

Today, there are a variety of COMs utilized by communities around the country, including Real Estate Cooperatives, Real Estate Investment Trusts (REITs), Community Land Trusts (CLTs), and Community Investment Trusts (CITs).[70] Some of these models, including Cooperatives, REITs, and CITs, can also be categorized as Community Investment Vehicles (CIVs) since they prioritize wealth-building in addition to community ownership.

Our research and analysis will focus on CLTs and select CIV models as those are the two models of community ownership Common Grounds is most interested in developing. Common Grounds seeks to establish a CLT for the Islandview neighborhood as a way to provide long-term affordable housing for residents who may otherwise be impacted by the negative effects of Detroit's recent real estate market speculation and private development. Such speculation and development has led to drastic increases in property values and increased gentrification which can displace long-time residents. Separate from a CLT, Common Grounds' plan to develop a CIV for community members can provide opportunities for wealth-building as a result of collective ownership of commercial properties in the neighborhood.

COMMUNITY LAND TRUST

A Community Land Trust (CLT) is a shared equity model of homeownership operated by either a non-profit community development organization or a local government entity. Ownership has two different components:

1. Land owned by the operating organization.
2. Buildings that have been built, rehabbed, or acquired are sold for ownership to individuals, households or cooperatives. [71]

The goals of a CLT may include long-term affordable home ownership, commercial and residential rehabilitation, and economic development.[72] Desire to start a CLT in an area often stems from a response to address rising housing costs or fear of gentrification. In comparison to the private market, buyers of homes in a CLT will have lower purchase prices and, thus, lower mortgage payments. CLTs may also set an AMI eligibility limit for those who can purchase a home through their program. For example, Frankfort Area Community Land Trust, a Michigan-based CLT serving Benzie County, sets an eligibility requirement between 60 percent and 120 percent AMI.[73] **Table 2** provides an overview of CLTs within the State of Michigan that were interviewed for this project, along with innovative aspects or policies that each CLT implements.

Table 2. *Elements of Community Land Trusts in Michigan*

Name	Location	Property Description	Governance Structure
DREAM of Detroit	Detroit, MI	Scattered-site	Administrative
Dwelling Place Regional Community Land Trust	Grand Rapids, MI	Contiguous & Scattered-site	Tripartite
Inner City Christian Federation Community Homes Land Trust (ICCF)	Grand Rapids, MI	Scattered-site	Administrative, but looking to move to a Tripartite Structure as more homeowners join the CLT
Peninsula Housing	Suttons Bay, MI	Scattered-site	Administrative
Northern Homes	Boyne City, MI	Scattered-site	Administrative
Frankfort Area Community Land Trust	Frankfort, MI	Scattered-site	Administrative

Funding Sources	Innovative Aspects/Policies
Philanthropic Organizations (Enterprise Community Partners, Kresge Foundation), Faith-based private donors	Utilized land the organization already owned to set up the CLT Leverages their connections with the Muslim community as a faith-based organization to fundraise
Government Sources (Brownfield TIF, ARPA, HOME Funds through the City of Grand Rapids), CDFI (IFF), Profits from other housing programs	
Government Sources (MSHDA Missing Middle Housing funding, private donors, developer fees, equity from resold CLT homes	ICCF receives 75% of any housing value increase if a CLT home is sold, which helps fund operating expenses Must be below 90% AMI to qualify, with some CLT homes requiring owner to be less than 80% AMI due to funding restrictions
Bridge loans provided by local philanthropic individuals and non-profits, fundraising from private individuals	Half of the $60/month ground lease payment the CLT homeowner pays to Peninsula Housing is placed into a homeowner's repair fund for their future use
Government Sources (MSHDA, HUD Housing Counseling Grants), Private (Community and family foundations), bank financing, funds from other programs (Northern Homes CDC)	Serves residents below 80% AMI
Government Sources (ARPA, MSHDA Missing Middle Housing), Regional Funders, private donations	Partnered with the City to acquire land

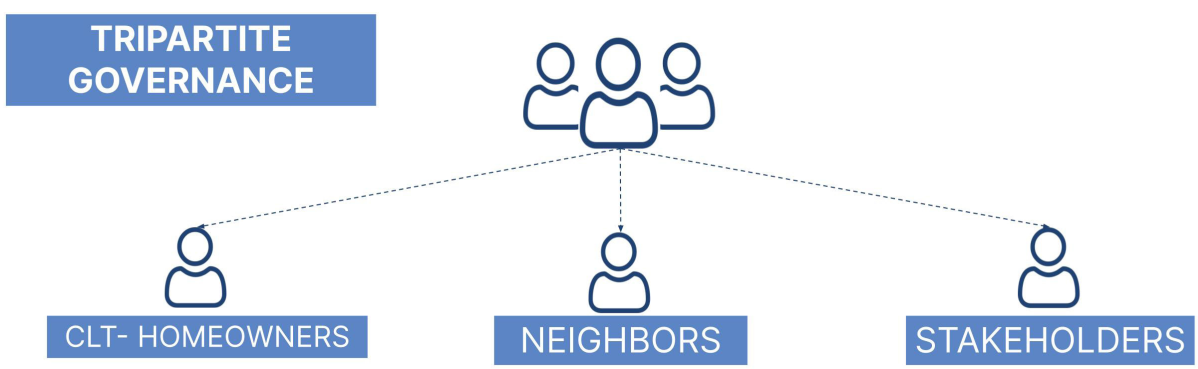
Organization Structure

A CLT structure refers to who makes decisions about purchasing, constructing, and selling property. In Michigan, there are two main structures: a tripartite governance and an administrative structure.

Tripartite Governance

The tripartite governance is considered the classic CLT structure. In this structure, decisions are made by a board with equal representation from three groups, illustrated in Figure 6. This includes 1/3 CLT leaseholders, 1/3 non-leaseholding residents of the nearby community, and 1/3 other stakeholders. The benefit of this structure is that the community members and residents have a direct voice in the decision-making in their community. During the launch phase, an organization may decide to use 2/3 of the board made of community residents until the pool of CLT leaseholders has sufficient participation. Dwelling Place of Grand Rapids, a Michigan-based organization, plans to use this model upon completion of their Garfield Park neighborhood development in Grand Rapids.[74]

Figure 6. *Illustration of Community Land Trust Tripartite Governance Structure*



Administrative Structure

In the administrative structure, the non-profit staff makes property acquisition decisions, prioritizing efficiency in decision-making. An administrative structure is often used during the launching phases of the CLT because there are not any CLT land leaseholders yet to fill board positions in the tripartite governance. However, some non-profits continue to use this structure as their chosen model with no intent to switch to tripartite governance. This is a common model for CLTs in Michigan, as Dream of Detroit, Peninsula Housing, and Northern Homes all operate using this model.

Property Acquisition

Property acquisition is an integral part of a CLT's development and long-term success. Properties are acquired through a scattered-site or contiguous-site model, or a large enough CLT might have a combination of both. Land availability is often the primary deciding factor for determining which model is most viable for an organization.

Scattered-Site Model

A scattered-site model describes individual housing units located throughout a community rather than in a single complex.[75] An advantage of this model is that one cannot identify an individual home as a CLT, reducing the likelihood of its stigmatization as a low-income housing development.[76] A scattered-site is often more difficult to manage and maintain if there is a great distance between the homes.

Contiguous-Site Model

Conversely, a contiguous-site model includes multiple housing units on a single-site or on adjacent sites, such as a multi-family apartment complex, or multiple CLT homes on a street or in a neighborhood. A contiguous CLT model can be a more cost-effective form of development, as only one set of development and construction staff need to be hired for the delivery of materials to one site rather than duplicating these costs for multiple individual units across different sites.[77] Another advantage is that community engagement work will be more manageable within a more concentrated area. However, the risk that CLT owners will be stigmatized due to their residency in a lower-income area increases in a contiguous-site model.[78]

Property Acquisition Considerations for Islandview

For Common Grounds, the decision to pursue a scattered-site model versus a contiguous model should be based on several factors. First, administrative capacity is an important consideration, as a scattered-site model can be more difficult to manage and maintain due to the distance between CLT properties. Second, where land is available in Islandview and the Greater Villages will determine whether a scattered-site or a contiguous model could be pursued. The Detroit Land Bank Authority (DLBA) often allows non-profits and community development organizations to purchase up to nine lots in an area before triggering the requirement for City Council approval, providing the opportunity for a contiguous CLT development.[79] However, a recent shift in the DLBA's policies and practices in Islandview has impacted Common Ground's property acquisition efforts. The DLBA no longer allows the purchase of lots through the Side Lot Program or Neighborhood Lot Program, and it is unclear if the Community Partnership Program is still active in Islandview.[80] For example, instead of allowing the Neighborhood Lot or Side Lot Programs in Islandview, the DLBA publicly markets these properties.[81] These restrictions complicate the process of acquiring land through the DLBA in Islandview.

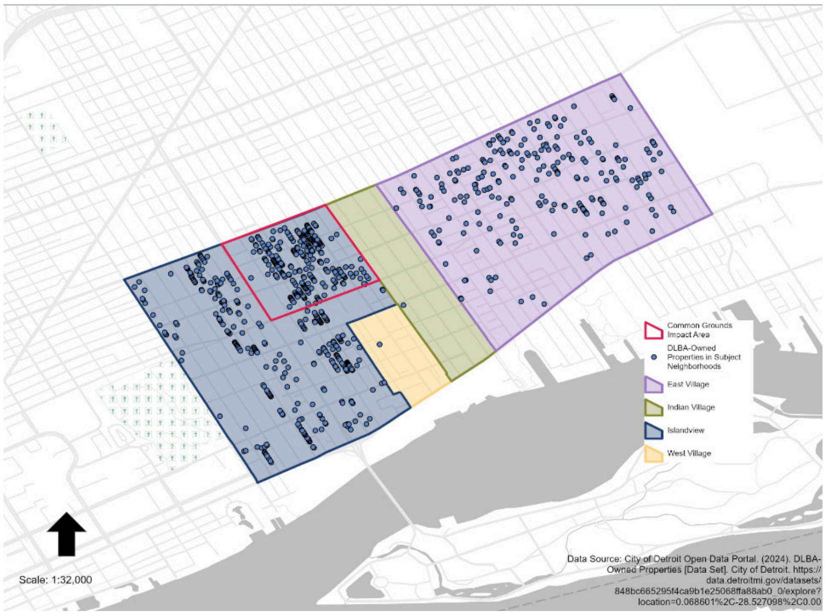
These additional barriers to acquiring land through the DLBA connect to another consideration when acquiring land: whether Common Grounds should consider purchasing land from private owners in addition to the DLBA or the City. Different sources of land acquisition may be required in different neighborhoods, as the existing conditions surrounding ownership and land vary between the target neighborhoods.

Table 3. *Comparing Privately-Owned and Publicly-Owned Properties for Sale*[82,83]

	Private Acquisition	Public/DLBA Acquisition
Address	3446 Seyburn	3489 Seyburn
Neighborhood	Islandview (North of East Vernor Highway)	Islandview (North of East Vernor Highway)
Sale Price	$40,000	$11,250
Size (Square Feet)	1,127	1,102
Housing Type	Single-Family	Single-Family
Additional Considerations	Can be packaged with 15 other properties in the area	Water line may need to be reconnected/replaced, which can represent a cost of $10,000 or more DLBA is entitled to a tax capture for 5 tax years subsequent to the property's purchase

Currently, the DLBA owns a significant number of properties in the Islandview and East Village neighborhoods, especially in the target area in the northern portion of Islandview, as shown in **Figure 7**. Furthermore, many of these DLBA-owned properties typically have poor market stability or are in poor condition, making them extremely difficult to redevelop as a CLT home.[84] Additionally, **Figure 8** shows that there are 45 registered vacant properties and 38 registered vacant properties in East Village and Islandview, respectively, but only one registered vacant property in Indian Village and ten registered vacant properties in West Village. Ideally, Common Grounds could pursue a land acquisition

Figure 7. *DLBA-Owned Properties in Islandview and the Greater Villages*



strategy that includes both acquisitions of publicly-owned land and privately-owned properties. One way to collaborate with private property owners is working with residents experiencing property tax foreclosure in the target neighborhoods. In Minnesota, the City of Lakes Community Land Trust was able to work with homeowners experiencing property tax foreclosure to integrate them into the CLT, providing an avenue for the CLT to stabilize current residents in their homes by paying off property taxes and acquiring the land for the CLT.[85] Considering Detroit's property tax foreclosure crisis, this strategy may be a meaningful way for Common Grounds to acquire land while preserving homeownership for Islandview and Greater Villages residents. Some of the community organizations involved in Common Grounds also participate in the Property Tax Justice Coalition and could work with this Coalition to explore how Common Grounds can use the CLT model to help stabilize those experiencing property foreclosure in their own homes.

A final consideration when acquiring properties is whether the CLT wants to focus on new construction or rehabilitation. Nationwide, the acquisition and development of properties through new construction and rehabilitation has been relatively evenly split, with 66 percent of CLTs in the United States utilizing new construction and 62 percent of CLTs taking on rehabilitation.[86] However, existing conditions in Detroit dictate whether new construction or rehabilitation is most feasible. According to the DLBA, CLTs in Detroit are often pursuing new construction because of the lower availability of DLBA-owned parcels with structures.[87] Despite this, DREAM of Detroit, a non-profit organization that operates a CLT in the Dexter-Linwood neighborhood, was able to renovate 15 homes, some of which were transferred to homeowners as part of their CLT.[88] DREAM of Detroit is a housing, economic development, and community development organization that is deeply engaged with the Muslim community in Dexter-Linwood.[89] DREAM of Detroit pursued a CLT model as one part of their housing work because they already owned 25 parcels in the neighborhood that could be transferred into a CLT.[90] The overall construction cost is another consideration when determining whether to pursue new construction or rehabilitation. Generally, new construction is more expensive but will be the only course of action for parcels without structures, which is the majority of what the DLBA currently owns. Rehabilitation may be a better option for properties acquired from private owners. The decision to choose a scattered-site or contiguous model, purchase publicly-owned or privately-owned land, and to pursue majority new construction or redevelopment will be an important one as the financial structure of the CLT is developed.

Figure 8. *Vacant Property Registrations in Islandview and the Greater Villages*

Financial Structure

Housing development involves two main layers of financing, which is also referred to as the capital stack.[91] The layers are debt and equity:

» **Debt** in housing finance means borrowing money to construct units or housing stock, which is then paid back with interest. For debt, lenders do not have to bear a significant amount of risk because the borrowed amount is often secured against the borrower's assets. Senior debt is usually the highest priority for repayment and, consequently, is less expensive. Mezzanine debt (junior debt), however, is more flexible than senior debt, is higher cost than senior debt, and is lower in terms of repayment priority. Debt can also be hard or soft, with soft debt being paid back only if cash flows allow it. Soft debt is usually borrowed for affordable housing projects.[92]

Photo Source: Zillow

» **Equity** in housing finance is cash financing used to gain partial equity in or ownership of a housing project. Repayment is not guaranteed because the organization or person who holds the equity can choose not to sell the equity. Equity repayments can also be through rental income paid by tenants. Equity is a lower priority than debt in terms of repayment, which means that only once debt payments are made can the equity holder be repaid their due. Equity owners or shareholders can also be classified into preferred shareholders and common shareholders, with the former having higher repayment priority. Affordable housing developments often use federally distributed Low Income Housing Tax Credit (LIHTC) equity for expenses that qualify based on the state Qualified Allocation Plan (QAP). The QAP is a state-determined criterion for evaluating affordable housing projects in order to establish eligibility for distribution of LIHTC credits. However, LIHTC is not a viable option for Community Land Trusts because only rental properties are eligible to receive this funding.[93]

Affordable projects also often use grants and subsidies to fill out financing gaps. These grants can be sourced from governmental or philanthropic sources and are necessary because most affordable housing projects rent at sub-market levels. This is because affordable housing projects have rent caps placed on them to preserve affordability. A CLT is, similarly, a housing model aimed at maintaining affordability.

In a CLT, inhabitants own houses, while non-profit organizations own land. The equity generated by home sales is split between 25 percent and 75 percent and shared by the homeowner and organization, respectively. The land is owned by the organization and leased out to the homeowners, aligning the interests of both the landowner and the homeowners. In Michigan, a CLT land lease typically lasts 89 years. Homeowners pay a nominal fee for the ground or land lease, and the non-profit uses the collected amount for operating finances or to add housing stock to the CLT.[94] Therefore, CLT financing can be split into three phases - predevelopment, development, and operations.

Predevelopment

The predevelopment financing stage is associated with capacity building for the project, technical assistance, and any related acquisitions. These funds pay the expenses for tasks that need to be completed before the development of the project starts.[95] Grants are helpful for capacity building and are generally sourced from philanthropic foundations such as the Ford Foundation, the Kresge Foundation, and the Gilbert Family Foundation. **Community Development Financial Institutions (CDFIs),** such as LISC and IFF, and governmental organizations, such as **Michigan State Housing Development Authority (MSHDA)** and HUD, may also provide grants for capacity building. General grants and project support grants are meant for use at this stage and have less stringent use-based requirements.

KEY TERMS:
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI) AND MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (MSHDA), DEFINED ON PAGES 11 AND 12

Acquisition of land and property usually happens in two ways:

» Acquisition of land or property may be done through reduced-price deals with a land bank or the city government. DREAM of Detroit and Frankfort

KEY TERM: BROWNFIELD TAX INCREMENT FINANCING (TIF), DEFINED ON PAGE 10

Area CLT have acquired property at reduced prices through collaboration with the city or its land bank. Land or property can also be donated to these organizations from the city or private donors. Dwelling Place acquired land through funds from the city of Grand Rapids and other governmental subsidies such as the **Brownfield Tax Increment Financing (TIF)**.[97]

» Private property may also be purchased off the market, making it more expensive than the previous option. Since Common Grounds is planning to operate in the northern portion of Islandview, where the median property value is comparatively low, this presents an opportunity for the organization to buy private property at reasonable prices. This would take parcels of property off the market before gentrifying forces could influence the overall market orientation.

In addition to grants, property acquisitions can be funded by sub-market rate loans from CDFIs like IFF, LISC, and Cinnaire. Sub-market rate loans are usually provided by mission-driven lenders and do not carry with them profit expectations as stringent as market-rate debt.

Development

Financial sources are used for construction or rehabilitation at the beginning of the development cycle. These sources are primarily grants from philanthropy, CDFIs, or governmental organizations. CLTs such as ICCF, DREAM of Detroit, Northern Homes, and Frankfort Area CLT have used CDFI and governmental grants as funding sources at the start of development.[98] In Contrast, Peninsula Housing funded most of its initial functions through philanthropic grants and private donors.[99] Sub-market rate loans from CDFIs or mission-based lenders are also often used to fund a significant amount of the initial finances. Dwelling Place used such loans from mission-driven lenders such as IFF during conception.[100] Market rate loans may not be the best option as CLTs are a novel product, and banks may charge high-interest rates to hedge risk.[101] However, it is also true that banks are a lot more invested in novel housing products now than they have been in the past decade because of policy shifts in recent decades.[102] The Community Reinvestment Act of 1977 (CRA) has been instrumental in pushing market-rate financial institutions or banks to offer services to low to moderate-income (LMI) neighborhoods.[103] As these neighborhoods are considered high-risk, lenders would hedge risk with predatory interest rates without CRA regulations. CRA regulations incentivize banks to invest in businesses and properties present in neighborhoods that would otherwise be looked over or lent to with predatory interest rates due to credit-related issues. CRA advocacy and awareness are thus important to financial considerations in a low to middle-income neighborhood such as North Islandview.[104]

Some CLTs, such as Frankfort Area CLT, are also heavily funded and operate in partnership with city or county governments. Federal and public financial sources usually have a large administrative burden and force the developer to adhere to strict governmental regulations. The use of federal funds, thus, creates a lot of transaction costs associated with the developmental cycle and also reduces the flexibility of finance associated with the project. As such, any use of such sources should be undertaken with the expectation of losses through transaction costs and administrative inefficiency. Also, given the uncertain and novel nature of CLT developments in Michigan financing should be structured taking into account the difficulty associated with meeting government funding requirements. Crowdfunding is also an option with both DREAM of Detroit and Storehouse of Hope being great examples. Crowdfunding is the use of small amounts of capital from many individuals to fund project expenses.[105] Storehouse of Hope used door-to-door, private donations, and online fundraising methods, while DREAM of Detroit had received considerable faith-based donations from Detroit's suburbs.[106] Crowdfunding in both these cases was not equity-based and did not result in ownership shares being sold. As a result, the donations generated from crowdfunding were flexible financial capital that helped fill financial gaps wherever possible for Storehouse of Hope and in the case of DREAM of Detroit, provided considerable funding for construction.

Operations

KEY TERM: GROUND LEASE, DEFINED ON PAGE 11

Ideally, the operating expenses for a CLT are self-funded. When housing values appreciate in a gentrifying neighborhood, the increase in value is captured as equity by the sales. When homes in the CLT are sold, 25 percent of the equity gained goes to the homeowner, while the non-profit organization uses the rest for operations. Unit sale prices are capped at a certain amount generated by a formula agreed upon by the homeowner and the organization. The **ground lease** is the official agreement document that hosts the sale-price formula and establishes an agreed-upon monthly lease payment (usually 40 to 60 dollars), further contributing to operating income. Grants and other conditional financial sources may be as reliable as operating finance sources. Still, they can only sometimes be accurately represented in a pro forma, making the cash flow calculations inaccurate. If a grant is meant explicitly for operational support, such as the Ford Foundation's Project Support Grant, operating expenses sourced from these particular grants would be fine. Residents, for their expenses, may be able to access grants or zero-interest loans from mission-based lenders for home repairs. Dwelling Place created a fund for home repairs separate for use by their residents,[107] which is a financial mechanism that could be useful for Common Grounds. Additionally, any zero to low-interest loans or specific funds sponsored by Community Development Corporations (CDCs), neighborhood organizations, or CDFIs could be harnessed for home repairs. Loans would have the burden of repayment, but zero interest compounded would make any debt cheap by market standards.

Homes in a CLT qualify for mortgage lending. A significant challenge for non-profit organizations and CLT homeowners is that CLTs as housing products are novel, making it difficult for CLT homeowners to receive mortgages. Additionally, because only a few investors are aware of the associated advantages and disadvantages, CLT mortgages do not perform well in the secondary market. Therefore, capital generated from market-rate lenders becomes expensive. CDFIs are a good option in these cases as their mission-based lending operates on different paradigms of risk and profit than market-rate mortgage lending. IFF, for example, is not an appraisal-based lender and can lend to households whose mortgages would be considered risky by market-rate lenders.[108] For Detroit, the most significant financial hurdle is pulling money from outside into these neighborhoods for the improvement of housing conditions through a CLT.[109] Any financial sources, whether grant-based, donations, or federal tax credits, all accomplish that purpose. Some sources, however, lend well to the flexible nature of mission-based development over others. Capital that is not subsidized is expensive and has expectations of profit attached to it, which would be more difficult for a CLT to obtain and reimburse. Capital that allows the CLT to function and scale up as per strategy is essential. Therefore, finding appropriate lenders who are willing to work with non-profit organizations and homeowners is of utmost importance.

Another major financial challenge CLT properties face is that homes and land are taxed separately. Typically, in Michigan, homeowners get a **Principal Residence Exemption (PRE)** for both the land and its structure. In the case of a CLT however, the non-profit organization owns the land while the homeowner does not. This renders the land as non tax-exempt which leads to CLT homeowners having to pay higher taxes. The taxes they pay for the structure are exempt under PRE regulations but the taxes on the land, which are not exempt, are passed onto them. Thus, homeowners face increasing housing costs due to tax-related expenses in a housing model that is meant to support affordability.[110] A major consideration for financial structuring is what happens if the home experiences foreclosure. A secondary source of collateral and who pays the amount back upon foreclosure are aspects of the structure that should be clear to the underwriter. If the units are sold at a sub-market rate, the underwriter also needs to specify how the difference in value would be paid back.

KEY TERM: PRINCIPAL RESIDENCE EXEMPTION (PRE), DEFINED ON PAGE 12

Funding Sources

Funding sources for the CLT can be broadly classified into a few different categories:

1. **Philanthropy:** Foundations such as the Ford Foundation,

the Kresge Foundation, and the Gilbert Family Foundation are common sources of philanthropic funding for housing ventures in Michigan. A list of feasible philanthropic sources and corresponding programs are as follows:

» **The Ford Foundation** provides multiple grants that offer general operating support, project support, and indirect cost support.[111] These grants, elaborated upon below, are meant for general investment in mission-driven projects and have supported CLTs before, an example being Crescent City CLT.[112]

- General Operating Support grants are multi-year commitments that help nonprofits carry out day-to-day operations. They are investments in core organizational strength and are essential for capacity building and operating expenses.
- Project Support grants are time-bound grants that aim to achieve specific goals. These grants help organizations develop and implement distinct initiatives.
- Indirect Cost Support (also called indirect cost rate or IDC) grants help organizations manage costs incurred to operate and effectively undertake the initiative associated with a project support grant. Examples include utilities for facilities and technical assistance.
- The Ford Foundation also provides Program-Related Investments (PRI), which are similar to grants but expected to be paid back at below-market-rate interest levels.

» **The Kresge Foundation** provides grant funding for housing programs in Detroit under their mission agenda for "Advancing Health Equity Through Housing." The grant aims to provide innovative financing for projects, accelerate community-led efforts, and recognize multi-sector partnerships and support them.[113] The Kresge Foundation is not accepting applications for this grant as of April 2024. The Kresge Foundation and the Chicago Federal Bank, Detroit Branch are hosting a CLT community learning group that is designed for existing and future CLTs to learn more about the structure and funding of CLTs in Detroit.[114]

- **The Gilbert Family Foundation** also provides a General Grant for housing initiatives under their "Building Opportunity & Equity" agenda.[115] Under this agenda, improving housing stability is a point of emphasis for their mission-based financial grants, and funding here could be helpful for housing programs.[116]
- **The Hudson-Webber Foundation, the Ballmer Foundation, and the Kellogg Foundation** have general grants that may be used for housing projects and neighborhood conservation in Detroit. Consequently, the Hudson-Webber Foundation's "Built Environment" area of emphasis highlights its commitment to this.
- **The Ralph C. Foundation** has a dedicated Entrepreneurship & Economic Development focus that provides grants for capacity building and technical assistance in grass-roots activities aimed at wealth generation.

2. **Governmental:** State or local governmental financial sources are essential to fill funding gaps in a non-profit housing project. Federal sources, on the other hand, provide subsidies through subsidized mortgage debt. A few different relevant sources are listed below:
   - State and Local Sources
     - The Brownfield Redevelopment Financing Act allows projects to seek repayment from state and local property taxes for eligible environmental and non-environmental activities.[117] These funds are generated by holding property taxes in a tax jurisdiction at a fixed level, thereby allowing redevelopment projects to capture the incremental increase in tax revenue generated through increased property values. A few qualifying activities could be demolition and brownfield treatment for environmental hazards.
     - The MSHDA TIF program further facilitates the implementation of Brownfield TIF subsidies into the financial structure of projects aimed at redevelopment, revitalization, or reuse of old brownfield properties for housing purposes.[118]
     - MSHDA also offers substantial funding and incentives for the development of infill or "missing middle" housing.[119] This program

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provides grant funding of up to $80,000 to focus on increasing the supply of attainable workforce housing for households between 60 percent and 120 percent of AMI by county.[120]

» Federal Sources

- CLT mortgage lending is supported by Freddie Mac at the federal level as well.[121] Since CLT mortgage products are novel, they may not perform well in the secondary market. Market rate lenders usually increase interest rates to hedge that risk, which makes debt expensive. As such, having mortgage lending from Freddie Mac reduces the cost of debt, making mortgages affordable.

Photo Source: Bridge Michigan

- The HUD Housing Trust Fund (HTF), provides grants to state-designated projects and states with the goal of preserving and producing affordable housing in extremely and very low-income neighborhoods.[122] Each state must designate 10 percent of all HTF funds for homeownership and another 10 percent for capacity building for grantees.[123]
- The Capital Magnet Fund (CMF), is a competitive grant awarded by the U.S. CDFI Fund to non-profit organizations that are seeking to finance affordable housing and community revitalization projects.
- Community Development Block Grant (CDBG) funding opportunities are also available from federal sources, but these grants are more oriented towards housing livability as opposed to housing supply.[124]

3. **CDFI:** CDFIs provide sub-market rate lending and grants for housing development. Below are a few relevant funding sources.
    - Illinois Facilities Fund (IFF) strengthens nonprofits and the communities they serve by providing capital solutions in the form of financial products such as loans, tax credits, and equity.[125] They also offer real estate solutions through various services like developmental consultation and ownership capacity building. They have supported multiple CLT projects in the past, with the vast majority of their work taking place in Chicago, Illinois. Some of their affordable housing solutions include predevelopment loans for LIHTC projects, short-term bridge loans for affordable housing projects, construction to permanent loans for affordable rental projects, and permanent loans for affordable rental properties. Capital solutions offered by them encompass acquisition loans, facility improvement loans, and affordable housing loans.
    - Local Initiatives Support Corporation (LISC), is another CDFI that provides regular funding in the form of loans or grants in the housing sector.[126] Their loan products cover predevelopment, acquisition, and construction. They also lend mini-permanent, permanent or mortgage, and bridge loans. A mini-permanent loan is a type of short-term real estate loan that is used to pay off income-producing properties,[127] while a permanent loan is a mortgage secured by real estate developers after a given project has been completed.[128] A bridge loan is used to produce cash flow in a transitional period for a project.[129] LISC also has a Detroit Housing for the Future Fund, which is funded by private investment and is aimed at affordable housing development and preservation in Detroit.[130] LISC also has a National Equity Fund, which would be able to pull funding from outside of Detroit into the city to create and preserve affordable housing.
    - Cinnaire is another CDFI that provides loan products similar to LISC. Cinnaire also provides mortgage products through its subsidiary Community Preservation Corporation (CPC) Mortgage Company.[131]

- Enterprise is another organization that offers CDFI lending and provides development finance for developers.[132] The Enterprise Community Loan Fund provides loans directly aimed at affordable housing initiatives. It also offers more typical loan products similar to LISC and Cinnaire.

4. **Banking and CRA:** Market rate debt is an option for financing development, though it does operate on profit-based return on investment expectations. Banks have Community Reinvestment Act (1977) or CRA obligations, which incentivize and, in some ways, mandate financing projects that operate in low- and moderate-income neighborhoods.[133] CRA obligations mitigate the profit expectations for loans offered by banks, which makes this option viable for a CLT.
5. **Population-Specific Funding:** There have also been examples of the Department of Veterans Affairs providing loans for CLT development. Yellow Springs, Ohio, is a good example.[134] In Yellow Springs, property values had increased more than in other Ohio towns. To maintain affordability, a local housing non-profit organization, Yellow Springs Home, Inc., used a CLT model funded by loans from the local VA office, as veterans made up a large portion of the population. Using this example, if a significant portion of the population benefited from the CLT, veterans loans from the VA would also be an avenue to explore.

Existing Policy Environment

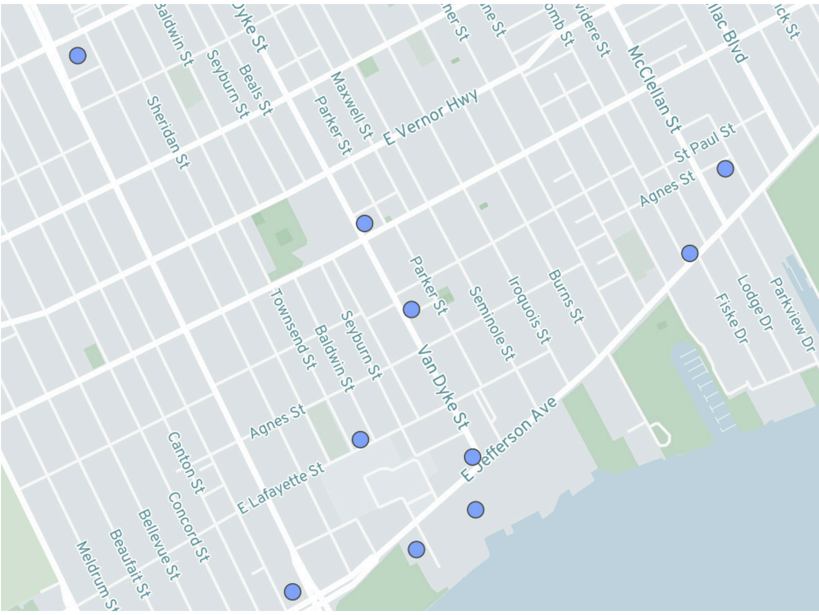
Local

Funding sources are often dictated by existing policy. Policies and programs impact the development of affordable housing across the country and for CLTs specifically. In Detroit, the policy environment in relation to CLTs has undergone shifts over the past half-decade.

Strategic Neighborhood Fund

In 2017, the City announced its Strategic Neighborhood Fund (SNF), which is a large-scale planning program combining the efforts of private and non-profit stakeholders that provides funding to specific neighborhoods to spur economic development and growth to stabilize these neighborhoods.[135] Islandview and the Greater Villages were among the original three neighborhood groups chosen in the initial phase of SNF.[136] By 2021, SNF expanded to ten neighborhoods and received $185 million in public and philanthropic funding and $77 million in private funding.[137]

Figure 9. *Development Projects in Islandview and the Greater Villages*[141]



SNF offered several recommendations to preserve affordable housing and develop more housing in the Islandview and Greater Villages neighborhoods. Near-term recommendations include:

1. Encourage property owners to preserve existing affordable housing in the area
2. Rehabilitate City-owned homes
3. Construct new housing and business spaces
4. Encourage local developers to renovate City-owned duplexes
5. Encourage local developers to build new multi-family properties to infill multiple vacant blocks

Long-term housing recommendations from SNF include:

1. Construct new housing and business spaces
2. Develop vacant land where housing density and populations are emerging
3. Modernize the City's zoning ordinance to allow for more vibrant neighborhoods

The goals of Common Grounds connect to many of the housing recommendations offered by SNF for Islandview and the Greater Villages. By using a CLT as a model for permanent housing affordability for low-income households and working with the City, DLBA, and local property owners, Common Grounds meets goals 1, 2, 3, and 4 of the SNF's near-term goals and goals 1 and 2 of the long–term goals.

SNF represents a variety of opportunities and challenges for the City of Detroit. Residents who live in SNF neighborhoods are more likely to report an increase in property values than those who live in non-SNF neighborhoods.[138] However, there are concerns about the impacts of these top-down planning efforts. While permanently preserving affordable housing is a goal of SNF's Islandview/Greater Villages Neighborhood Framework Plan, a larger portion of funding is dedicated to initiatives such as improving parks and recreation opportunities, retail areas and streetscapes, and street infrastructure rather than constructing or preserving affordable housing.[139] SNF can also be perceived as picking and choosing particular neighborhoods as winners and losers. Mark Covington, an east-side Detroit resident who operates an urban farm called the Georgia Street Community Collective, was quoted by the Detroit Free Press as saying, "We've got to go to these neighborhoods because they might drop. What about neighborhoods [that are] down and need to come up?... It's almost like we are always skipped."[140] Similarly, while eight development projects in Islandview and the Greater Villages have been started south of East Vernor Highway, only one has been proposed north of East Vernor Highway **(Figure 9)**. Questions from Detroiters about which neighborhoods are chosen and why they are chosen are pertinent, and greater transparency from the City regarding SNF is essential.

Other Local Policies

SNF is not the only program or plan the City has implemented in the past decade. In 2018, the City released the Detroit Long-Term Affordability Model Feasibility Study and Plan. One of the potential affordability models outlined in this plan was CLTs.[142] The City's Housing and Revitalization Department spoke in support of the CLT model as a strategy for permanent housing affordability in the City but stated that the City began to reduce its role as a central organizing body for CLTs as community organizations began to develop CLTs without them.[143] Furthermore, formerly owner-occupied single-family homes have been heavily pursued by investors who have turned them into rental housing,[144] affecting the landscape of homeownership opportunities in the City. While CLTs initially appeared to be part of the City's strategy to maintain long-term affordability, it appears that CLTs have since been put to the side in favor of policies supporting the rental housing supply in Detroit, complicating the existing policy environment in the City surrounding CLTs.

In addition to these policies, there are funds recently implemented by CDFIs and the City that are aimed at promoting affordable housing. The City allocated $3 million of American Rescue Plan Act (ARPA) funding for the DLBA's Affordable Home Program, which aims to sell DLBA-owned properties to local community development organizations and use the ARPA funds to rehabilitate these properties.[145] Considering the large number of properties owned by the DLBA, it is not expected that the $3 million will make a massive impact in selling and rehabilitating DLBA homes with community development organizations. The Detroit Affordable Housing Trust Fund is a City-run fund that captures public and commercial land sales funds and puts them towards affordable housing initiatives. Lastly, in March of 2023, Local Support Initiatives Corporation (LISC) and the City announced the Detroit Housing for the Future Fund, which collects private investments and puts them towards projects that develop and preserve affordable housing.[146] The Fund had a stated goal of preserving 10,000 affordable units and creating 2,000 affordable units for 2023, focusing on making the units affordable for households at 60 percent AMI or lower.[147] While these funds are necessary in providing funding for CLTs and other permanent affordable housing models, the amount provided only represents a fraction of the costs to fulfill the City's affordable housing needs.[148] More significant local funding is needed to support CLTs and other permanent affordable housing models in Detroit.

Finally, legacy policies such as obsolete zoning and high permitting and application fees can make development for community organizations more difficult.[149] While the current zoning ordinance allows for an easier new construction process, infill development can be difficult with current zoning regulations.[150] This is especially prevalent in neighborhoods like Indian Village, an established local historic district with additional regulations and design standards.[151] Renovating historic homes or building new construction to match historic design standards often comes with additional costs, increasing the development costs of affordable housing in historic neighborhoods for community development organizations. In addition to the complexities of City zoning and historic development, policies within the DLBA can complicate the land acquisition process for starting a CLT in Islandview. As mentioned previously, the DLBA restricts the sale of properties in the Islandview neighborhood in an attempt to address affordable housing concerns in the neighborhood.[152] Overall, while local policies in Detroit are not explicitly prohibitive for CLTs, they can complicate the ability of community development organizations to obtain property, funding, and complete development.

KEY TERM: REGIONAL HOUSING PARTNERSHIP (RHP), DEFINED ON PAGE 12

State

In addition to a City policy environment that can impede CLT work, certain State regulations can create barriers to starting and maintaining a CLT. As mentioned previously, CLT homeowners do not qualify for a PRE. Additionally, the State does not consider the CLT's status as a 501(c)3 when taxing the land, as the CLT's operations are not based on the site.[153] These two State policy barriers impact affordability by increasing the tax burden on CLT residents.

As one initiative to improve outcomes for affordable housing in the State, the State of Michigan announced **Regional Housing Partnerships (RHP)** in 2023, a strategy to help implement Michigan's Statewide Housing Plan (SHP). The SHP outlines priorities, goals, and strategies for each region in the State to help obtain a statewide goal of creating or preserving 75,000 housing units.[154] The

City of Detroit received $1,564,000 from the State as part of their RHP.[155] Meanwhile, Region F, which encompasses multiple counties on the westside of Michigan and includes the City of Grand Rapids, received $12,064,000 in funding.[156] While population growth throughout Region F [157,158] and its large geographic size necessitates the need for RHP funding, a number of equity concerns can be seen in the lack of funding the City of Detroit received through the RHP. Namely, the SHP's priority goal is Equity and Racial Justice and notes that in 2019, 43 percent of Black Michiganders were homeowners, compared to 56 percent of Latinx Michiganders, 61 percent of Asian Michiganders, 61 percent of Native American/Alaskan Native Michiganders, and 77 percent of white Michiganders.[159] Considering the City of Detroit's majority Black population and Region F's majority white population,[160] the disparity in investment between the two regions may impact the ability to meet the Equity and Racial Justice goals in the SHP. Similar to SNF, there is a lack of transparency over why certain regions receive funding over others. The inability of CLTs to take advantage of the State's PRE and apparent disparities in how the State allocates funding between regions for the RHPs both impact the CLTs' ability to develop and thrive in the State of Michigan and the City of Detroit.

Federal

Area Median Income

While some policies directly affect CLTs, several policies have broader implications for affordable housing in Detroit. Area Median Income (AMI) levels, which are calculated by the Department of Housing and Urban Development, determine what housing costs are considered affordable

Table 4. *CIV Model Comparison Table*

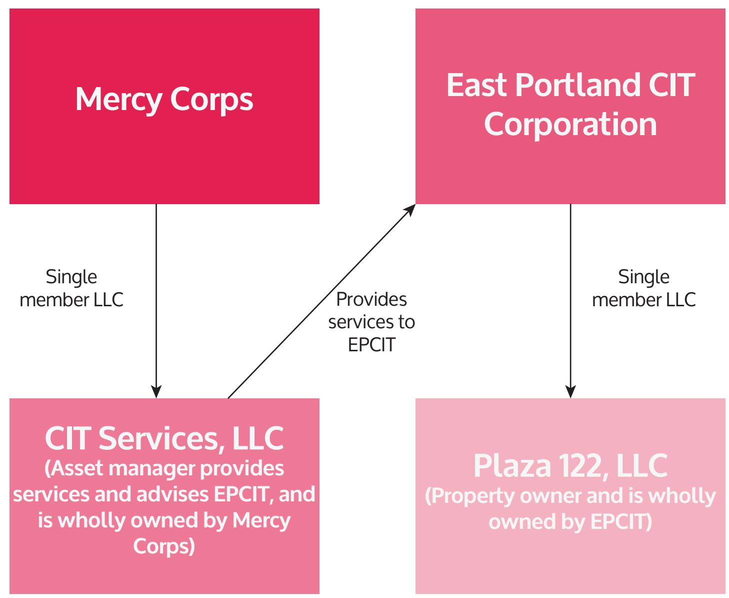
	CIT	REIT	Co-Op	DCIF
Must require small investment	✔	✷	✔	✔
Residency requirement	✔	X	✷	✷
Prioritizing return	✔	✔	X	✔
Commercial real estate-oriented	✔	✷	✷	✔
Community decision-making	✔	✷	✔	✔
Guaranteed loss protection	✔	X	X	✔
SEC exemption	✔	X	✔	✷
Debt	X	X	✔	✷
Equity	✔	✔	✔	✷

Legend

✔ = Applies
X = Does not apply
✷ = Could apply

for each income level and who can obtain subsidized housing opportunities.[161] Rather than calculate these AMIs at a city, township, or county level, HUD uses Metro Fair Market Rent Areas (HMFA) to determine AMI. For Detroit, this area is called the Detroit-Warren-Livonia Fair Market Rent Area. This HMFA includes municipalities with a much higher area median income than Detroit, such as Bloomfield Hills, Livonia, and Warren.[162] In 2022, the AMI for the Detroit-Warren-Livonia HMFA was $71,600 for a two-person household.[163] However, for the City of Detroit specifically, the AMI was $36,450, nearly half of the Detroit-Warren-Livonia HMFA.[164] As a result, the housing costs considered affordable for Detroit are over-inflated and, therefore, are not truly affordable for the majority of Detroit households. To consider existing inequalities, HUD should consider calculating AMI for Detroit separately from the HMFA.

Figure 10. *Community Investment Trust Legal Structure*[174]



COMMUNITY INVESTMENT VEHICLES

Organization Structure

Community Investment Vehicles (CIVs) take many different structural forms. Each can vary based on structure, capital stack, and investment; however, all CIVs are ultimately rooted in the goal of increasing some type of community ownership, participation, wealth, and economic development. The most basic form of a CIV includes a commercial or mixed-use building that generates revenue, which is then used to increase community and individual wealth.

Community Investment Trust

The Community Investment Trust (CIT) is a structure that was created by Mercy Corps Northwest, a domestic subsidiary of the global organization Mercy Corps, and started in Portland, Oregon.[165] This model is unique due to its proprietary nature, which is owned by Mercy Corps but built for replication.[166] The main features of this model are:

1. Low-dollar investments ($10-$100/month)
2. Short- and long-term returns for investors through annual dividends and share price changes
3. Guaranteed protection from loss through a direct

KEY TERM: C CORPORATION, DEFINED ON PAGES 10 AND 11 pay letter of credit from a bank

4. An investor education course covering budgeting, goal setting, and risk and return profiles of investments
5. User-friendly and efficient management and communication through the investcit.com website
6. Local residential requirement to invest

KEY TERM: U.S. SECURITIES AND EXCHANGE COMMISSION (SEC), DEFINED ON PAGE 12

The guaranteed protection from loss backed by a bank and the low-dollar investments set this model apart from other common CIV models like REITs and cooperatives.[167] The key difference between a CIT and these other models is the Letter of Credit from a bank - this keeps all investments liquid, allowing investors to liquidate their investment at any time without loss.[168] Additionally, the legal structure **(Figure 10)** of this model is unique. The CIT is typically established as a **C corporation**, and the properties within the CIT are contained within a Limited Liability Company (LLC).[169] This further protects individual investors from losses as the nature of an LLC is to protect owners from risk due to debts and liabilities.[170] For example, the first CIT was started in Portland, Oregon.[171] The East Portland CIT Corporation was established as a C corporation with shareholders, and the property they own is within a Limited Liability Company (LLC).[172] The decision to become a C corporation was made to allow flexibility to ultimately become a Private REIT if desired.[173] REITs come in many forms and are another common structure for CIVs.

Real Estate Investment Trusts

KEY TERM: B CORPORATION, DEFINED ON PAGE 10

A REIT is a company that owns and typically finances or operates income-generating real estate – often commercial property. Investors within a REIT reap the benefits of investing in real estate without actually having to purchase or manage the property themselves by purchasing stocks. REITs are desirable due to their scalable nature and advantageous tax structure. The REIT structure does not tax the entity or corporation, as the earnings are passed down to shareholders as dividend payments.[175] Therefore, REITs do not owe corporate tax, and dividends are typically taxed as ordinary income.[176]

The two main types of REITs are public and private. Public REITs are publicly traded and regulated by the **U.S. Securities and Exchange Commission (SEC)** as a security, so individuals can buy and sell shares of the REIT on the stock market.[177] Anyone can purchase shares; the minimum dollar investment is much lower than a private REIT. Private REITs do not need to register with the SEC and are more geared towards qualified institutional investors like a bank or nonprofit.[178] The minimum initial investment is typically $10,000, and the process to get rid of shares is much more complicated compared to a Public REIT as there is no official buying and selling.[179]

REITs as a Community Investment Vehicle

One example of a CIV following a REIT model is NICO, which is considered a "Neighborhood REIT."[180] NICO was started to allow individuals to access wealth created in their own neighborhood and localize wealth creation at the neighborhood level – however, they are no longer operating.[181] NICO started in Echo Park, a neighborhood within Los Angeles, and was structured as a **B Corporation** to maximize public benefit.[182] NICO focused on residential properties in the area as a method to keep rents affordable for residents.[183] The minimum investment is $100, and investors can reinvest their dividends or receive a quarterly payout.[184] While the properties are located in Echo Park, there is no residency requirement to invest, which allows for a greater pool of investors who are interested in pouring money into a community and investing locally.[185]

Cooperative Model

A cooperative (or co-op) is another common model for a CIV. At the core of any cooperative is a group of individuals who have voluntarily united to meet their common economic, social, and cultural needs through a jointly-owned and democratically-controlled enterprise.[186] Co-ops are not just used for owning real estate but also many other different types of businesses. Co-ops sell goods, services, or real estate and have a distinct "member-owner" structure.[187] Owners and shareholders of a co-op are its members and people who use its services.[188] The profits made from a co-op are reinvested or returned to members through a proportion of how much they use the services or goods.[189] Regular cooperatives are typically focused on user or member benefits. A real estate cooperative, a common model for CIVs, is also focused on community benefit.[190] There is a wide range of benefits relating to cooperatives for a community, such as long-term affordability, community wealth-building, economic development, and upgraded amenities. In a real estate cooperative, real estate is purchased by cooperative members, and the revenue from the properties is reinvested back into the cooperative to provide member services or potentially expand. Members of a real estate cooperative are those who invest in the cooperative. Typically, members will receive a discount at cooperative-owned businesses and have some type of decision-making power pertaining to cooperative strategy.

An example of a successful real estate cooperative is commongrounds, which is located in Traverse City, MI. commongrounds owns a four-story mixed-use building in the City, and the first floor features retail and educational space, including a restaurant, distillery, coffee shop, and early childhood education center.[191] The second floor offers an arts and culture center and coworking spaces.[192] The third and fourth floors feature 24 income-based rental units for workforce housing, so the units are only available to those who work in Traverse City.[193] All members of the commongrounds Cooperative must pay a one-time fee of $50 for a share. Additionally, members pay annual dues on a pay-as-you're-able basis, but the suggested amount is $48/year.[194] The benefits that come with ownership are member discounts within cooperative-owned spaces and participation in commongrounds governance.[195] Members can invest additional equity for the opportunity to receive a financial return.[196]

Diversified Community Investment Fund

A diversified community investment fund (DCIF) is a flexible option that allows communities to raise capital and invest in real estate and local businesses, creating wealth-building opportunities for the whole community

Figure 11. *Potential CIV Investor Profiles*[205]

Exhibit C: Potential CIV Investor Profiles

Investor Profiles	Motivation	Example
Community Investor	Improve neighbor conditions Wealth building opportunity	Neighborhood resident
Crowdfunders	Opportunity to invest in meaningful project while making a return	Investor via crowdfunding platform
Pride Investors	Pride in community, support mission	Person of wealth; recommitting to childhood neighborhood
Local, Institutional Investor	Investment in current service area	Local hospital, or universities
Mission-Driven, Institutional Investor	Support mission advance org's goals	Local foundation
Traditional, Accredited Investor	Earn returns in socially responsible manner	Bank, Impact investor

and expanding the local economy.[197] This fund must meet two requirements to be classified as a DCIF: First, the primary business of the fund must be investing in real estate, and second, real estate must comprise at least 60 percent of the fund's assets. This typically takes the form of communities becoming impact investors in local businesses. This type of community ownership empowers residents through local decision-making and wealth-building. DCIFs are able to be combined with other CIV models like REITs and co-ops.

An example of a DCIF is the Kachuwa Impact Fund. Kachuwa is based in Colorado but owns and invests in real estate across the country.[198] Kachuwa is structured as a cooperative, with members that democratically control the organization, but it is also designed as a DCIF, with 60 percent or more of its assets being real estate and the rest being investments in privately-held companies.[199] Kachuwa's primary focus is impact investing - investing in real estate and other assets that aim to have a positive impact on society and the environment.[200]

Figure 12. *Boston Ujima Project Investment Types*[213]

Investment Type	Investor Type	Investment Range	Return Target	Term Length	Rights	Fundraising Goal
Kujichagulia Note (Self-Determination)	Non-Accredited Investors (Massachusetts only)	$50 - $10,000	3.0 % Annually	3 yrs.	Partial Security	$500,000
Umoja Note (Unity)	Non-Accredited Investors (MA, CT, ME, RI, NY, CO only) & Accredited Investors (Anywhere in US, UK, CAN)	$1,000 - $250,000	2.0 % at Maturity 3.0 % at Maturity	3 yrs. 7 yrs.	Partial Security	$3,250,000
Nia Note (Purpose)	Philanthropic Investors, (Accredited Investors only) (Anywhere in US, UK, CAN)	$5,000+	1.5 % Annually	7 yrs.	Partial Security, Subordinated Debt	$750,000
Imani Gift (Faith)	Donors and Foundations	$5+	None	None	Gifted, Not Repayable	$500,000

Financial Structure

In most CIV models, the capital stack consists of some combination of grants, debt, and equity investments.[201] Grants are typically sourced from philanthropic foundations or government entities. For example, the Michigan Economic Development Corporation (MEDC) operates a Community Revitalization Program that focuses on providing grants or loans to applicants seeking to redevelop brownfield sites, historic preservation sites, or functionally obsolete properties located in high-impact corridors in the state.[202] The MEDC also administers the Build MI Community Grant Initiative, which aims to provide assistance to less-experienced developers seeking to re-activate vacant or underutilized properties.[203] In Metro Detroit, grants from philanthropic foundations can come from the Kresge Foundation, the Ford Foundation, and the Hudson-Webber Foundation.

KEY TERM: ACCREDITED AND NON-ACCREDITED INVESTOR , DEFINED ON PAGE 10

When seeking debt investments, organizations can apply for loans from local credit unions or community banks. Organizations should work with any of their local Community Development Financial Institutions (CDFIs) to fund real estate development, as these entities can offer low-interest options. In Detroit, some CDFIs include Detroit Development Fund, Invest Detroit, and IFF. Also, Credit Union One is a CDFI located just north of Detroit in Ferndale, Michigan. Philanthropic foundations may also choose to loan money to a nonprofit as a Program Related Investment (PRI). This type of investment from a foundation is like a grant, except the receiving nonprofit is expected to pay back the grant amount at a low-interest rate over the course of a number of years, thus allowing the nonprofit to receive funds for projects at an even lower rate than what a bank or CDFI may be able to provide.[204]

Equity investments may be desired depending on the CIV and design process, and the targeted investors can be from the neighborhood and beyond. Figure 11 shows some common CIV investor profiles, and reviewing these can influence an organization's decision regarding which types of investors are allowed to participate in each CIV project.

Depending on the mission and values of the CIV, investment returns can vary. Some models prioritize providing higher rates of return to residents, which can be accomplished by allowing affordable capital investments.[206] Certain organizational structures like C Corporations and LLCs allow for direct profit-sharing opportunities.[207] Other models may consider reinvesting profits to continue implementing community goals.[208] Lastly, a CIV could choose to offer a return or equity stake in a project for **accredited investors**, like large philanthropic organizations.[209]

KEY TERM: ACCREDITED AND NON-ACCREDITED INVESTOR , DEFINED ON PAGE 10

An existing CIV that prioritizes higher investment return for residents is the Boston Ujima Project, as seen in **Figure 12**.[210] The Boston Ujima Project is a democratically-run organization seeking to build a cooperative economic infrastructure in Boston that can return wealth back to working-class communities of color.[211] One way the fund accomplishes this is by raising capital in order to offer charitable loans to small businesses.[212]

Ultimately, it is up to the managing partners of the CIV to decide who is allowed to invest, what benefits investors may or may not receive, and to what degree residents will be involved in CIV decision-making.

Policy

Through investment-based crowdfunding, small businesses are able to raise funds directly from their community.[214] This process allows residents, not only accredited investors, to invest in local businesses and expect to receive a financial return on their investment.[215] In order to be exempt from SEC offering regulations, a community investment vehicle may utilize either the JOBS Act or MILES Act.

Jumpstart Our Business Startups Act (JOBS Act 2012)

In 2012, President Barack Obama signed into law the JOBS Act, which made investment-based crowdfunding possible by allowing anyone, regardless of wealth or income status, to invest in private-owned businesses.[216] Annually, the maximum a business can raise is $1.07 million.[217] As for **non-accredited investors**, the maximum they can invest is based on a formula involving income and net worth.[218] Businesses offering the security must do so through an online platform registered with the SEC.[219]

Michigan Invests Locally Exemption (MILE Act 2013)

A Michigan-centric regulation helping small businesses raise start-up capital from their communities is the Michigan Invests Locally Exemption (MILE) Act, and one community benefit of this act is that only Michigan residents can contribute.[220] Since its passing, the act has enabled multiple businesses in Michigan, such as breweries and food co-ops, to open to the public.[221] These businesses must be incorporated under Michigan Law, and all investors must prove to be Michigan residents.[222] Businesses are allowed to raise a maximum of $1 million per year (or $2 million if audited), and a non-accredited investor can invest a maximum of $10,000.[223]

Investment Company Act of 1940

The Investment Company Act of 1940 (ICA) regulates companies that primarily engage in investing and restricts funding at the community scale.[224] Using the language of the ICA, organizations can avoid being defined as an "investment company". To avoid strict regulation from the ICA, a fund must meet two requirements:

1. The primary business of the fund is investing in real estate, not securities issued by other companies[225]
2. Real estate (and other non-security assets) comprise at least 60% of the fund's assets[226]

The CLT + CIV Relationship

Common Grounds has expressed interest in having a strong relationship between the CLT and CIV - potentially using the CIV to help fund the CLT. This presents a complex situation - both organizationally and legally - for our client. Common Grounds has expressed interest in utilizing the CIV as a method to fund the long-term maintenance of the CLT. While this is possible, it creates a complex situation due to the competing values of both models. The CLT and CIV are each focused on individual and community benefits relating to wealth, economic development, and land ownership. However, they each seek to fulfill these benefits in different ways. The CLT aims to keep land affordable for the long run, making homeownership a reality for those who would like to stay in their neighborhood as housing prices rise. The CIV seeks to generate revenue and disperse monetary benefits to resident investors while driving economic growth and raising property values in a centralized location. These two models can be at odds with each other, but there are also ways to capitalize on their differences.

Through our research and surveying of different models, we've come up with the following considerations that should be taken into account when thinking about the long-term relationship between these two entities.

Land Matters → The type of land acquired during this process is vital to creating a strong relationship between the CLT and CIT. Land designated for commercial or business use will allow for the highest level of flexibility to have a thriving CIV - a necessary factor to create a strong relationship with the CLT. Land zoned for residential single-family use is the most limiting and would not provide the CIV with ample opportunity to generate revenue. If the CIV will be contributing to the financial success of the CLT, the land designation is one of the most important factors to have a successful CIV.

Potential Complications → The Community Land Trust's ownership requirement can complicate a strong relationship with a CIV. This is due to the primary focus on single-family structures and the ownership requirement, which would not generate enough revenue for a CIV compared to mixed-use and rental developments. CIVs can offer residential opportunities for investors, but they typically consist of rental units. An example of this is commongrounds Cooperative in Traverse City, Michigan. Though commongrounds features affordable housing opportunities, they are not ownership opportunities because of the limited financial return for these properties.

In summary, CLTs and CIVs are inherently at odds with each other. CLTs aim to keep land affordable, but CIVs need high-revenue opportunities to thrive. There are also legal considerations when combining a CLT and CIV; our client should proceed with caution and seek legal counsel.

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Photo Source: RI Marketplace

3

Recommendations

Community Land Trust

STRUCTURE

Common Grounds CLT should adopt tripartite governance because that aligns with the organization's vision to have community control and voice in neighborhood development. During the setup phase of the CLT, Common Grounds should use the administrative structure until there are enough CLT homebuyers to establish a board. The temporary administrative structure would allow Common Grounds to educate the community and the board on CLT while still proceeding with property acquisition. The CLT model is a relatively new concept to Michigan, and property acquisition should not risk being delayed due to the community education phase.

PROPERTY ACQUISITION

Due to the property acquisition challenges in Islandview, the Common Grounds CLT should pursue a property acquisition path that allows for the greatest amount of acquisition opportunities. Therefore, we recommend pursuing a scattered-site model from privately-owned and publicly-owned properties. The decision to do rehabilitation or new construction should be determined on the condition of the acquired property. If the property has a structure that can be reasonably restored, rehabilitation is the route to pursue. New construction is the better option if the lot is vacant or has a structure beyond repair.

FUNDING SOURCES

The best funding sources for the Common Grounds CLT would be grants from philanthropic organizations and CDFIs. Grants typically provide more flexibility regarding spending applications and can be extended over multiple fiscal years. An example is the General Operating Support Grant from the Ford Foundation, which allows the financial flexibility to spend money on organizational capacity building and cover the operating expenses of the initial few years of the project's life cycle.

Sub-market rate loans would be sensible for the CLT to cover other initial financing. Broader affordable housing capital stacks at the beginning of the project cycle are market-rate or sub-market rate debt, tax-credit equity, and grants for financial gap filling. In the case of a CLT, which is a less common housing model, market-rate debt would be expensive as CLTs are considered a higher-risk product than affordable housing because of a lack of general awareness of the model.[227] Here, CDFIs such as LISC and IFF provide sub-market rate debt as a part of their mission-based lending services, which would be useful in filling out the capital stack for financial stages ranging from pre-developmental to permanent mortgage. Since these sources do not usually operate on the same profit margins as market-rate lenders, the debt itself is considerably cheaper. Market rate debt should also be avoided for the Common Grounds CLT as the current interest rate environment is unfavorable for development and will probably not improve any time soon. If any market-rate sources or banks are involved in lending for this project, lending should be based on CRA parameters and should not make up a large portion of the sources.

The CLT could also use governmental subsidies for funding. The Brownfield and Housing TIF programs are an excellent resource for removing brownfield or blight-related attributes from a site and are also useful for demolition. Freezing taxes also helps maintain tax-related affordability for the CLT homeowners as well. Federal funding options should be avoided as they come with many specifications on how and where the money can be used, which is not ideal for CLT projects. CLT developments usually require a lot of flexible plugging of financial gaps through available money, and federal funds that are very specific should be used sparingly.

OPERATING FINANCES

For our recommendation for the Common Grounds CLT, it should opt for a 75 percent-25 percent equity-sharing model. The non-profit and the individual homeowners should agree upon sale price caps for homes. Any equity gained upon home sale should be split in a 75:25 ratio, with 75 percent of the equity being retained by the non-profit organization and the remaining 25 percent gained by the homeowner. The equity gained and retained by the organization through sales should be put back into the operating expenses of the CLT itself. Any upscaling undertaken or new units constructed should be sourced from equity gains.

Additionally, the ground lease paid by homeowners would also be a source of operating income. The CLT itself could also create a home maintenance fund from a portion of ground lease fees that homeowners could use for that purpose. The CLT may also use grants that are meant to operate over multiple years, such as the General Operating Support grant from the Ford Foundation and the General Grant from The Gilbert Family Foundation. Any restrictive grants in terms of time of use should be avoided. Property sales and ground lease collections are often not enough to cover operating expenses. Grants from philanthropic organizations and CDFIs could also provide some sources for operating expenses. Though limited, both the Ford Foundation and the Kresge Foundation have given grants to previously established CLTs that have been used for operating expenses. LISC and IFF may also provide grants on a case-by-case basis for CLT operations. LISC also has a zero percent Home Repair Loan that homeowners can use to maintain their properties.

POLICY RECOMMENDATIONS

The following policy recommendations intend to help facilitate the development and operations of Community Land Trusts throughout the state. A few recommendations address gains for affordable housing, which would consequently help address CLT operation. These policies are outside the client's direct sphere of control. However, Common Grounds may decide to help influence these policies through advocacy with the Michigan CLT Coalition.

Define Community Land Trusts in Local and State Law

This recommendation is an essential first step in implementing the upcoming policy recommendations. A clear definition makes allocating funds and implementing other targeted policies easier. The State of Minnesota law provides an excellent definition for CLTs that establishes their purpose, powers, and restrictions.[228] Key aspects of the definition should include:

1. The Community Land Trust is made by either a non-profit organization or a local government.
2. The organization is leasing the land for the purpose of permanent home affordability.
3. The Community Land Trust writes ground leases that grant the land trust the right of first refusal for improvements on the land.

DLBA Partner with Community Land Trusts

The DLBA should continue to expand its partnerships with CLT organizations. This partnership could implement similar qualities present in the partnership between the Albany County Land Bank and Albany Community Land Trust in their Inclusive Neighborhoods Program. Albany CLT receives discounted land prices and the right of first refusal on properties released through this program.[229] Discounted land prices from the land bank would help reduce property acquisition costs which would help affordability by reducing the amount of money needed to be recovered from home sales. The DLBA could grant the right of first refusal to CLTs of land bank-owned lots and structures within their geography of operation. In Common Grounds' case, this would mean they would have the opportunity to refuse the purchase of a lot or structure in the Islandview and Greater Villages neighborhoods before that lot or structure went to another buyer. This policy would significantly facilitate the process of property acquisition for CLT organizations.

Alter Michigan's Principal Residence Exemption for Community Land Trusts

Current guidelines dictate that owners of dwellings on leased land can only claim PRE exemption on the dwelling but not the leased land.[230] The PRE should be altered to allow residents in a Community Land Trust to claim PRE on the leased land. This change would make home ownership through a CLT more appealing to potential buyers. It is less appealing to pay more in taxes relative to the amount the buyer would pay if owning both the dwelling and the land.

The benefit for the state is that as CLTs become more popular throughout the state, home affordability will increase. Increasing home affordability may increase the number of people wanting to move to the State, giving the State an economic and workforce boost.

Detroit-Based Median Income

Due to the Detroit-Warren-Livonia AMI not accurately representing the median income for Detroiters, a Detroit-based median income should be established. HUD could create a new AMI zone in Detroit specifically. This recommendation would need to be supported by increased government support in the development of affordable housing. Developers receive less return, or sometimes negative returns, on provision of affordable-rate units compared to their provision of market-rate units. Therefore, establishing a lower AMI would need increased subsidy funding to ensure that housing development is still financially feasible in the city.

Affordable Housing Prioritized in Strategic Neighborhood Fund

The Strategic Neighborhood Fund should continue to be a tool utilized to fund affordable housing preservation and development. SNF invested an estimated $33.8 million in housing developments in IVGV, including an affordability component. As the City continues to seek ways to provide more affordable housing, it should continue leveraging SNF as an avenue. There can be increased funds allocated to projects that provide affordable housing. Additionally, RFPs for development should prioritize proposals that provide more affordable housing units at lower AMI levels.

Community Investment Vehicle Recommendations

MODEL

The most appropriate CIV model for Common Grounds is a Real Estate Investment Cooperative (REIC). The REIC model allows non-accredited investors to participate, and Common Grounds can choose only to require low-dollar investments from those investors. The ability to prioritize investment return for non-accredited investors is allowed and recommended, and these investors also receive voting rights given the cooperative nature of the REIC model. These rights enable community investors to participate in decision-making for the CIV. Also, it is expected that the REIC would have an initial membership fee upfront for investors, but if investors would like to contribute more money, then they should have the option. Allowing additional investments from members could potentially lead to more financial return for that member.

If Common Grounds chooses to link a community land trust with the chosen community investment vehicle, then a DCIF is most appropriate. However, consulting an attorney will confirm the legality of including a CLT within the 60% real estate component of the DCIF. Also, a DCIF avoids SEC registration and regulation so long as real estate accounts for at least 60% of the fund's holdings, and the remaining 40% of the fund can include local businesses, banks, and even other funds. Any holding within the DCIF can be located outside of Detroit, though the primary goal of Common Grounds is to prioritize investment in the community. Investment returns can occur as a result of property appreciation, tenant rent of the commercial space, and, eventually, any sale of property held within the DCIF.

FUNDING

The nonprofit nature of Common Grounds means it can apply for grants from philanthropic foundations as well as local government entities. Local resources include the Kresge Foundation, Hudson-Webber Foundation, and Michigan Economic Development Corporation. Additionally, Common Grounds should prioritize borrowing from CDFIs in order to capture low-interest loans. There are several CDFIs in Detroit, including Detroit Development Fund and Invest Detroit. Finally, if Common Grounds decides to seek funding from investors outside the community, they should use the MILE Act since the investments would still only come from Michigan residents. It is expected that future community engagement activities will reveal whether community residents have a preference for where investment comes from.

ADDITIONAL RECOMMENDATIONS AND CONSIDERATIONS

In order to add a level of transparency to the chosen CIV model that also engages community residents, a community education program is recommended. East Portland Community Investment Trust uses this strategy as part of its CIV, and it includes topics such as budgeting, the benefits and risks of investing, and financial goal setting.[231] Common Grounds can choose to cover these topics in addition to others they deem appropriate for investors.

Another consideration for Common Grounds revolves around property management. After acquiring a commercial property, they can choose to either manage it themselves or hire a separate property management company to take care of the structure's maintenance, repairs, etc. Ultimately, this decision would depend on the amount of resources available to Common Grounds in terms of time, money, and expertise.

As a guide for the CIV development process, **Figure 13** comes from Community Desk Chicago's CIV Playbook with estimates of project costs based on what stage of CIV development an organization is in. This playbook covers many aspects of CIVs, including governance, funding, and operations.

Figure 13. *Community Desk Chicago, CIV Playbook, Sample Budget*[232]

Project Stage	Projected Costs	Assumptions
Cultivate Concept	$75k to $100k	One-time funding to support hiring consultant(s) for feasibility study and CIV conceptual design
Form CIV	3%-5% of projected investment budget	One-time funding to establish the legal and governance structure, resident capacity programs, raise capital and build infrastructure to manage investments (e.g., investment portal)
Launch Strategy	$5M to $10M	Assumes a portfolio of projects; capital raise will depend on community area, project type and mix, return goals and scale of the portfolio
Manage Investments	$100k to $150K	Assumes annual funding to support the CIV operations through stabilization likely five years.
Drive Impact	$10k to $20k	Assumes annual funding to support monitoring and reporting of key metrics

Conclusion

As development pressure and increasing home values increasingly burden households in Islandview and the Greater Villages, community-based models that preserve housing affordability and increase neighborhood wealth are key in helping residents of all incomes thrive. Our team built two databases informed by in-depth interviews and literature reviews from dozens of sources to consolidate local, state, philanthropic, and private funding sources and detail CLTs' organizational and financial structure across the State. We also conducted in-depth research about community ownership models and practices including interviews with CIVs to inform our recommendations. This qualitative data is explained and analyzed in this report, which aims to assist Common Grounds in the process of launching a CLT and CIV by providing data and best practices on organizational structure and funding sources from across the State of Michigan and the United States. In addition to these details, local-, state-, and federal-level policy recommendations are provided to ease the process of forming, growing, and operating a CLT and CIV in Detroit and across Michigan. Common Grounds is setting a precedent and joining a cohort of organizations piloting innovative community ownership models in Detroit. This will ultimately lead to a paradigm shift where permanent affordability of housing, local decision-making, and community wealth-building are not just fringe ideas but common considerations to help grow strong, sustainable, and vibrant communities.

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Photo Source: City of Detroit Flickr

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Photo Source: City of Detroit Flickr

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Appendices

Appendix A

MINNESOTA STATUTES 2023

462A.31 Community Land Trusts

Subdivision 1. Purposes. A community land trust must have as one of its purposes the holding of land and the leasing of land for the purpose of preserving the affordability of housing on that land for persons and families of low and moderate income.

Subd. 2. Powers. A community land trust may have any or all of the powers permitted to a nonprofit corporation under chapter 317A, except that a community land trust must have the power to buy and sell land, to mortgage and otherwise encumber land, and to negotiate and enter into ground leases with an initial term of up to 99 years.

Subd. 3. Restrictions. A ground lease in which a community land trust is the lessor must contain provisions designed to preserve the affordability of housing on the land. Each ground lease must reserve to the community land trust the first option to purchase any building or improvement on the land, or any condominium or cooperative unit located in a building on the land, at a limited equity price specified in the ground lease. Each ground lease must grant to the Minnesota Housing Finance Agency the right to exercise that first option to purchase if the community land trust does not, for any reason, exercise the first option. Each ground lease must exempt sales to persons and families of low and moderate income from the provisions granting the first option to purchase to the community land trust and to the Minnesota Housing Finance Agency. Sales to persons and families of low and moderate income are not exempt from the limited equity price. A ground lease may also contain appropriate restrictions on:

1. subletting or assigning the ground lease;
2. construction and renovation of buildings and other improvements; and
3. sale of buildings and improvements.

Subd. 4. Mortgages. (a) A ground lease with a community land trust must prohibit the lessee from mortgaging the lessee's interest in the lease or in buildings or other improvements without the consent of the community land trust. A ground lease may obligate a community land trust as lessor and fee title holder to consent to, join in, or subordinate its interest to, a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for acquisition, construction, or renovation of housing on the land. A lease provision so obligating a community land trust must specify that the mortgage must provide to the community land trust the right to receive from the mortgagee prompt notice of default in the mortgage and the right to cure the default or to purchase the mortgagee's interest in the mortgage. The limited equity price and provisions in subdivision 3 do not apply if the lessee or the community land trust fails to cure the default or purchase the mortgagee's interest in the mortgage.

(b) A ground lease with a community land trust must provide that the community land trust will not, during the term of the lease, mortgage or otherwise encumber its interest in the property or permit any liens on its interest in the property to exist. This prohibition does not apply to mortgages that require the mortgagee to subordinate the lien of its mortgage to a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for acquisition, construction, or renovation of housing on the land.

Subd. 5. Rights of heirs. A ground lease with a community land trust must provide that the heirs of the lessee may assume the lease, if the heirs agree to occupy the lease property as their homestead. For purposes of this subdivision, "the heirs" means the heirs at law of a lessee who dies intestate or the devises of a lessee who dies testate.

Subd. 6. City land trust. A city may by resolution determine to act as a community land trust with the powers and duties described in subdivisions 1 to 5.

Subd. 7. Recording of ground lease. Any ground lease held by a community land trust shall include the legal description of the real property subject to the ground lease and shall be recorded with the county recorder or with the registrar of titles in the county in which the real property subject to the ground lease is located.

Appendix B

DATABASE FOR COMMUNITY LAND TRUSTS IN MICHIGAN, COMMUNITY INVESTMENT VEHICLES IN MICHIGAN, AND FUNDERS

Link to Michigan Community Land Trust Database

Link to Funders Database

Appendix C

INTERVIEW PARTICIPANTS

Community Land Trust Team

CLTs

Dream of Detroit
Dwelling Place Regional CLT
ICCF Community Homes
Frankfort Area CLT
Northern Homes
Peninsula Housing

Interested in Starting a CLT

Lighthouse

Housing Model

The Storehouse of Hope

Funders

Federal Reserve Bank of Chicago
Fifth Third Bank
IFF
LISC

Consultants

Detroit Justice Center
Jeff Washburne
Jeremy DeRoo

Community Investment Vehicle Team

CIVs

Capital Region CIT
commongrounds (Real Estate Co-op)
Northeast Investment Cooperative (Real Estate Investment Co-op)

Interested in Starting a CIV

Grandmont Rosedale Development Corporation
Midway Investment Cooperative (Real Estate Investment Co-op)

Consultants

Cooperative Capital
DC Palmer LLC
National Coalition for Community Capital (NC3)
Professor Jerry Davis (ROSS School of Business, University of Michigan)

Appendix D

PROJECTS THAT INFORMED RECOMMENDATIONS

commongrounds Cooperative (Traverse City, Michigan)

With a mission "to build a more empowered community through cooperatively owned places that connect people and actively integrate wellness, arts, family and food,"[233] commongrounds Cooperative in Traverse City, Michigan, was a influential project during our research. It operates as a Real Estate Cooperative, and ownership for this cooperative includes two types: tenant-owners and community owners. These owners elect a board of directors to govern decision-making for the cooperative.[234]

The pilot project for this cooperative is a newly-constructed mixed-use building at 414 E Eighth St. along the Boardman River. This space acts as a community center providing public access to entertainment and wellness activities. The first and second floors consist of the tenant-owners, including the Higher Grounds Coffee Learning Lab and Northern Blooms (an early childhood care facility). In addition to other tenant spaces, residential units for workforce housing are available on the third and fourth floors of the building.[235] commongrounds was able to raise capital for the purchase and construction of this building as a result of borrowing money, receiving grants (including one from the Michigan Economic Development Corporation's Community Revitalization Program), and by using Reg CF.[236]

A community ownership equity share is available for $50, and a participating member who desires benefits and discounts can pay annual dues. There is no required annual dues amount, but the co-op recommends $48/year. Becoming a community owner provides an individual with governance participation as well as a variety of discounts on events and services taking place at the building.[237] For those who wish to invest in the co-op but not participate in governance, all that is required is the purchase of the $50 share. Investors can choose to receive up to 6% annually, with a choice to opt for only 3% return and the remaining 3% can go back to the co-op.[238]

Kachuwa Impact Fund (Boulder, Colorado)

Operating as an Investment Cooperative and Public Benefit Corporation, the Kachuwa Impact Fund in Boulder, Colorado, seeks to provide private investment opportunities for investors who want to see a positive impact instead of just a high return on investment. The cooperative is member-run, and its stated mission includes the following items:

» “Operate for the holistic benefit of its members and all of its stakeholders rather than for profit maximization
» Provide privately held impact companies with mission-aligned, long-term, and non-controlling capital
» Provide both accredited and non-accredited investors with diversified, impact investment opportunities outside of Wall Street
» Own and operate impact real estate that supports impact companies, non-profit organizations, and small businesses”[239]

The Kachuwa Impact Fund uses the DCIF model, which invests primarily in real estate, allowing the fund to avoid SEC regulation. At least 60% of the fund consists of impact real estate, which Kachuwa defines as real estate that has a positive social or environmental impact in terms of how it’s used, how it’s designed, who it benefits, or where it’s located.[240] This allocation of the fund includes 888 Federal Blvd in Denver, Colorado, and the current tenant is Namaste Solar, an employee-owned cooperative that designs and installs solar electric systems. Another property in the fund is located at 1440 Elmira St. in Aurora, Colorado, and the tenant is currently The Village Institute, a nonprofit community center for refugee and immigrant families.[241]

The remaining 40% of the fund invests in impact companies, which Kachuwa defines as companies that seek to make a positive social and environmental impact while still providing financial returns.[242] Shared Capital Cooperative, a women-led CDFI based in St. Paul, Minnesota, is part of this allocation of the fund.[243] Note that this DCIF is not place-based since it invests outside of the community and state it is located in, but an organization can choose to make their DCIF place-based.

Appendix E

LINKS TO ORGANIZATIONS REFERENCED IN DOCUMENT

Albany County Land Bank

Albany Community Land Trust

Capital Region CIT

commongrounds Cooperative

Detroit Cultivator CLT

DREAM of Detroit

Dwelling Place of Grand Rapids

East Portland CIT

Frankfort Area CLT

Grand Haven CLT

ICCF Community Homes

Kachuwa Impact Fund

Midway Investment Cooperative

North Corktown Open Space CLT

Northeast Investment Cooperative

Northern Homes Community Development Corporation

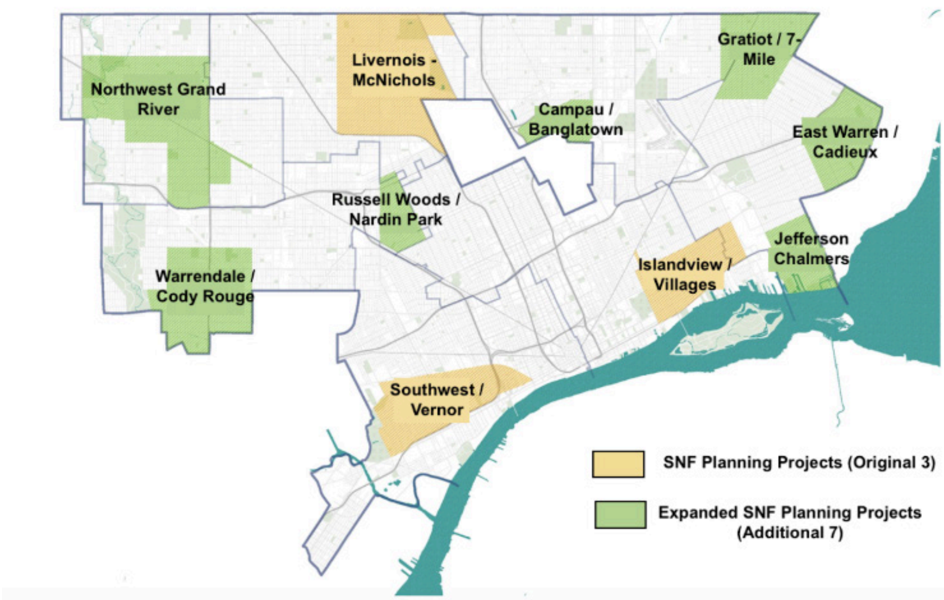
Peninsula Housing

The Neighborhood Investment Company (NICO)

Appendix F

ADDITIONAL RESOURCES

Strategic Neighborhood Fund Neighborhoods in Detroit



Source: City of Detroit

EDUCATIONAL RESOURCE LINKS

Community Desk Chicago's CIV Playbook

Michigan Economic Development Corporation's Investment-Based Crowdfunding Field Guide

"Introduction to Real Estate Development Co-Ops" Presentation from Cooperative Development Services and the University of Nebraska's Nebraska Cooperative Development Center

Appendix G

SAMPLE PRO FORMA

CLT Start-up Operating Budget							
19-Jun-15			**2016**	**2017**	**2018**	**2019**	**2020**
PORTFOLIO ASSUMPTIONS							
Total number of homes & households added each year			**0**	**0**	**4**	**16**	**16**
Cumulative total of homes and households			**0**	**0**	**4**	**20**	**36**
Number of urban farming leases added each year			**1**	**1**	**1**	**1**	**1**
Number of commercial properties added each year			**0**	**0**	**1**	**1**	**1**
OPERATING EXPENSES	cola: 2.0%	Annualized	**2016**	**2017**	**2018**	**2019**	**2020**
Personnel							
Salaries		**Salary (1st Year)**					
Executive Director		**50,000**	50,000	51,000	52,020	53,060	54,122
		FTE:	**100%**	**100%**	**100%**	**100%**	**100%**
Stewardship Coordinator		**40,000**	0	0	0	10,612	32,473
		FTE:	**0%**	**0%**	**0%**	**25%**	**75%**
Office Manager		**25,000**	0	0	0	0	0
		FTE:	**0%**	**0%**	**0%**	**0%**	**0%**
Outreach & Organizing Coordinator		**40,000**	40,000	40,800	41,616	42,448	43,297
		FTE:	**100%**	**100%**	**100%**	**100%**	**100%**
Total Salaries			**90,000**	**91,800**	**93,636**	**106,121**	**129,892**
		Number of FTEs	**2.00**	**2.00**	**2.00**	**2.25**	**2.75**
Benefits	**15%**	of total salaries	13,500	13,770	14,045	15,918	19,484
Total Personnel Costs			**103,500**	**105,570**	**107,681**	**122,039**	**149,376**
Administration & Overhead	**30%**	of total payroll	60,000	31,671	32,304	36,612	44,813
Real Estate Carrying Costs							
Real Estate Taxes			19,000	0	0	0	0
Property Insurance			2,000	0	0	0	0
Total Real Estate Carrying Costs			**21,000**	**0**	**0**	**0**	**0**
TOTAL ANNUAL OPERATING EXPENSES			**184,500**	**137,241**	**139,986**	**158,651**	**194,188**
PORTFOLIO REVENUE							
COOPERATIVE HOUSING							
Monthly fee collected from shareholders							
		Monthly fee from each shareholder	0	0	0	0	0
Annual lease fee from each housing cooperative							
	$3,000	Annual lease fee from each co-op property	0	0	0	3,000	6,000
OWNER-OCCUPIED HOUSING							
Monthly fee from homeowners							
	$25	Monthly fee paid by homeowners	0	0	1,200	2,400	3,600
URBAN FARMING							
Annual lease fee from urban farming leaseholders							
	$1,200	Annual urban farming lease fee	1,200	2,400	3,600	4,800	6,000
COMMERCIAL PROPERTIES							
Monthly lease fee from commercial leaseholders							
	$250	Monthly commercial lease fees	0	0	3,000	9,000	18,000
TOTAL PORTFOLIO REVENUE			**1,200**	**2,400**	**7,800**	**19,200**	**33,600**
EARNED FEE REVENUE							
COOPERATIVE HOUSING							
Developer Fees							
	$5,000	from co-op housing	0	0	0	5,000	5,000
OWNER-OCCUPIED HOUSING							
Developer Fees							
	$5,000	from owner-occupied homes	0	0	20,000	20,000	20,000
COMMERCIAL PROPERTIES							
Developer Fees							
	$5,000	from commercial properties	0	0	5,000	5,000	5,000
TOTAL EARNED FEE REVENUE			**0**	**0**	**25,000**	**30,000**	**30,000**
EXTERNAL FUNDRAISING							
Membership Dues							
	$25	Annual membership dues	500	1,875	2,500	2,500	2,500
Private Contributions							
		Annual donations	0	0	0	0	0
Operating Grants		**Public sector**	0	0	0	0	0
		Private sector	0	0	0	0	0
TOTAL EXTERNAL FUNDRAISING REVENUE			**500**	**1,875**	**2,500**	**2,500**	**2,500**
CARRYOVER FUND BALANCE FROM PREVIOUS YEAR							
0		0	20,000	N/A	N/A	N/A	N/A
TOTAL REVENUE			**21,700**	**4,275**	**35,300**	**51,700**	**66,100**
ANNUAL OPERATING SURPLUS/DEFICIT			**-162,800**	**-132,966**	**-104,686**	**-106,951**	**-128,088**
CUMULATIVE FUND BALANCE							
CUMULATIVE NET REVENUE			**-162,800**	**-295,766**	**-400,452**	**-507,402**	**-635,491**

Endnotes

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Photo Source: City of Detroit Flickr