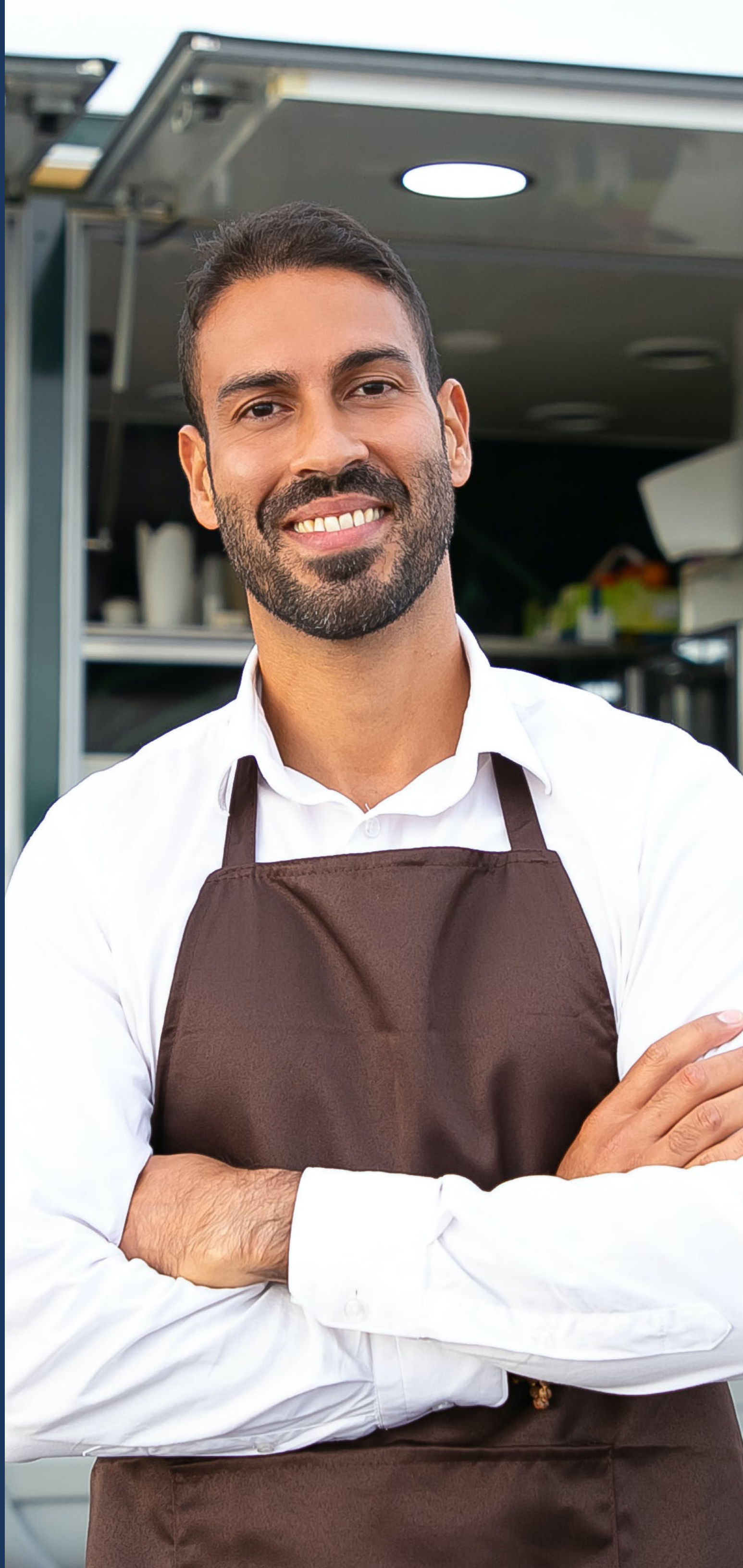
Colorado Commercial Real Estate Ownership

Building Connections and Building Trust

Staro Insights

Mobilizing capital for your cause



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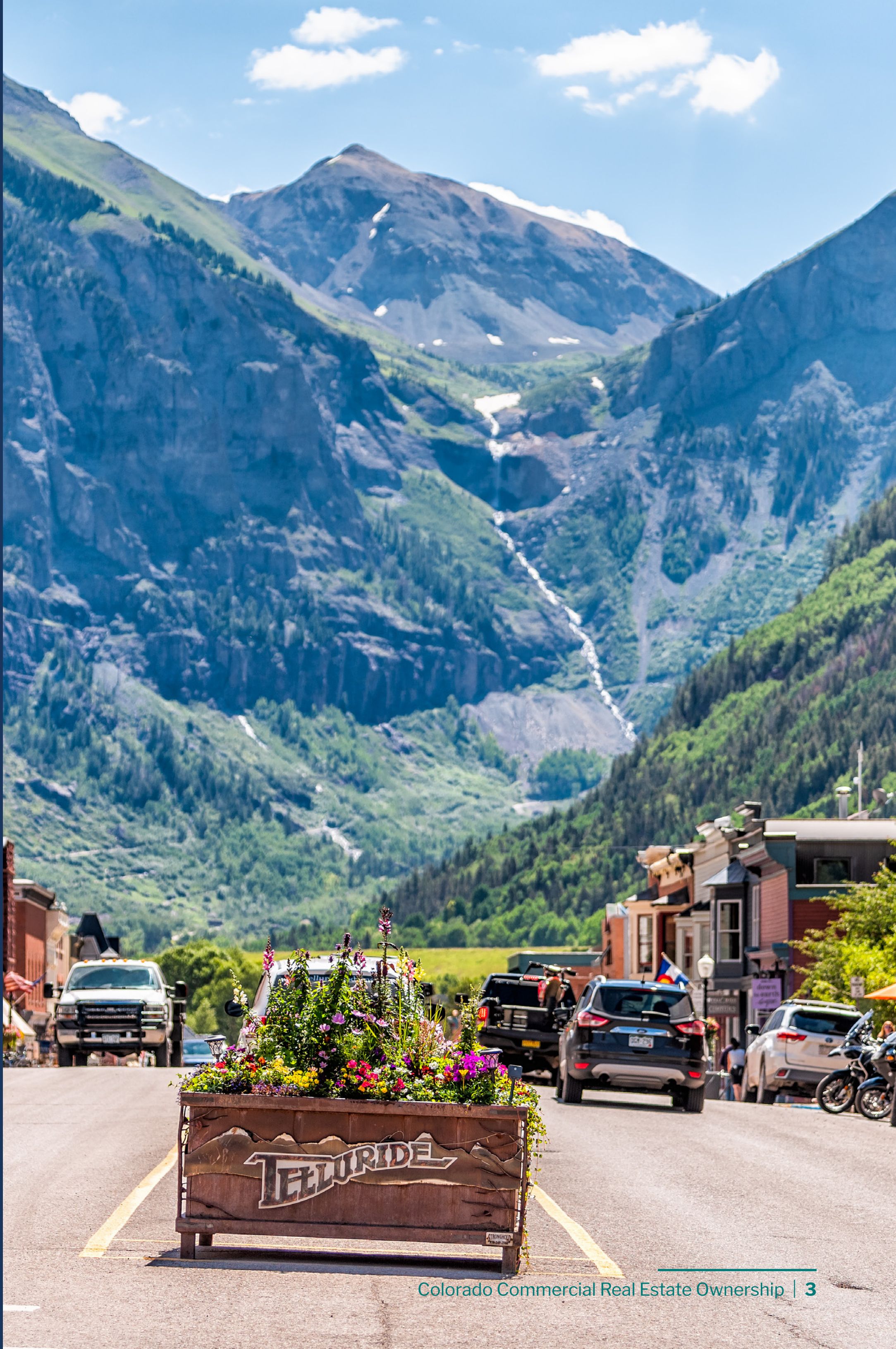
Executive Summary

Property ownership is a proven way to create intergenerational wealth and may help slow displacement in communities. Commercial real estate ownership in particular can be a mechanism for small businesses and nonprofits to create community wealth and preserve community fabric. In geographies with expensive real estate markets, however, barriers like affordability and access to capital can prevent community-oriented groups from acquiring property.

To understand barriers specific to Colorado, a small group of community development and impact investing professionals designed a commercial real estate landscape scan. Staro Insights, a Colorado-based consulting firm focused on impact-first investment, conducted the scan and provided findings. Staro Insights held conversations with thirty individuals and groups throughout the state who represent small businesses, nonprofit organizations, funders, community development lenders, and real estate professionals.



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From the conversations, Staro Insights Identified five common barriers for real estate acquisition:

1. **Real Estate Prices.** Colorado is an expensive market which makes property ownership seem unachievable.
2. **Access to Capital.** Small businesses and nonprofits may not have access to the funds needed for down payments and financing to acquire property.
3. **Cost of Capital.** Recent increases in interest rates make borrowing funds more expensive.
4. **Time-Sensitive Needs.** In a fast-paced market, small groups need to move quickly to compete with for-profit developers and speculators.
5. **Technical Knowledge.** Some small businesses, small nonprofits, and BIPOC-led nonprofits don't have access to professionals with the legal and technical expertise needed to make informed decisions and complete transactions.

The conversations also uncovered numerous resources for small businesses and nonprofits interested in acquiring commercial property. Through the conversations, Staro Insights found that many groups are not aware of some of the resources available. Helpful resources included:

1. SBA Loans (Small Business Administration Loans)
2. CDFI Funding (Community Development Financial Institutions Funding)
3. CHFA Programs (Colorado Housing and Finance Authority Programs)
4. DEDO Programs (Denver Economic Development and Opportunity Programs) and Economic Development Corporations in Other Communities
5. Community Land Trusts
6. Nonprofit organizations that support property ownership and acquisition such as Sharing Connexion and Center for Community Wealth Building
7. Program-Related Investments from Philanthropic Partners
8. Tax Credit and Bond Financing Options

In addition to lack of knowledge of these resources, interviews also uncovered nuanced and complicated obstacles specific to Colorado geographies. Mountain and resort communities face challenges with finding available property and an extremely limited supply of land for development. Communities with quiet downtowns are creating residential units but need the business amenities to attract residents and tourists alike. Often the vacancy rates are not related to the costs, leaving main streets with a preponderance of vacant yet expensive properties. Communities fear that the only businesses that will be able to afford re-envisioned downtowns will be large, mall-like stores that will change the character of the town. On the other hand, some communities have been very successful at attracting interesting businesses that drive tourism. This success, though, has driven up costs to levels that may push out the businesses the community was trying to attract—making them a casualty of their own success.

Nonprofits and small businesses reported challenges related to working with property owners as well as institutions designed to support their efforts. BIPOC small business owners faced racial discrimination when attempting to acquire properties or work with brokers. Nonprofits were leery of organizations and institutions where they didn't see themselves or community represented in leadership. Without the trust that partners are working with community goals in mind, nonprofits and community groups choose to forgo resources rather than working with untrusted partners.

Based on findings, Staro Insights identified the following actions funders and community development organizations can take to support and promote commercial real estate ownership for small businesses and nonprofits in Colorado.

Recommendations:

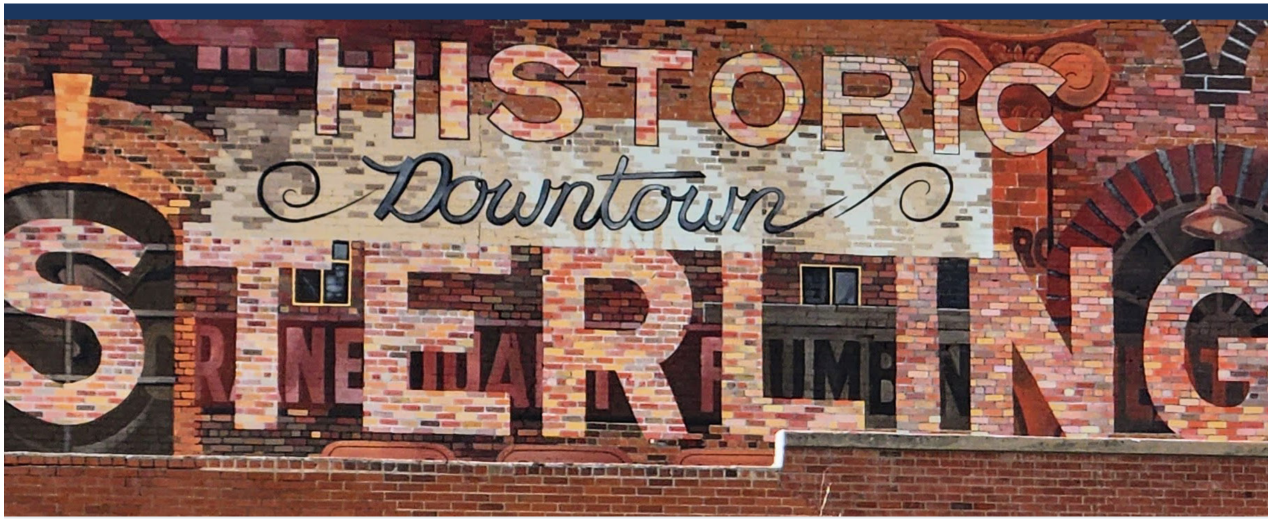
1. **Promoting Resources and Providing Technical Assistance**. Identify ways to educate small businesses and nonprofits about existing resources for financing and technical assistance. Connect groups with technical assistance providers and real estate professionals so small businesses can better compete with developers. In communities with relative affordability, provide education and assistance for preserving affordability.

2. **Creating New & Complementary Funding Resources.** Identify ways to pair philanthropic resources with economic development funding to maximize impact. Create a diversified pool of available capital that nonprofits and small businesses can access in a timely way to compete with speculative developers.

3. **Community-Building & Creating Trust**. Support already strong connections between community-based and municipal organizations to create change at the local level. Facilitate conversations among stakeholders about trust and power as it relates to accumulating land. Be prepared to listen to stakeholders about their experiences with race, land, wealth, and power.

Other topics surfaced that warrant further exploration; they include: understanding the amount of capital needed to make an impact, exploring opportunities in available ground-floor retail in LIHTC buildings, most effective ownership models for nonprofit office spaces, improving access to information for program-related investments, identifying ways anchor institutions can support efforts with impact investments, and connecting developers and community.

In conclusion, while community development organizations, small businesses, and philanthropy cannot affect market conditions to make real estate more affordable, much can be accomplished by strengthening access to resources, strategically aligning philanthropic capital, and exploring the dynamics of race, ownership, wealth, and power that create disparities in commercial real estate ownership.



Issue At Hand

Colorado real estate prices have increased more quickly than prices in other regions of the country. In fact, for non-coastal cities, Colorado cities take the top four spots for most expensive home prices.[1] Boulder, Denver, Fort Collins, and, for the first time Greeley, are the most expensive places in the U.S. not on a coast to buy a home. Housing affordability and availability have reached extreme levels in Colorado, leading to not only displacement of residents, but also contributing to an increase in rates of first-time homelessness among lower-income residents.[2] Accordingly, much attention has been directed at this issue, making it the primary issue for the recently elected Denver mayor.

1 Svaldi, Aldo, "Colorado has the four most expensive housing markets in U.S. not on a coast." The Denver Post. October 23, 2023. https://www.denverpost.com/2023/10/17/colorado-home-real-estate-prices-unrivaled-coasts/

2 Colorado Coalition for the Homeless. "Colorado's Affordable Housing Crisis: It's Time for Strategic Investments." https://www.coloradocoalition.org/sites/default/files/2023-04/COAffordableHousingCrisis_StrategicInvestmentReport_CCH_2023.pdf

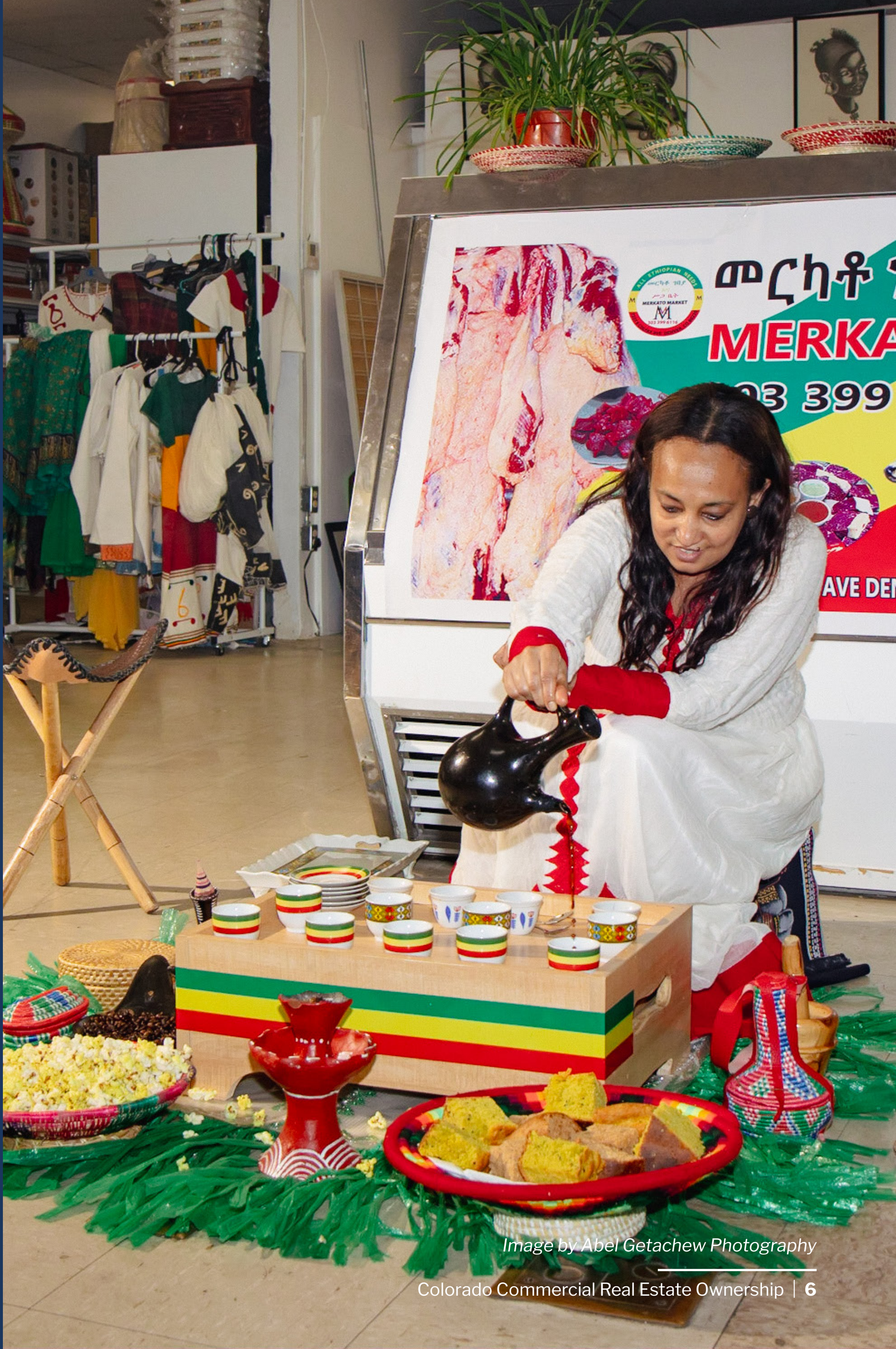


Image by Abel Getachew Photography

Affordability and ownership for commercial real estate have attracted less attention, but efforts are growing among organizations working on economic development. Nationally, the Small Business Anti-Displacement Network (SBAN) is a network of organizations and policy-makers working to prevent the displacement of BIPOC-owned small businesses. Locally, COBRE (Community Owned and Benefiting Real Estate) is a group of organizations working on community ownership of land. Other organizations are also supporting small businesses with real estate acquisition.

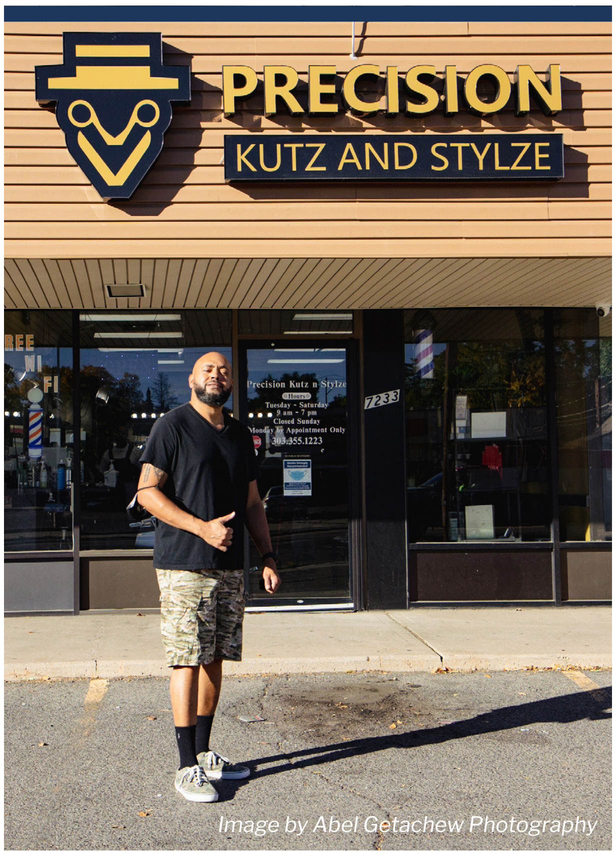


Image by Abel Getachew Photography

Supporting commercial real estate ownership for small businesses and nonprofits, especially in an expensive market, is an essential tool for addressing income inequality.

Entrepreneurship is a proven way for individuals and families to create wealth. The average salary for entrepreneurs is significantly higher than the median income in the U.S. (at least $65,000 per year[3] versus $54,000 respectively).[4] This advantage is especially relevant to those who have experienced barriers to employment or discrimination including women and non-native English speakers. While property ownership is not the right move for every small business, ownership can lower expenses, increase assets, and reduce uncertainties for planning for the future.

Additionally, controlling real estate in a community increases individual wealth and prevents displacement among residents, preserving the cultural fabric of an area.

Supporting commercial real estate ownership for small businesses and nonprofits, especially in an expensive market, is an essential tool for addressing income inequality.

While population growth may be slowing a bit in the state, Colorado remains an attractive place for many people, such as tech workers who have higher salaries and see Colorado as a relative bargain compared with the Bay Area and other metro areas.[5] New residents with higher incomes put upward pressure on prices. As these prices continue to rise and the state population continues to grow, organizations working on this issue are moving with a sense of urgency.

3 Maryville University. Entrepreneurship Statistics: Current Success and Looking Ahead. https://online.maryville.edu/blog/entrepreneurship-statistics/#how-much-do-entrepreneurs-make.

4 First Republic. “How Much Does the Average American Make in 2022?” https://www.firstrepublic.com/insights-education/how-much-does-the-average-american-make

5 Chuang, Tamara. “What’s Working: Denver still a top 10 city for tech, thanks to tech wages outpacing rent growth.” The Colorado Sun. https://coloradosun.com/2023/07/22/denver-tech-cities-salary-growth/

Landscape Scan Approach

The impetus for the research stemmed from discussions among practitioners in the field including Deya Zavala then with Mile High Connects, now with National Equitable Recovery Alliance, Jose Esparza from BuCu West, Cindy Willard from Impact Charitable, Patrick Horvath from Center for Community Wealth Building, and Kate Lyda with Staro Insights. Each were encountering small businesses and nonprofits that were struggling to acquire commercial real estate either for retail business or for nonprofit programming. The group determined more information was needed to address these issues across the state. Funding from Gates Family Foundation, Kenneth King Foundation, and Neighborhood Development Collaborative by Robert Wood Johnson supported Staro Insights in conducting the research. Laia Mitchell from Gates Family Foundation, Maggie Lea with Neighborhood Development Collaborative, and Paul Bindel from Center for Community Wealth Building joined as advisors to the project.

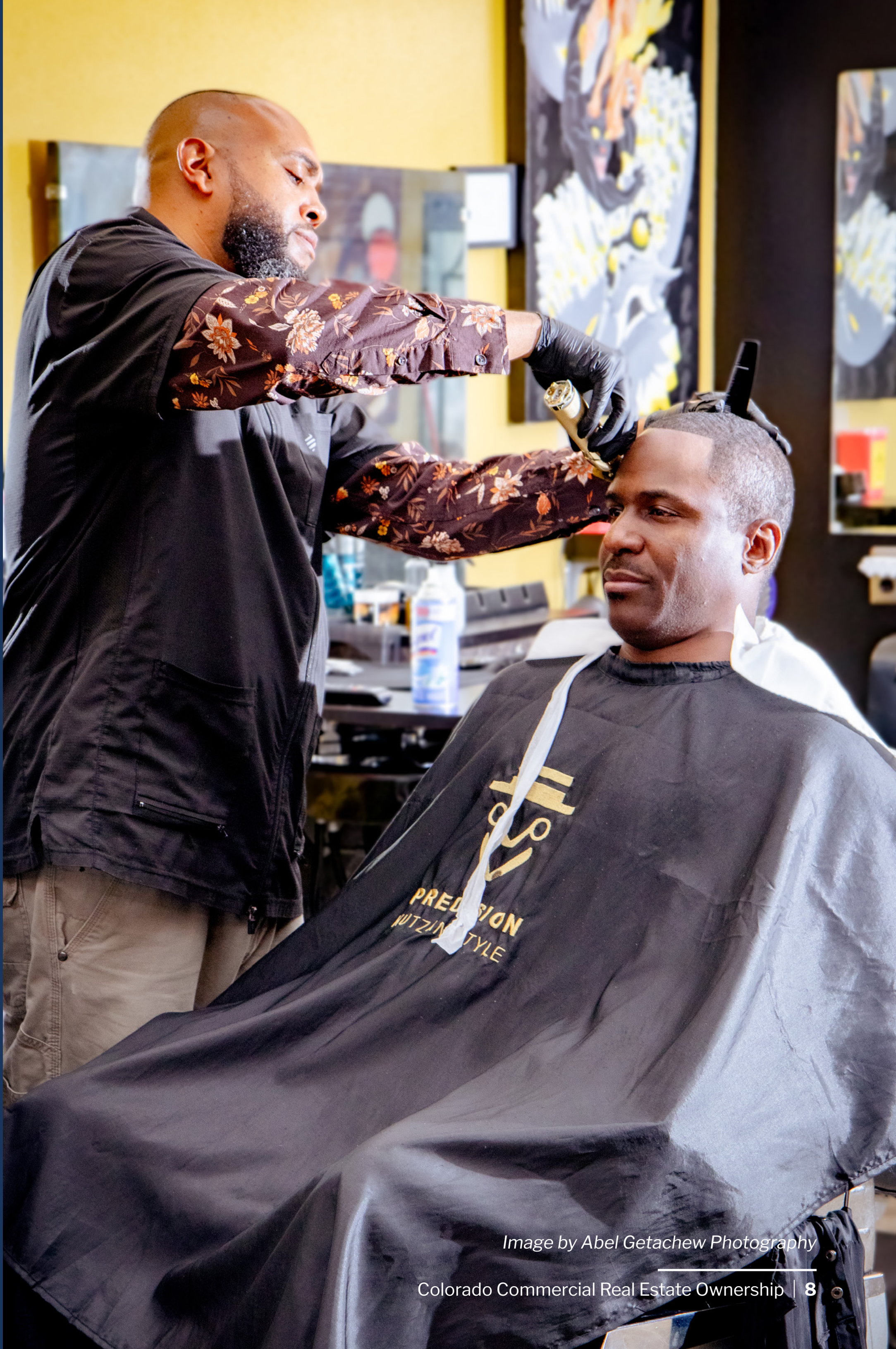


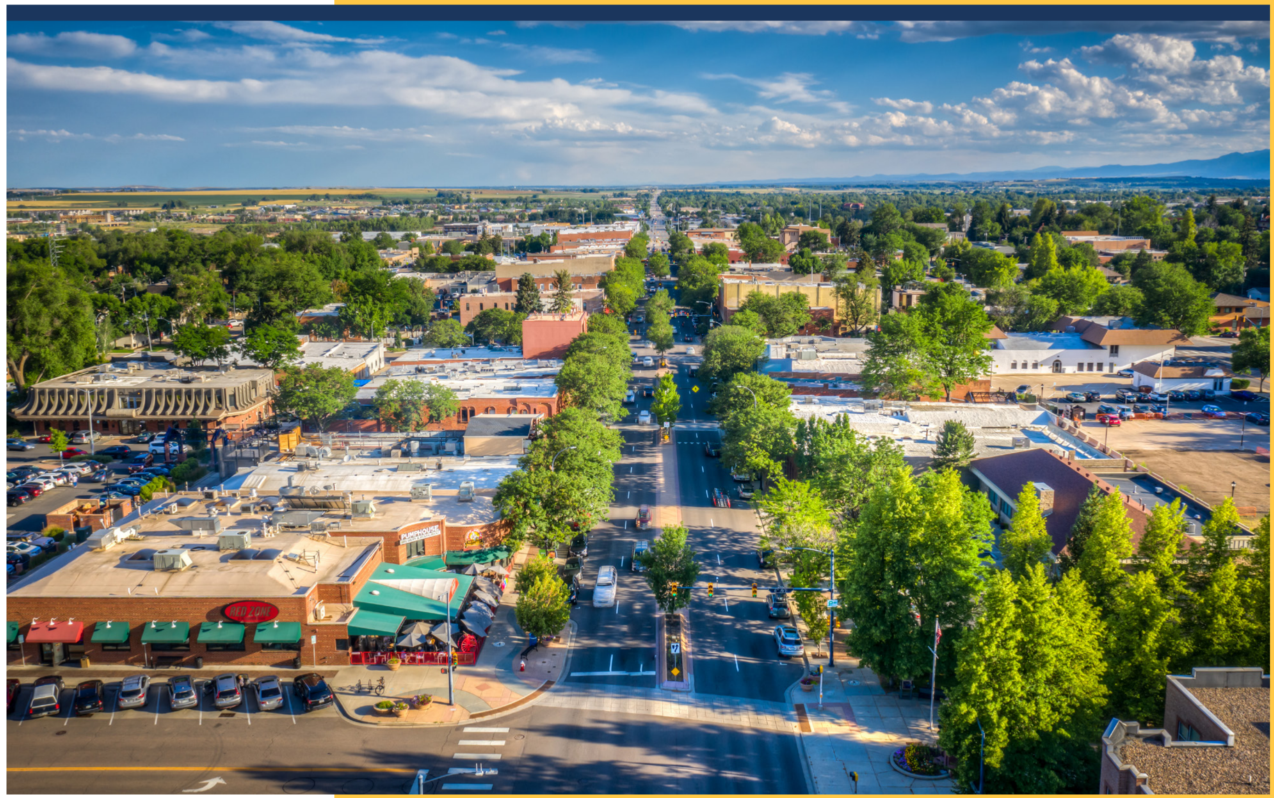
Image by Abel Getachew Photography

The advisory group helped identify key contacts across the state to approach about this topic. Because nonprofit organizations themselves are small businesses, employing workers and serving communities, and because nonprofit economic and community development organizations work closely with small business owners, the group included nonprofits in the landscape scan. Staro Insights developed the scan and spoke with dozens of economic development organizations, small business owners, nonprofit organizations, lenders, and funders over the course of a few months in the fall of 2023.

Although we conducted outreach in every region of the state, not all geographies or viewpoints are represented in the findings. The final group of interviewees were determined by a variety of factors including responses to interview requests and time and capacity to conduct interviews. Given the multifaceted nature of the issues and the variety of types of organizations we spoke with, we chose to conduct one-on-one or group interviews rather than send a survey. Interview questions varied based on organization type. Interviews were conducted between August and November 2023. Findings are also derived from information from a nonprofit office space scan conducted by Staro Insights in spring of 2023 and from the Small Business Anti-Displacement Network conference in College Park Maryland November 1-3, 2023.

STARO INSIGHTS SET OUT WITH THREE OBJECTIVES IN MIND:

1. Understand the barriers, resources, and opportunities for small businesses and nonprofits in Colorado when it comes to acquiring, owning, or co-owning commercial real estate spaces from which to run their businesses.
2. Map the ecosystem of resources and funding for commercial real estate acquisition in Colorado.
3. Make recommendations on strengthening the ecosystem.



Part I: What We Learned/Market Landscape

Research in 2014[6] and 2018[7] examined nonprofit real estate needs and whether rising costs led to organizations being displaced from communities. The latter study found the displacement trend was not urgent but urged officials to take action before it became a larger problem. Between the impact of the pandemic and sharp increases in real estate prices in the last several years, much has changed since 2018. While many organizations continued to provide in-person services during the pandemic, the move to virtual meetings changed the way many groups viewed needs for facilities space and office space in particular.

Trends in office and retail space in Colorado are mixed. In the Metro Denver area for instance, office vacancy rates are very high and lease prices are lower than the national average, although rising.[8]

6 Nonprofit Centers Network & Denver Shared Spaces. "2014 Colorado Nonprofit Facilities." https://www.nonprofitcenters.org/wp-content/uploads/2016/05/executive-summary.pdf

7 Radian. "2018 Reality Check Displacement Study." https://radianinc.org/wp-content/uploads/2023/05/2018-nonprofit-displacement-report.pdf

8 National Association of Realtors. "Commercial Real Estate Report Q3 2023." https://cdn.nar.realtor//sites/default/files/documents/2023-q3-commercial-real-estate-metro-market-reports-co.pdf?_gl=1*143pfhv*_gcl_au*MTI3MTYzMjU2OS4xNzAxOTAyOTYz

High office vacancy rates and subsequent discounted lease prices could create opportunities for small businesses and nonprofits with office space needs. Retail rates on the other hand are rising at a slower rate than nationwide; however, the average lease rate per square foot is significantly higher than the national average.[9] Even in areas with high vacancy rates, high lease rates are challenging for organizations.

According to Melinda Higgs, the President and CEO of Colorado Nonprofit Development Center, two-thirds of the fiscally-sponsored nonprofits the organization works with decided to no longer lease physical space after the pandemic. As fiscally-sponsored organizations, their size and space needs vary, but clearly work-from-home trends during the pandemic created an opportunity for all types of businesses to look at office space needs differently.

9 "United States Commercial Property Per Square Foot." Offices.net https://offices.net/news/united-states-commercial-property-prices-per-square-foot/

CASE STUDY

Longmont Community Foundation

After leasing office space in a Longmont bank building for many years, and even considering purchasing a space in 2019, the foundation recently made the decision to eliminate its office space altogether. By eliminating the cost, the foundation increased staff. Conducting board meetings virtually has helped attract younger, more diverse board members whose schedules or family obligations make it harder to make in-person meetings. In terms of meeting with community members or nonprofits, meetings can take place at a local coffee shop, library or at the organization, which sometimes means joining a grassroots organization for a meeting at someone's home. "We all talk about equity. Isn't part of equity meeting people where they are?" says Eric Hozempa, Longmont Community Foundation Executive Director.

While some organizations have opted to go 100% virtual, many small organizations that are BIPOC-led are interested in different types of co-working opportunities. According to Dee Dee DeVuyst with Radian, there is a strong need for incubator space for new BIPOC-led nonprofits that are serving specific populations. Radian's efforts to provide co-working and office space with subsidized rates is such a need that Radian shifted its Nonprofit Shared Spaces efforts to support this population. A BIPOC nonprofit center is also opening in Denver's Five Points neighborhood. Space for nonprofits to conduct business and provide services is still needed, but nonprofits have greater flexibility than ever before in determining the size and type of space that best serves their missions.

Approaches to Ownership

An individual small business or organization owning its own real estate is far from the only model groups are exploring for property acquisition. Forming cooperatives among small business owners to acquire a retail strip has become a strategy groups are using across the country.

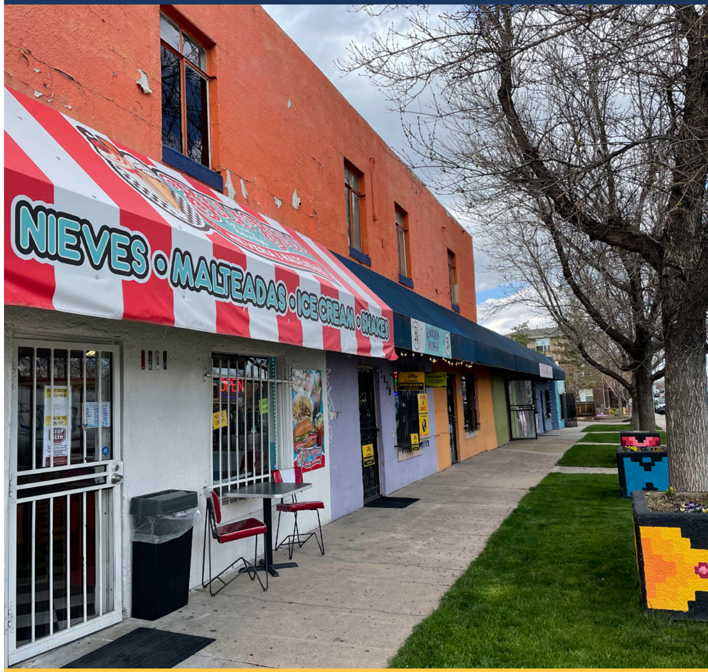
In Colorado, community land trusts are of growing interest to organizations that seek to bank land for community benefit and to improve affordability. Many community land trusts focus on housing but a growing number of organizations are interested in using commercial property acquisition to preserve businesses and prevent displacement.

Urban Land Conservancy (ULC) is an experienced land trust working on both residential and commercial property acquisition in metro Denver. With a track record of over fifty investments and by successfully accessing or creating dedicated funding sources, ULC has amassed a large balance sheet. However, even with a large portfolio of properties, community land trusts still rely on philanthropy for highly-mission-aligned projects and to offset the cost of market-rate capital for projects that are preserving affordability. Aaron Miripol, Urban Land Conservancy's CEO explains that having land that is debt-free strengthens the organization's position when taking on financing for new projects.

New community land trusts have launched in Colorado in the last several years. Tierra Colectiva in the Globeville Elyria-Swansea neighborhood incubated out of Habitat for Humanity's Colorado Community Land Trust and ULC incubated Elevation Community Land Trust that focuses on housing. Land trusts in Chaffee County, Colorado Springs, and Boulder serve their respective communities. Land trust stakeholders gathered in spring of 2023 for the state's first Community Land Trust Conference, hosted by Chaffee Housing Trust.

In addition to using land trusts as a method for creating permanent affordability, organizations are supporting small businesses exploring other ownership models. Groups like Center for Community Wealth Building provide businesses and organizations with resources for cooperative ownership. Place-based groups like The Fax Partnership and East Colfax Community Collective work along the East Colfax corridor on promoting real estate ownership and preserving affordable and transitional housing. And Aurora Economic Opportunity Coalition is organizing newcomer-run businesses to create co-ops to purchase real estate.

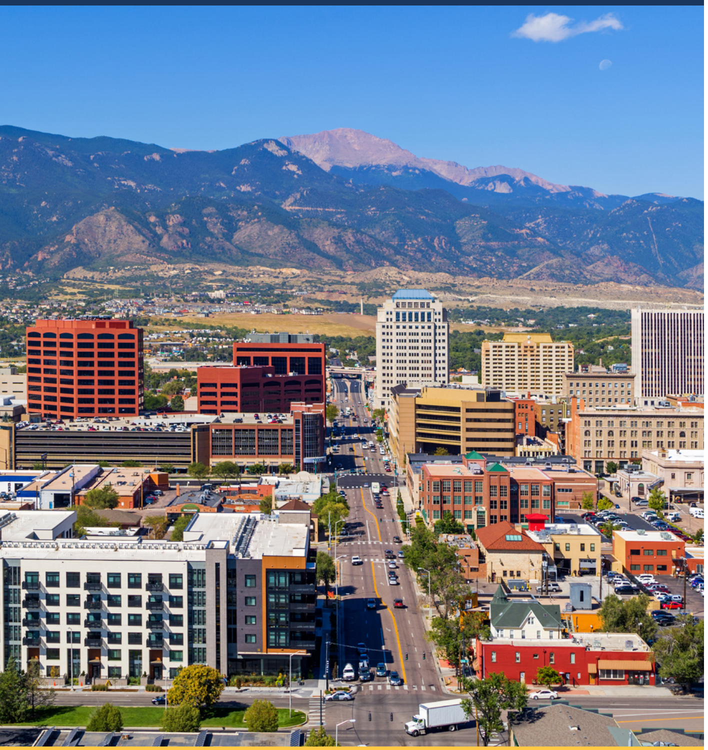
The ability for individuals and residents to invest in community-owned real estate is also of growing interest. Through Community



CASE STUDY

Morrison Road

As housing land trusts have grown in recent years, so has the desire to bank commercial properties and urban open spaces in land trusts. In the Westwood neighborhood, BuCu West, a local economic development organization, partnered with Elevation Community Land Trust to acquire a prominent mixed-use building on Morrison Road. Elevation Community Land Trust is managing the housing units and BuCu West is working with commercial tenants on opportunities to purchase their business spaces. The land under the property is owned by the land trust and operates with a 99-year land lease.



CASE STUDY

Downtown Colorado Springs

Philanthropy has stepped up to spur downtown revitalization in Colorado Springs. The 315 Collective is both a consortium of funders and a place-based impact investment in economic development. With a goal of invigorating the west side of downtown, a group of foundations invested and co-located in a property with office and meeting space on one side and a food hall on the other side. The Well, the food hall, serves both as business incubation for start-up restaurants, as well as a destination for downtown area workers to walk to lunch.

Investment Funds or Community Investment Trusts, residents can buy shares in commercial real estate projects. Solid Rock CDC in Colorado Springs created a community investment trust to allow for non-accredited investors to make low-dollar investments in real estate in their community.

Downtown Communities in Transition

In Colorado Springs, the downtown area is in a state of transition with several thousand residential units becoming available in the near future and new businesses opening in the area. With some of the largest increases in real estate prices in the country, local leaders are working to ensure businesses can afford to operate in downtown.

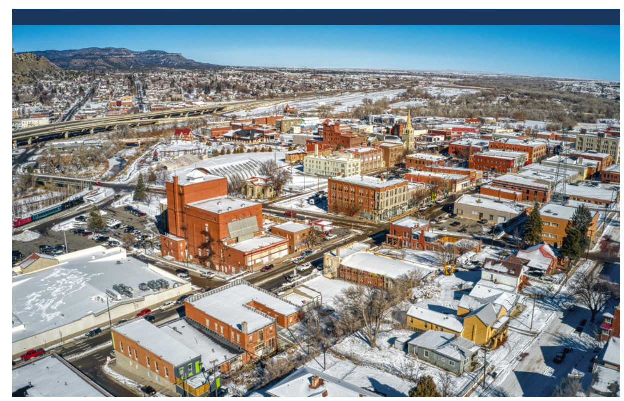
Local business and philanthropy leaders want to ensure downtown is a destination for locals and tourists alike. The preference is for interesting retail and restaurant businesses rather than chain stores. To address affordability, the Pikes Peak Real Estate Foundation is soliciting property donations from legacy commercial property owners in the area. If the Foundation can own and operate the real estate, it can offer space for subsidized prices for start-up and growing businesses.

Grand Junction economic development leaders are also striving to create a destination in downtown rather than a shopping mall-type experience. Grants from Downtown Grand Junction encourage property owners to improve facades and better utilize the second-story spaces, and restaurant grants help with costs to get properties up to code for a restaurant. Vibrant downtown businesses can attract tourists and provide amenities for the growing population of people choosing to live downtown.

Insights from Rural and Mountain Communities

Rural communities and cities with quiet downtown areas face different and sometimes contradictory challenges than those of more populated Colorado cities. In Sterling, for instance, the county seat and regional hub in northeast Colorado, the economic development center is supporting new businesses and working to attract existing businesses to downtown. Although some businesses are ready to have a storefront and there is real estate available, the cost of buying or leasing a space may prevent them from moving a home-based business to a shop. In these areas, vacancy rates do not necessarily correlate to price levels.

In very small rural areas, infrastructure investment can make a significant impact on economic development; however, many local governments lack the capacity to apply for government grant funding. Small rural areas are interested in tax increment financing to support existing commercial corridors, but they worry that the interests of urban areas drive state



policy discussions and leave rural areas behind. Three quarters of Colorado counties have a population of fewer than 50,000 people and 60% have populations of 20,000 or less.[10] Kat Correll from Downtown Colorado noted that in small communities small nonprofit organizations rather than municipalities often seek funding for infrastructure and economic development, but they are sometimes considered "too small" to meet the requirements because of the size of their operating budgets.

The Trinidad community in Southern Colorado which relies heavily on tourism, has successfully attracted small businesses and small business co-ops from larger communities to locate in vacant properties in the downtown corridor. The growth has not been without challenges though. The influx of newcomers was a cultural shift for residents. And as businesses operated successfully, real estate prices began to rise, decreasing the affordability that attracted businesses in the first place.

Mountain resort communities face unique real estate challenges. In addition to extremely high purchase and lease rates, mountain businesses struggle finding workers because of the sky-high cost of living and cost of housing. CHFA (Colorado Housing and Finance Authority) provides several real estate-related lending products that borrowers won't find at banks but as Justin Vause of CHFA explains, in mountain communities organizations may not be able to take advantage of the real estate assistance programs because there simply is not enough commercial inventory available.

Acquiring land and building a facility can be an option; however, even identifying vacant land in these communities is challenging. In places like Telluride which is located in a box canyon, there is virtually no available land on which to build. Available land is owned by the US Forest Service or the ski area. These factors add price pressure to an already-expensive real estate market. Foundations and partners in the region have instead focused resources on business growth through the Telluride Venture Fund and San Juan Regional Loan Fund.

10 Colorado Department of Local Affairs. County Population Estimates 2010 to Current Year. https://demography.dola.colorado.gov/assets/html/county.html

Part II: Barriers to Commercial Property Acquisition

For small businesses and organizations looking to acquire properties, working with property owners can be challenging in all regions. Small businesses and nonprofits reported both property owners who were not motivated by money and not interested in selling, as well as property owners who were asking over market rate or waiting to sell to the developer who could offer top dollar. Organizations sometimes faced challenges identifying the owner of the property when properties were owned by trusts. In rural communities, economic development leaders may be trying to work with the State Land Board to acquire properties and end up facing bureaucratic hurdles.

From the SBAN conference we heard several stories of property owners who were willing to sell but not to the BIPOC business owners who were interested in purchasing the property. Business owners experienced discrimination and racism when approaching property owners. Sometimes owners assumed BIPOC owners didn't have capital for purchase and other times they refused offers from BIPOC businesses and sought out white buyers instead. In one case a BIPOC-led community development organization stopped working with their broker who was a person of color and chose a white broker who had stronger connections with other brokers and white property owners. These experiences were echoed by some Colorado business owners.

Overall, small businesses and nonprofits expressed a strong desire to own their own real estate. Small businesses were interested in ensuring they could remain in their communities near their customers and could pass on businesses and property to their families.

Small businesses are particularly vulnerable to changes resulting from large infrastructure projects. The I-70 expansion in North Denver disrupted business for many small businesses and families, people who are already experiencing the pressure of gentrification. Along the East Colfax Corridor, the expansion of bus rapid transit has given rise to speculative investment and small businesses are seeing developers accumulate large parcels and properties in the area. Nonprofits supporting community and small businesses in these areas are working with a sense of urgency faced with the rapid pace of neighborhood change.

Similarly, nonprofits are looking to put a stake in the communities they serve and are also looking for space that is more appropriate to their programming needs. The Colorado Health Foundation has made significant investments in BIPOC-led nonprofits for either capital for acquisition or for grants for real estate planning through its Equity Collective initiative. Nonprofits, grateful for these often largest-ever-contributions, are still faced with the fact that even $1 million does not cover the cost of properties where they can operate their programs.

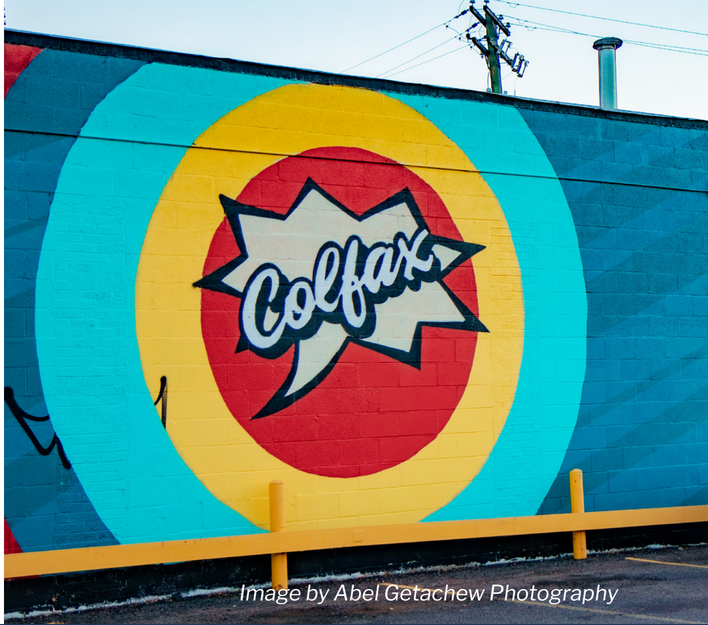


Image by Abel Getachew Photography

COMMON BARRIERS

Real Estate Prices. The cost of acquiring property because of high asking prices was the most cited barrier for acquiring real estate.

Access to Capital. Capital for down payment and acquisition costs is a challenge. High prices mean larger down payments. Saving or fundraising for these upfront costs are a barrier to acquiring properties.

Cost of Capital. The high interest rate environment means monthly mortgage payments are less affordable or require much higher down payments. The "buy/lease analysis" means owning is more expensive than leasing in many cases, even considering rising lease rates.

Time-Sensitive Needs. High interest rates have not necessarily cooled the commercial real estate market enough to impact the availability or affordability of properties. In order to provide a competitive offer for an available property, small businesses and nonprofits must line up earnest money, down payments, and financing quickly.

Technical Knowledge. Even when businesses and organizations have the capital in place, real estate may not be an area of expertise. Small businesses and organizations struggle to identify and access appropriate legal support for counsel and due-diligence, and when they are able to find experts to work with, they often lack the resources to compensate them.

Part III: Resources for Ownership

Throughout the state, resources for capital and technical assistance are available to small businesses and nonprofits. Nonprofit organizations that provide technical assistance to small businesses, as well as organizations that provide capital, both reported that small businesses are not often aware of the resources available.

Awareness was not the only gap in connecting small businesses and nonprofits with capital. Often sole-proprietor or family run businesses are focused on day-to-day operations and may not have the accounting systems or financials in place to apply for financing.

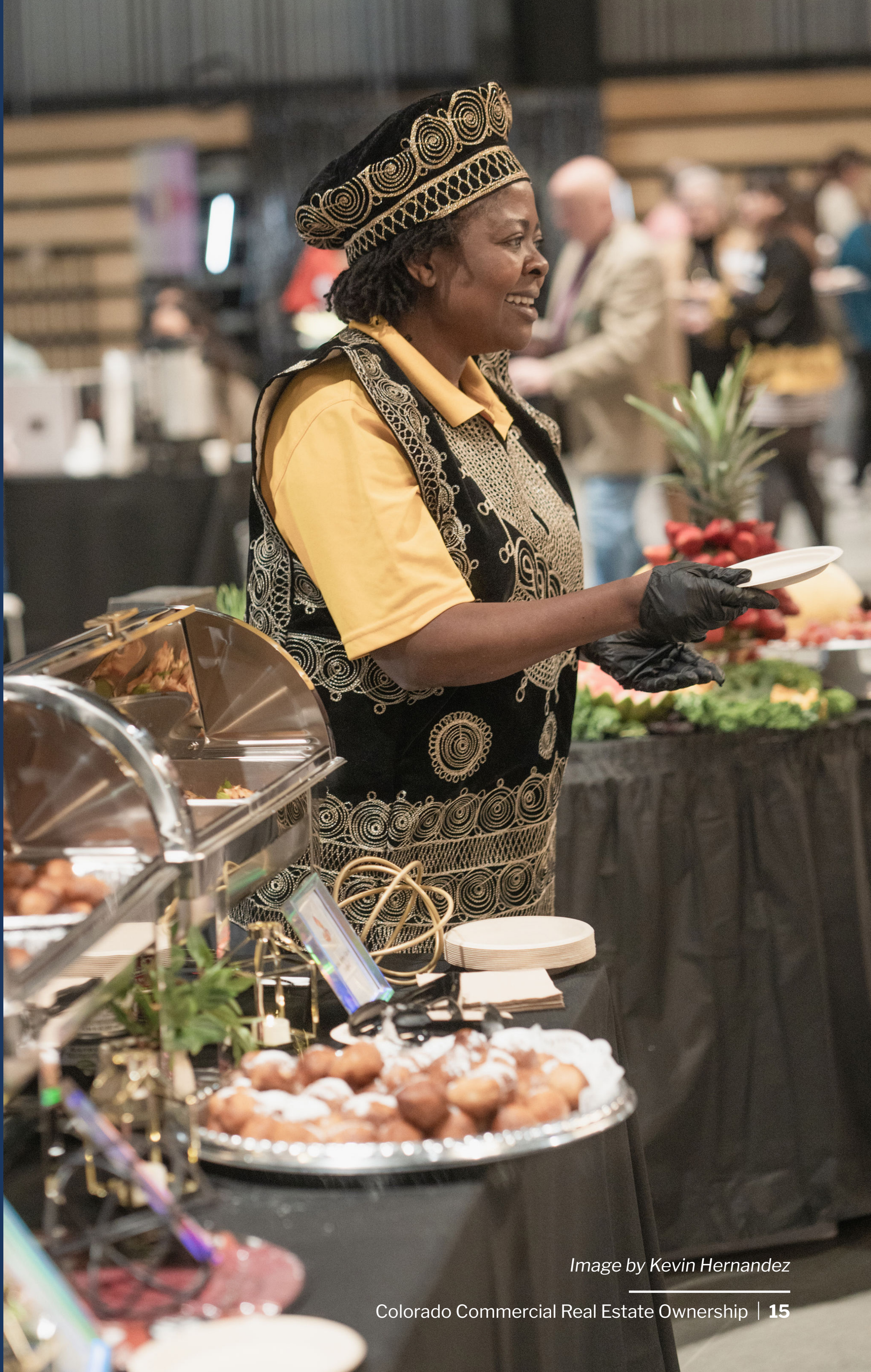


Image by Kevin Hernandez

"They have readily available what is needed to run the day-to-day operations of a business," says Turid Nagel-Casebolt, Director of Business Development at Denver Office of Economic Development and Opportunity, "but they may not have the financial statements in place to borrow money."

Nonprofits, on the other hand, used to attaching sets of financial statements to grant proposals, tend to have this piece in order. However, financial literacy around the capital stack is often an issue for nonprofits explains Elvis Rubio, from Denver's division of Neighborhood Equity & Stabilization. Borrowers need the other pieces of capital for the acquisition in place should it be down payments, grants, or other financing. They also need to consider the lead time for the loan. DEDO offers highly desireable performance loans for nonprofits where the loan may be forgiven if specific terms and criteria are met. These loans, however, can take upwards of six months to close.

Alternative ownership structures such as establishing a cooperative, or working with a community land trust are of growing interest but are lesser-know options for small businesses and nonprofits. COBRE (Community Owned and Benefiting Real Estate) is a new consortium of organizations dedicated to growing community ownership, community investment decision-making, and wealth creation for individuals and communities through ownership. Through education and policy change, the group hopes to expand community-ownership tools and resources.

In addition to learning about barriers small businesses and the organizations who support them are facing, themes on collaboration and trust often surfaced. While community land trusts are nonprofit organizations that preserve affordability and increase nonprofit ownership, some groups are hesitant to work with large organizations especially when leadership is not representative of communities. The goal of the 99-year land lease model ensures property is not available to developers for a century. However, some community members question the restriction. Alece Montez from AJL Foundations says, "[It's as if] you are going to hold the land until black brown and indigenous people can prove they can manage it properly." We heard similar sentiments about working with other nonprofit organizations and lenders where there is not representation from people of color in either leadership or client-facing staff.

Small nonprofits who have received significant funding were often discouraged with all of the tasks required for commercial real estate acquisition. "As EDs working with community we are now expected to be real estate experts, and experts in zoning, etc. It's especially challenging for EDs of color because we don't have connections in that world," explains Crystal Muñoz, Executive Director of Roots Family Center.

Image by Kevin Hernandez

> **"As EDs working with community we are now expected to be real estate experts, and experts in zoning, etc. It's especially challenging for EDs of color because we don't have connections in that world."**
>
> **Crystal Muñoz**
> **Executive Director of Roots Family Center**

Resources for Ownership

A variety of resources for financing and tools for ownership exist to help small businesses and nonprofits acquire commercial real estate. Some of the major resources are listed below.

SBA LOANS (SMALL BUSINESS ADMINISTRATION)

sba.gov

Many banks make loans to small businesses using the federal backed SBA loan program. The SBA doesn't make loans directly to borrowers; rather, it guarantees loans to encourage lenders to lend to small businesses. Both 7(a) and 504 Loans can be used for real estate acquisition. Borrowers can start with local banks or they can get matched with lenders through the SBA website. SBA loans are a great place to start before seeking out other programs.

CDFIS (COMMUNITY DEVELOPMENT FINANCE INSTITUTIONS)

cdfi.org

Colorado is home to over a dozen CDFIs located in every corner of the state. CDFIs may operate as a loan fund, credit union, or bank. Each lender has its own mission-related focus, often supporting a specific demographic or geography. Others may lend only for affordable housing or small businesses growth, for instance, but several will make loans for commercial real estate acquisition. Some CDFIs that make loans for real estate include Colorado Enterprise Fund, First Southwest Community Fund, and Impact Development Fund.

CHFA (COLORADO HOUSING AND FINANCE AUTHORITY)

chfainfo.com

With housing in its name, borrowers may not realize CHFA also provides financing products for commercial real estate acquisition for small businesses and nonprofits. In addition to direct lending, CHFA provides credit enhancements, bond financing, and New Markets Tax Credit allocation for projects. The credit enhancement product is especially helpful because although it's not a down-payment assistance program, it helps borrowers qualify for a mortgage with a lower down payment. CHFA also has loans specifically for nonprofits and for fresh food retailers.

DEDO (DENVER ECONOMIC DEVELOPMENT AND OPPORTUNITY)

Denvergov.org

While restricted to businesses and nonprofits operating in Denver, DEDO provides an array of capital options and technical assistance resources for commercial real estate acquisition. Programs and support include small business development, small business loans, equity investments for businesses, performance loans for nonprofits acquiring real estate, technical assistance for small business, programs for BIPOC entrepreneurs, gap funding, nonprofit facilities grants, legacy business funding, and technical assistance for commercial property management. Organizations and small businesses located outside of Denver can contact their local Economic Development Corporation, many of which provide funding, technical assistance, and creative programs to support businesses in their communities.

Resources for Ownership

PRIs (PROGRAM-RELATED INVESTMENTS)

Program-Related Investments are low-cost loans or other types of investments private foundations make as a strategy that complements their grant-making. With a primary goal of creating impact related to the foundation's mission, the financial return is often a below-market rate, creating a favorable borrowing opportunity for nonprofits (and sometimes social-impact for-profit businesses). To determine which funders make program-related investments, nonprofits can start by asking their current funders about opportunities. Community foundations and donor-advised funds also make similar types of impact investments. Examples of funders that make program-related investments or impact investments for real estate include The Colorado Health Foundation, The Colorado Trust, The Denver Foundation, and Gates Family Foundation. Nonprofits should contact their current funders and other funders directly for requirements.

501 (C)3 BONDS

cecfa.org, cdola.colorado.gov

State and local governments issue bonds that nonprofits can use for financing for capital projects. For example the Colorado Educational & Cultural Facilities Authority issues bonds and loans funds to educational and cultural institutions for capital projects including land and facility acquisition. The Colorado Department of Local Affairs issues private activity bonds to local municipalities and to CHFA for financing for community benefit projects including affordable housing. Bond financing usually provides borrowers with a lower cost of borrowing because interest paid to bond investors is tax-exempt. This type of financing may require working with a financial advisor.

NEW MARKETS TAX CREDIT (NMTC) FINANCING

cdfifund.gov/programs-training/programs/new-markets-tax-credit

Large development projects that create economic opportunity through job creation may be eligible for NMTC. Organizations receive funding through Community Development Entities (often CDFIs) that receive tax credit allocation through the CDFI Fund. NMTC funding is a helpful but complicated type of funding.

STATE HISTORICAL FUND & PRESERVATION TAX CREDITS

historycolorado.org/grants-incentives

oedit.colorado.gov/commercial-historic-preservation-tax-credit

For historic properties, the State Historical Fund provides grants for rehabilitation and preservation of historic properties for public benefit. Federal and State Historic Preservation Tax Credits are tax incentives that offset a percentage of rehabilitation costs for historic preservation projects including commercial properties.

Resources for Ownership

COMMUNITY LAND TRUSTS

cltweb.org

Community Land Trusts help steward the land for a multitude of purposes for residents now and for the future. Center for Community Land Trust Innovation provides support for community land trusts and resources for starting a community land trust. Colorado-Based Land Trusts include Urban Land Conservancy, Thistle Communities, Colorado Community Land Trust, Chaffee Housing Trust, Elevation Community Land Trust, GES Tierra Colectiva, Goose Creek Community Land Trust, and Rocky Mountain Community Land Trust.

SHARING CONNEXION

sharingconnexion.org

Sharing Connexion is a Colorado-based nonprofit organization supporting nonprofits with real estate transactions. Programs include helping organizations accept real estate donations, and helping with financing or acquisitions through its real estate impact and real estate rescue programs.

CENTER FOR COMMUNITY WEALTH BUILDING

communitywealthbuilding.org

Center for Community Wealth Building is an economic justice organization providing several programs including promoting ownership through cooperative development and providing technical assistance for small business owners.

SMALL BUSINESS ANTI-DISPLACEMENT NETWORK (SBAN)

antidisplacement.org

SBAN is a network of nonprofit advocates, technical service providers, real estate developers, policy makers, lenders, and small business owners that work to prevent the displacement of BIPOC and immigrant owned businesses in gentrifying neighborhoods. SBAN created an extensive toolkit (antidisplacement.org/toolkit/) with anti-displacement strategies and tools including commercial preservation and ownership resources.

COMMUNITY FIELD NOTES BY NATIONAL EQUITABLE RECOVERY ALLIANCE

futureby.community

Resources for community land ownership and real estate stewardship including models and resources for community land trusts, community investment cooperatives, land banking, and community investment funds. Also offers an extensive resource hub on these topics.

Part IV: Recommendations

For funders, technical assistance providers, and policy makers, we've made several recommendations based on the landscape scan findings.

Promoting Resources and Providing Technical Assistance

Many resources for financing and technical assistance are readily available for borrowers who may not know of them or how to access them. By promoting existing programs, we can close the gap on the knowledge and support borrowers. And, by targeting the right tools to specific Colorado communities, ownership of commercial real estate can be strengthened now and into the future.

1. Promote and publicize ownership resources by sharing opportunities with existing funder, nonprofit, and small business networks. Ensure providers who support organizations and businesses have connections with capital and TA providers.
2. For urban communities facing extreme pressure from gentrification, create assistance programs that help community-driven organizations compete with other developers. Educate nonprofits and small businesses about professional service providers needed for a real estate acquisition. Identify ways to support groups by providing access to professionals to assist with transactions.
3. For communities that are more affordable relative to the front range corridor, help communities put guardrails in place so that as economic development progresses, affordability can be maintained. Promote resources and provide resources for models for collective ownership and permanent affordability as a preventative measure.

Creating New and Complementary Funding Resources

Existing philanthropic funding resources can be more effective when aligned with other grant and loan programs or stacked with other types of capital.

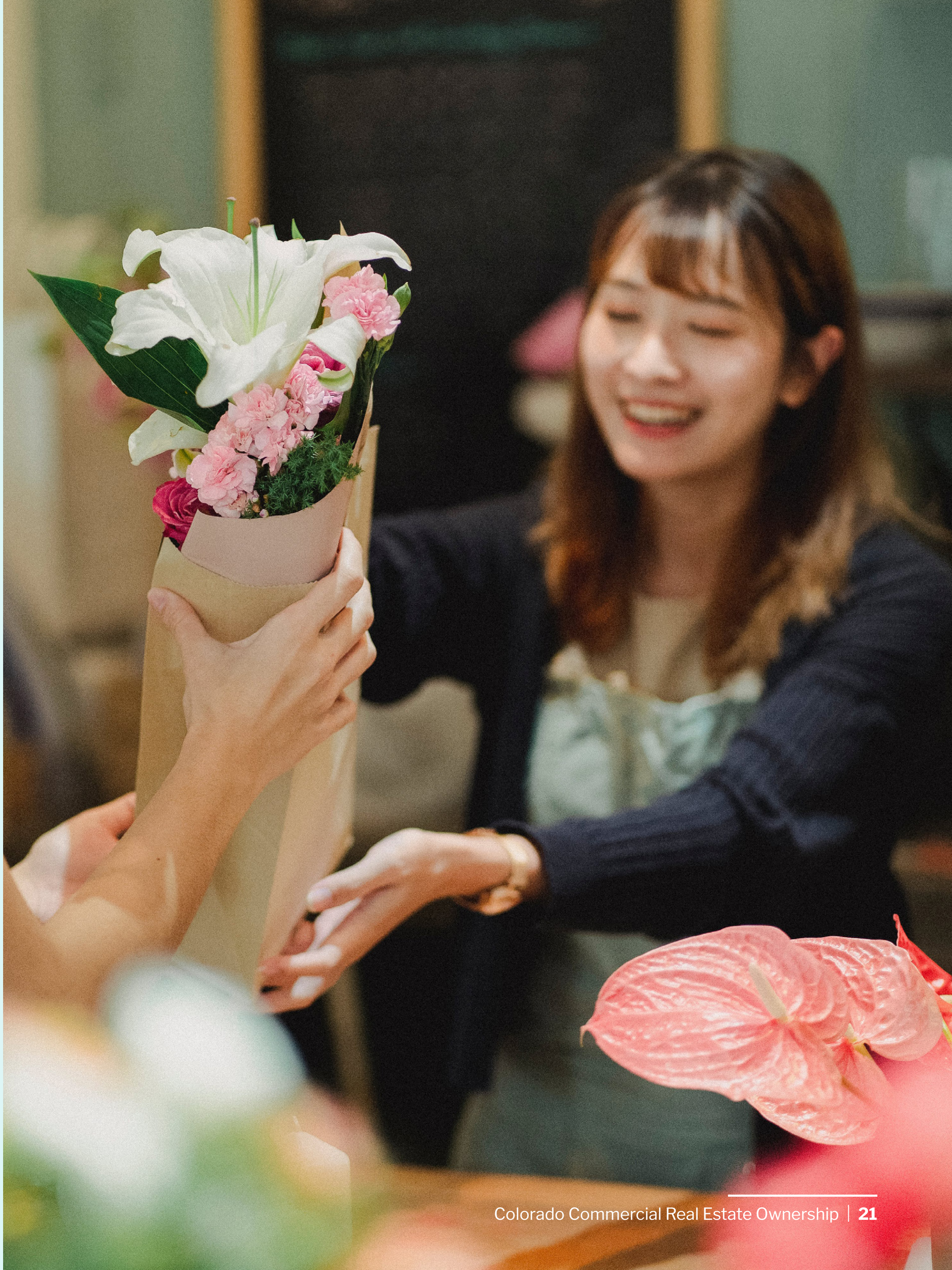
1. Identify and formalize opportunities for philanthropic capital to work alongside municipal programs and community development lenders to make all types of funding more useful and effective. By pairing philanthropic and economic development investments in projects (the way foundations often pair impact investments and grants), investors can strengthen their chances for success and better leverage their capital for impact.
2. Explore investment structures that will allow for timely capital for small businesses and nonprofits to compete with more experienced developers and to work at the speed of the market. A diversified pool of grants or loans available with a quick turnaround for small businesses and nonprofits that have an acquisition opportunity will help the organizations compete with for-profit developers.

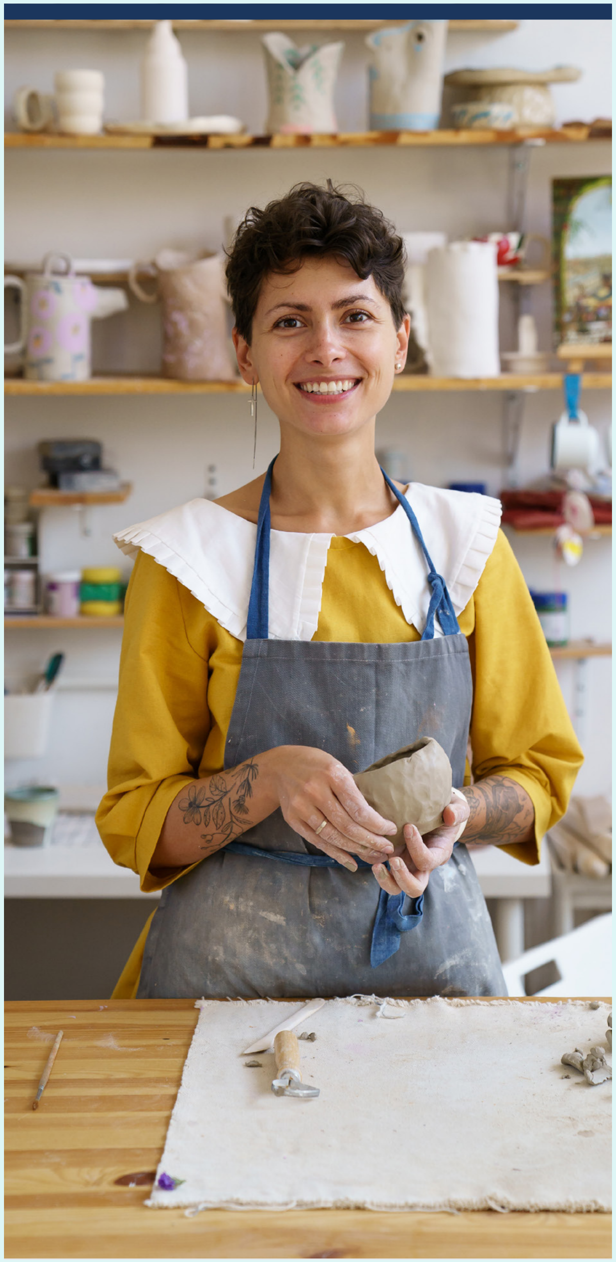
Community Building and Creating Trust

Despite the resources available, many organizations and small business owners, due to their lived experience, are distrusting of established organizations. Even large nonprofit organizations with a community development mission will not be seen as a viable partner if communities of color have been mistreated by them or don't see themselves represented in the organization's leadership. Additionally, funders that operate from a top-down approach may miss the opportunity to work fully with community-driven and BIPOC-led organizations.

1. Organizations that support small business owners have successfully partnered with economic development organization staff and managers. Strengthen ties between organizations and economic development groups to ensure resources are available when needed and to eliminate barriers to commercial real estate acquisition.

2. Community leaders are ready to have frank discussions about the relationships between real estate, land ownership, wealth, and power. Funders have the opportunity to learn from community to further their impact by supporting and engaging in these conversations. Identify opportunities to explore these topics and also facilitate conversations with community.





Topics for Further Exploration

Topics related to commercial real estate acquisition but outside the scope of this landscape scan surfaced and should be further examined.

Capital Needed. It is unclear the amount of capital that could make an impact on these issues, especially given the cost of real estate. Further research could be done on the amount of capital that could assist individual acquisitions, the number of potential acquisitions, and also the amount of existing capital sitting on the sidelines.

Ground-floor real estate in LIHTC Buildings. Often ground-floor retail is required when constructing new LIHTC (Low-Income Housing Tax Credits) buildings, but rent revenue is not factored into the overall project financials. Sometimes these spaces end up vacant when they could be occupied by relevant, community serving organizations and nonprofit social enterprises. Opportunities and models for supporting community-led nonprofits with acquiring ground-floor retail in LIHTC buildings for community-relevant social-enterprise should be further explored.

Nonprofit Co-Working or Co-Owned Office Space. The prominence of co-working spaces, hybrid work environments, and high vacancy rates create interesting opportunities for nonprofits to co-own or lease workspaces. Subsidized leases for small and start-up BIPOC-led nonprofits paired with market-rate prices for established nonprofits could be a model to support organizations looking for affordable space.

Improve Access to Information About Program-Related Investments. Many foundations are venturing into impact investing with PRIs. Unlike grants where state-wide and national databases with funding opportunities are readily available, PRI opportunities are challenging for nonprofits to track down. Adding information to existing resources or creating new resources should be explored.

Anchor Institutions. Large institutions like hospital systems and universities manage large amounts of capital for capital equipment and funded depreciation among other reasons. Sometimes these mission-driven institutional investors put their capital to work in communities. Anchor institutions could be a valuable resource in the capital ecosystem and should be engaged more intentionally.

Connecting Developers and Community. While tools like Community Benefits Agreements exist to ensure developers are working with residents, work could be done to expand tools and also ensure that developers are held accountable for the commitments they have made.

Conclusion

Owning land and property can be an important tool for creating wealth for families and business owners. By promoting ownership of commercial real estate, either through individual ownership, co-ops and collectives, community land trusts, or community investment vehicles, community development organizations can create community wealth and intergenerational wealth for residents who have been left out of this American dream or who have faced racial discrimination. In addition to addressing racial disparities in wealth creation, property ownership can slow the pace of displacement and gentrification and preserve community culture.

Nonprofit organizations—both those that are focused on preserving affordability and those that provide other services—can play a meaningful role in these efforts by acquiring and maintaining property. They can put a stake in the communities they serve, preserve community spaces, and promote affordability and prevent displacement. However, acquiring real estate may not be the best way for all nonprofits to create community wealth and prevent displacement. Co-working, hybrid offices, and working within community may allow nonprofits to put assets to use in a more direct way than through property acquisition.

Many resources are available in Colorado for real estate acquisition for nonprofits and small businesses alike. Promoting resources through established networks may be the simplest way to support efforts in commercial real estate ownership.

To address other barriers small business owners and nonprofits face in acquiring real estate, funders and community-development lenders can play an important role. Opportunities include supporting or providing technical assistance, increasing access to professional services providers and real estate experts, partnering with existing state and local ownership programs, and providing capital for down payments and pre-development needs. Providing capital for low-cost loans or guarantees could also make a significant impact and reduce the cost of borrowing.

Image by Kevin Hernandez

In concert with funding strategies, the philanthropic and lending communities should be prepared to engage in and facilitate conversations with community stakeholders about the relationships between owning land and wealth and power. Until community development organizations trust institutions providing resources and support, many resources may be left on the table.

While community development organizations, small businesses, and philanthropy cannot affect market conditions to make real estate more affordable, much can be accomplished by strengthening access to resources, strategically aligning philanthropic capital, and exploring the dynamics of race, ownership, wealth, and power that create disparities in commercial real estate ownership.

Acknowledgments

A sincere thank you to the organizations and individuals who generously shared their time and earnestly shared their experiences and insights:

- AJL Foundation
- Aurora Economic Opportunity Coalition
- BuCu West
- Center for Community Wealth Building
- Chaffee County EDC
- Colorado Housing and Finance Authority
- Colorado Nonprofit Development Center
- Dakota Foundation
- Denver Economic Development and Opportunity
- Downtown Colorado, Inc.
- Downtown Grand Junction
- East Colfax Community Collective
- Elevation Community Land Trust
- The Fax Partnership
- Forte Commercial Real Estate
- Gates Family Foundation
- Gary Community Ventures
- Globeville Elyria-Swansea Coalition / Tierra Colectiva
- Kayvan Khalatbari
- Latino Community Foundation of Colorado
- Logan County Economic Development Corp
- Longmont Community Foundation
- Native American Bank
- Pikes Peak Real Estate Foundation
- Roots Family Center
- Radian
- Yadira Sanchez
- Sharing Connexion
- Telluride Foundation
- Urban Land Conservancy

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About Staro Insights

Staro Insights is a woman-owned, U.S. based, consulting firm specializing in philanthropic and business strategy for foundations, nonprofit organizations, and social impact businesses. Services include impact investment (program-related and mission-related) strategies for nonprofit organizations and social impact businesses that are securing diversified funding for large-scale projects, as well as capital deployment strategies for foundations and philanthropists looking to activate more of their assets for impact. The firm principal and consultants bring experience in community development finance, fundraising, impact investing, grantmaking, business strategy, and business planning.

Funded by

NDC Neighborhood Development Collaborative

Gates Family Foundation

Kenneth King Foundation