

# THE FUTURE OF REAL ESTATE IS EQUITABLE

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## THESIS

The future of real estate is grounded in equity and focused on building generational wealth through community investment in historically disenfranchised communities.

## PROBLEM STATEMENT

Black, Indigenous, and People of Color (BIPOC) communities suffer from disinvestment, a lack of opportunities to acquire assets and build wealth, and development practices that perpetuate inequity.

## COMMUNITY INVESTMENT

### WHAT IS COMMUNITY INVESTMENT?

Community investing channels public and private investment to low-income and underserved communities to provide capital, credit, and training that these communities would otherwise lack. (Forum for Sustainable & Responsible Investment)

### FUNDING SOURCES

Community investing requires capital and technical support from varying sources including individuals, community development finance institutions, philanthropies, traditional financial institutions, and government.

### KEY CONSIDERATION

It is not always possible for community investments to achieve market rate financial returns, and these opportunities should not be compared to traditional investments.



### FEATURED COMMUNITY INVESTMENT STRATEGIES

#### Investment Crowdfunding - Builds community wealth

A way for companies and developers to raise funds from a large number of investors in exchange for equity shares in the business or real estate project. Lower investment minimums allow community members to participate.

#### Grassroots Community Engaged Investment (GCEI) - Builds community wealth & power

The process and practice of investing with meaningful input, decision-making power, and/or ownership from grassroots stakeholders. (Transform Finance, 2021)

	GCEI	NON-GCEI
<b>GOALS</b>	Build wealth and power	Build wealth through outputs
<b>VOICE AND VOTE</b>	Decisions made by grassroots	Decisions made by outsiders
<b>VISION</b>	Tied to community's own priorities	Tied to outside project promoters
<b>FOCUS</b>	Process matters	Outcomes matter
<b>POLITICAL STANCE</b>	Participation in investment is a political act	No political stance
<b>LOCAL WEALTH BUILDING</b>	Aims to keep wealth local and avoid leakage	Wealth and returns accrue principally to outsider investors
<b>ECONOMIC PARTICIPATION</b>	Residents may invest and/or become owners	Ownership rests outside of the community
<b>RACIAL JUSTICE</b>	Always explicit	Sometimes explicit
<b>TECHNICAL CAPACITY</b>	Builds grassroots knowledge and experience	Does not explicitly try to build technical capacity
<b>COMMUNITY BUY-IN</b>	Buy-in ensured by engagement	Buy-in not ensured
<b>ACCOUNTABILITY</b>	Outsiders are accountable	No direct accountability mechanism
<b>PRINCIPAL STAKEHOLDERS</b>	Grassroots stakeholders	Project proponents like funders and investors

### EXPANDING ECONOMIC PARTICIPATION

- A persistent issue in communities is the lack of opportunities to acquire assets and build wealth.
- Economic participation is the ability of community members to invest so that they have a meaningful stake in the economic benefits of a project.
- Barriers to participation include: Lack of savings, cultural and technical barriers, financial literacy, access to investment education, and restrictive SEC laws.
- Desired Future: The creation of wealth through dividends on community investment in real estate and businesses.



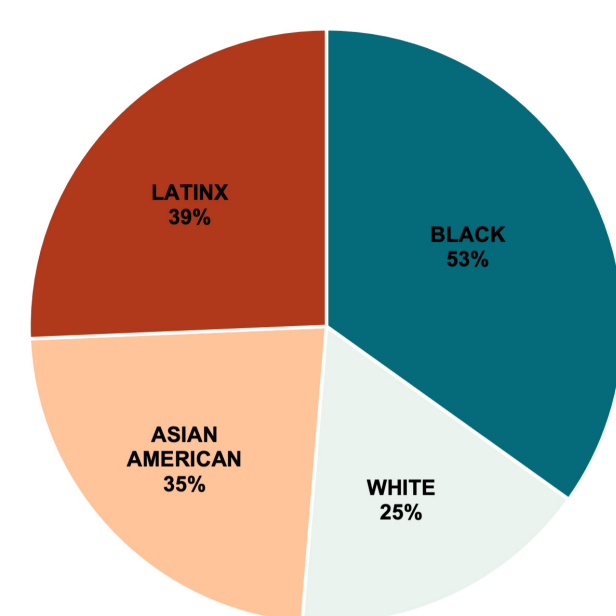
## COMMUNITY INVESTMENT IN SMALL BUSINESSES

Small businesses are vital to healthy local economies. Furthermore, retail and office space are key parts of the commercial real estate market and rely on businesses to rent space.

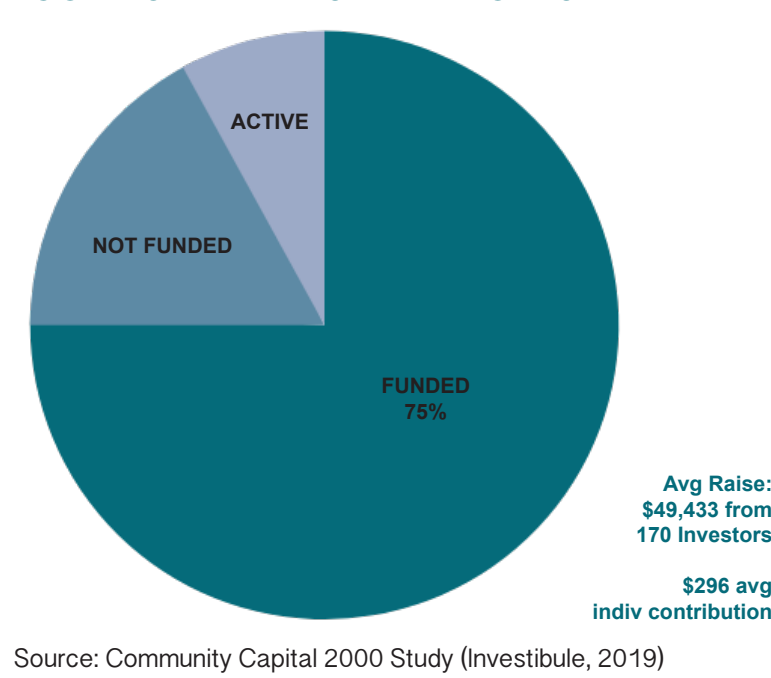
Community investing supports diversity and advances economic opportunity. Local businesses are more likely to hire within the community, pay liveable wages, and work with other small businesses, thereby circulating more money within a local economy. (Transform Finance, 2021)

*Data point: Small businesses create two-thirds of net new jobs and account for 44% of U.S. economic activity. (U.S. Small Business Administration Office of Advocacy, 2019)*

### BUSINESS OWNERS DENIED FINANCING BY RACE AND ETHNICITY



### PEOPLE OF COLOR FUNDED BY KIVA COMMUNITY INVESTMENT LOANS



### STRATEGIES FOR SMALL BUSINESS GROWTH

#### Subsidized Spaces

Developers should commit to including small business tenant spaces in their properties and partner with local business incubators to provide subsidized retail and co-working spaces.

#### Access to Capital

Minority-owned businesses need access to capital to grow and take advantage of real estate opportunities.

*Data point: Black and Latinx founders received approximately 2.6% of venture capital funding in 2020. (Connley, 2020)*

#### Mixed-Use Corridors

Develop walkable, mixed-use commercial corridors that serve visitors and residents throughout the day, week, and year.

#### Public Markets

Create programs and spaces for public markets to provide low-cost entry points for entrepreneurs to test their products and jumpstart their businesses.

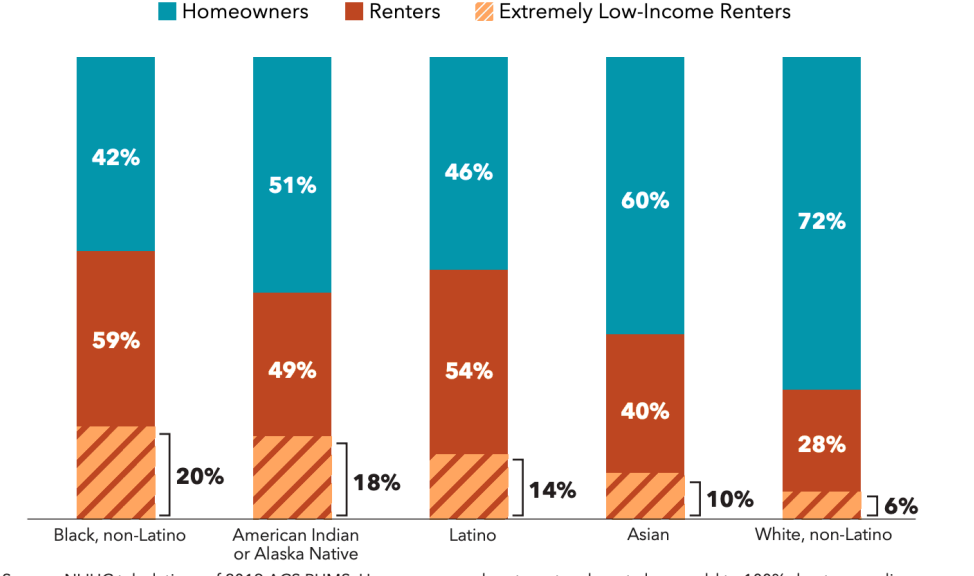
## COMMUNITY INVESTMENT IN REAL ESTATE

Real estate has long been a powerful tool for wealth creation. However, BIPOC communities have been systematically excluded from participating in its economic benefits. Greater opportunities to acquire real estate assets through equity investment and homeownership are critical.

Quality, affordable housing is the foundation for allowing families to save, invest, and pursue educational and career opportunities. However, the U.S. is suffering from an affordable housing crisis.

*Data point: Extremely low-income renters face a shortage of nearly 7 million affordable rental homes. (U.S. Census Bureau, 2021)*

### SHARE OF ALL HOUSEHOLDS WHO ARE EXTREMELY LOW-INCOME RENTERS, BY RACE OR ETHNICITY



### POLICIES TO IMPROVE AFFORDABLE HOUSING

#### Zoning Reform

Reduce regulatory barriers that limit the construction of small, lower-cost homes on expensive land.

*Data point: Local zoning regulations prohibit building anything other than single-family detached houses on three-quarters of land in most U.S. cities. (Schuetz, Brookings Institution, 2020)*

#### Land Value Tax

Charge a higher tax rate on land and a lower rate on structures to encourage owners of expensive land to develop more intensively and more quickly.

#### Housing Subsidies

The federal government should expand housing subsidies as increasing the supply of market-rate housing will not help the nation's poorest families.

*Data point: There are 14 million low-wage workers with median income around \$20,000. HUD guidelines suggest they should spend no more than \$500 per month on housing costs. (Schuetz, Brookings Institution, 2020)*

### EQUITABLE DEVELOPMENT

In addition to directing more capital into underserved communities, real estate development must also embody equitable practices to prevent the physical, cultural, and economic displacement of current residents.

#### What is Equitable Development?

Equitable development is an approach for meeting the needs of underserved communities through policies and programs that reduce disparities while fostering places that are healthy and vibrant. (U.S. EPA, 2015)

#### A Framework for Advancing Equitable Development (Government Alliance on Race and Equity, 2015)

- Advance economic opportunity through local hiring & contracting
- Support local businesses
- Expand affordable housing
- Promote broader mobility & connectivity
- Practice meaningful community engagement
- Enhance community health through public spaces and amenities

## THE FUTURE OF REAL ESTATE...



### BUILDS GENERATIONAL WEALTH

Policies and programs provide a variety of options to generate wealth through dividends on community investment in real estate and local businesses. This wealth can be passed down through generations of families.

### ENSURES COMMUNITY VIBRANCY

The real estate industry supports healthy and safe communities with public amenities including schools, parks, complete streets, health services, access to affordable and healthy food, fresh air, and safe and inviting environments.

### PREVENTS DISPLACEMENT

Policies and programs allow anyone who wants to live in the community to do so, especially current residents, and discourages displacement of viable small businesses that serve community needs.

### ACHIEVES FULL INVESTMENT ACCESSIBILITY

Any development that results from investments in the built environment is accessible and welcoming to people regardless of age, physical condition, or language.