# Table of Contents

- **Background** .................................................. 1  
- **Cultivating Community Ownership** ................. 3  
- **Initial Public Offering** .................................... 7  
- **Investor Profile** ............................................. 9  
- **Lessons Learned** .......................................... 11  
- **Conclusions** ................................................ 13
The Jacobs Family Foundation (JFF) was established in 1988 to explore new philanthropic roles and relationships for strengthening underinvested neighborhoods. Nine years later, along with its sister organization, the Jacobs Center for Neighborhood Innovation (JCNI), JFF began working intensely with residents of the Diamond Neighborhoods in southeastern San Diego. Over the years, their focus has evolved into the creation of The Village at Market Creek, a nearly 60-acre, $1-billion development that is envisioned as a commercial and cultural hub of the community. Through their work in The Village, JFF and JCNI are carrying out their unique and long-term commitment to strengthen underinvested neighborhoods by engaging residents, revitalizing communities, and fostering local ownership.

Notably, both Foundations are projected to sunset sometime between 2020 and 2030. Before then, their work and assets are expected to transition to community ownership through a variety of pathways and mechanisms.

San Diego’s Diamond Neighborhoods consist of ten contiguous neighborhoods with nearly 87,000 ethnically-diverse residents. In 1999, its median household income was $32,070 and 23% of residents lived in poverty. The neighborhoods contained a lot of empty or underutilized land, with few services locally available for residents.

Immediately after committing to the revitalization of the Diamond Neighborhoods, JCNI focused on involving community members in every aspect of its work. Massive outreach and research efforts were undertaken to engage community members in conversations about their visions for the future of the community. Through that process, the site of an abandoned aerospace factory was identified as the location for what eventually became Market Creek Plaza – a commercial development that would provide needed goods and services while also serving as a space for community gatherings and celebrations.

1 The Jacobs Center for Neighborhood Innovation (JCNI) was the corporate structure that had the primary role in work related to the Market Creek Plaza Initial Public Offering. However, all references to JCNI in this document should be deemed to include its sister organization, the Jacobs Family Foundation (JFF).

The Plaza, which was planned, designed, and built with the guidance and assistance of community residents, created the momentum that led to the nearly 60-acre plan for The Village at Market Creek. It also provided the initial opportunity for JCNI to put the idea of community ownership into action.

To create the Market Creek Plaza ownership opportunity, JCNI partnered with local community members to create an Initial Public Offering (IPO). The IPO would enable residents of the Diamond Neighborhoods to become owners of one of the largest community development projects in the country. Thus, the project’s IPO is often referred to as the first-ever Community Development IPO.

While preparing the IPO, JCNI implemented large-scale community outreach and education efforts to engage residents in visioning for – and eventually fostering ownership of – Market Creek Plaza. These efforts helped ready community members to respond to the ownership opportunity. As a result, when the IPO closed on December 31, 2006, $500,000 had been invested by 419 local individuals, groups, and institutions.

This report details the development of the IPO and the pathways that resulted in local ownership and community change. It also offers lessons learned for future initiatives striving to uplift communities through individual development and community capacity building.

Market Creek Plaza exemplifies JFF’s unique and long-term commitment to engage residents, revitalize communities, and foster local ownership.
The JCNI’s focus on the “resident ownership of neighborhood change” has entailed over a decade of planning, relationship building, investing, and implementing a vision to develop The Village at Market Creek. As the IPO at Market Creek Plaza has demonstrated, cultivating community ownership requires time, flexibility, and commitment on the part of all stakeholders.

The ultimate goals of the Market Creek Plaza ownership strategy and IPO were two-fold: 1) community ownership, and 2) positive economic and community development for the Diamond Neighborhoods. These goals and how to make them reality unfolded over a long time frame and involved significant investment in community outreach, planning, and education; navigation of established financial systems and regulatory mechanisms; and ongoing support from JCNI. Analysis of these three pathways for change – resident engagement, financial and regulatory mechanisms, and JCNI’s institutional roles and responsibilities – elucidates the unique and innovative IPO process and outcomes, and informs lessons learned for future initiatives.

1. RESIDENT ENGAGEMENT
Development of Market Creek Plaza relied on resident engagement, local leadership, and community mobilization to ensure it was a catalyst for community change.

Resident engagement occurred primarily through the development of several teams. With the financial and technical support of JCNI, the resident teams served as the link between the Market Creek Plaza initiative and the community at large.

The Ownership Design Team, which had more than 125 participants in its meetings, led the visioning, research, and analysis necessary to explore options for collective ownership of Market Creek Plaza. Team members determined that ownership of the Plaza would have three types of financial benefit: individual benefit, community benefit, and funds for capacity building and ongoing development of The Village. The Ownership Design Team then did research to select the structure that would support all three types of benefits. They determined the best option was to create a limited liability corporation – Market Creek Partners LLC. The LLC would own the Plaza. Three separate but interdependent legal entities would, in turn, become partners in the LLC:

a) Diamond Community Investors (DCI), a corporation through which individuals could become owners and build wealth within the neighborhood through direct ownership of the project;

b) Neighborhood Unity Foundation (NUF), formed to facilitate community-controlled philanthropic resources for the benefit of the community; and

c) Diamond Management Incorporated (DMI), a company charged with fostering ongoing development capacity in the Diamond Neighborhoods.
The Market Creek Plaza ownership plan aimed to balance the benefit of individual investments with the desire for broad community change.

Ultimately the ownership plan was designed specifically to enable individual ownership in the short-term, while facilitating economic development of the Diamond Neighborhoods over the long-term.

Having laid out the structure for collective ownership of Market Creek Plaza, the Ownership Design Team divided into three newly formed teams; each would focus on developing one of the legal entities in the structure that had been envisioned: the Ownership Team was charged with developing the vehicle for individual ownership – what eventually became DCI; the Neighborhood Unity Foundation Team was focused on facilitating community ownership; and the DMI Financial Literacy Team was charged with creating financial education opportunities to maximize the number of community residents positioned to engage in the investment opportunity when it became available.

The Ownership Team saw themselves as representatives and liaisons between JCNI and the community. They were responsible for ensuring that community voice remained present throughout the planning process and that the community, in turn, stayed informed.

Operating on a consensus basis, resident teams proved to be patient, creative, and committed to a brighter future for the Diamond Neighborhoods. Although deliberations were time-consuming, a consensus approach fostered a sense of camaraderie and trust among residents and helped them manage the long and difficult process of designing and implementing the IPO effectively. Many team members appreciated the care taken to ensure that everyone understood all the discussions and participated in a meaningful way.

A JCNI ownership director served as the liaison between the Ownership Team and JCNI staff. While she created meeting agendas, covered logistics, and facilitated group discussions, the resident participants maintained authority over the meetings and were free to adjust the agenda as needed. The Ownership Team members felt that they were able to represent the community and that JCNI staff listened to and valued their input. There was a palpable sense among them that they played a key role, and sometimes the lead role, in developing the IPO and guiding the process. At the same time, the path from design to reality – which sometimes proved difficult to navigate – was mediated by JCNI staff.

As described below, the major tasks of the resident teams were completed with much effort and many challenges: an ownership structure was developed, financial and regulatory mechanisms were navigated, government approval was obtained, and massive outreach and education efforts were instituted to translate the vision of Market Creek Plaza into reality. With considerable effort, the resident teams proved adept at making the IPO documents accessible to the community at large and meeting the IPO’s objectives.

JCNI’s commitment to community ownership, coupled with residents’ desire for change and willingness to work for it, resulted in a resident-driven, participatory process to inform the IPO design and outcome.
2. FINANCIAL AND REGULATORY MECHANISMS

One of the greatest challenges to cultivating community ownership was navigating the regulatory mechanisms required for the IPO. Although this project was innovative and flexible, the systems it relied on to realize its vision were neither innovative nor flexible, particularly when it came to small, non-traditional investors. In addition, the desire to use the IPO as a means to community development, rather than as an end in and of itself, added to the project's complexity.

Typically, investors in a commercial real estate project are required to have either $100,000 in annual incomes and/or $100,000 in net assets. JCNI requested that residents with annual incomes as low as $1,000 be allowed to invest in the project. Stakeholders in the initiative perceived low-income residents of the Diamond Neighborhood, many of whom did not have investment experience, as an untapped asset. But that idea eluded the traditional thinking of the California Department of Corporations (DOC): the state agency is charged with providing protection to consumers, not community building. Initially, the innovative Market Creek Plaza ownership strategy was viewed as a risk for low-income community members, rather than an opportunity.

Additionally, existing IPO regulations presented challenges for the authentic inclusion of community voice into the process of shaping the ownership opportunity. For example, to avoid insider trading, the DOC requires a “quiet period” of up to ninety days before the release of an IPO. In essence, corporations that plan to go public can’t talk about the expected investment opportunity for up to three months before it is approved. The DOC deemed that the community meetings JCNI convened to shape the IPO and related sales strategy were not in compliance with the required quiet period.

The Foundation reluctantly ceased to hold Ownership Team meetings for some time, which caused large-scale displeasure among the volunteers who had spent many hours planning for the ownership opportunity. This became especially problematic when JCNI’s IPO permit was not approved after the initial submission, as that extended the duration of the quiet period. After becoming increasingly displeased that the quiet period was in direct conflict with its community building goals, JCNI’s leadership directed its legal team and staff to identify an alternate solution. As it turned out, the problem was easily solved: Ownership Team members were identified as advisors to the endeavor and asked to sign a non-disclosure agreement in which they committed to maintain complete confidentiality about the IPO outside of the formal team meetings. While it was an easy solution, it was difficult to come by, as there was no established model that JCNI staff and volunteers could use for guidance as they created their unique approach to community strengthening and wealth development.

Obtaining government approval for the IPO required an extensive amount of work, support of a dedicated team, and ingenuity.

When JCNI embarked on the journey to develop Market Creek Plaza, it sought project financing through traditional financing systems. No banking institutions were willing to take a risk on a project of its nature: built at the heart of one San Diego’s most disinvested communities, on land that had been deemed nearly impossible to develop by the local redevelopment agency, with local entrepreneurs as target tenants and community ownership as its ultimate goal. Yet without financing, the DOC deemed the project too risky to approve the requested IPO.

After five years of attempting several different financing strategies, Dr. Joe Jacobs, JCNI’s founder, used his personal wealth to secure a bank loan for the project. After the project was constructed, the loan secured with Dr. Jacobs’ assets was replaced by a loan from the federal New Markets Tax Credit program and several Program-Related Investments (PRIs) from local and national foundations. With permanent financing in place, JCNI was able to address one of the larger concerns the DOC had with the IPO application.
Obtaining DOC approval for the IPO required an extensive amount of work, steadfast commitment by JCNI staff and community partners, the support of a dedicated legal team, and ingenuity to merge community-building goals with private-sector rules. Three submissions were made to the DOC, during which JCNI was able to overcome hurdles with financing and concerns with the target investors:

- The first submission in 2000-2001 addressed the scope and scale of the plan.
- The following year, a second submission to the DOC was made, this time addressing the need for JCNI to alter its strategy of retaining the master lease (intended to provide assurance to lenders for the Plaza) to ensure greater tenant rents.
- The third submission to the DOC occurred in 2004-2005 and had to contend with the agency’s Sophisticated Investor Criteria. These criteria were intended to protect novice investors from scams, but in this case they served as a barrier for residents with limited assets to participate in the IPO. The JCNI team was able to craft wording that addressed the intent of the regulations while preserving the structure of the IPO.

- The process of obtaining approval for the IPO can be described as a decade-long series of events that informed and shaped the overall financial structure of Market Creek Plaza and the IPO itself. Residents and Foundation staff members cited the lengthy process of working with these systems as the greatest challenge to their work, and its conclusion as their greatest success.

3. JCNI’S INSTITUTIONAL ROLES AND RESPONSIBILITIES

The vision and support of JCNI was critical to the success of the Market Creek Plaza IPO. It demonstrated a long-term commitment to the Diamond Neighborhoods that is unique in the world of philanthropy or business.

JFF and JCNI served two primary roles to ensure the success of the Market Creek Plaza ownership initiative: 1) developing and financing Market Creek Plaza, and 2) supporting the community engagement process. Both of these required significant commitments from Board and staff, as well as creativity and flexibility to overcome challenges and seize opportunities as they arose. Their patience and continued receptiveness to the need for mid-course corrections was significant. The Foundations’ roles were most evident in the following contexts:

- Investing in the Diamond Neighborhoods and soliciting additional investors;
- Contracting a team with the right blend of professional expertise and creativity to navigate regulatory mechanisms while developing a new model;
- Providing management and support to the Ownership Design Team;
- Respecting and supporting the community engagement process;
- Utilizing a consensus building approach;
- Responding to mid-course corrections as needed; and
- Committing to transfer its assets to the community as the Foundations sunset.

Perhaps one of the most challenging aspects of this model for community building and economic development is the need to constantly balance the Foundations’ vision and goals with the objective of fostering resident leadership and ownership. This challenge is not unique to Market Creek Plaza, but rather an ongoing challenge between philanthropists who wish to affect positive change and the people in the community who are the mobilizers and beneficiaries of this change.

JCNI attempted to balance its role as philanthropist and community partner for change largely through the community engagement process. In addition to supporting the process, it provided administrative and logistical support: for each key resident team there was a JCNI staff member who would develop an agenda and facilitate meetings. Notably, residents perceived a great deal of mutual trust and a high level of respect between them and the Foundation: all resident interviewees indicated a substantial comfort with and ownership of the process, even though logistics and staffing were provided by JCNI.
COMMUNITY OUTREACH & EDUCATION

Having spent years planning for the IPO, the team of JCNI staff and community volunteers continued their collaboration to thoughtfully implement the ownership opportunity once they received approval from the DOC. Their goal was to enroll a maximum of 450 local investors for a total investment of $500,000. It was intended that the investors would reflect the diversity of the Diamond Neighborhoods.

A targeted three-part outreach and sales strategy was employed to recruit: 1) community members involved in JCNI’s community development efforts, often referred to as “friends and family,” 2) people who lived near Market Creek Plaza, and 3) residents and stakeholders of southeastern San Diego at large. Additionally, the following types of investors were identified as priorities:

- Individuals who worked on the IPO design and/or with JCNI resident teams;
- Individuals from all of the neighborhood’s various ethnic and cultural groups;
- First-time investors; and
- People of very low means, including residents on public assistance.

These desired investors are not the typical targets for financial investment. In order to meet its goals, the Ownership Team required a creative and locally-tailored approach to share the unique opportunity with residents and help people understand the potential for community ownership and change.

The outreach and sales strategies originally focused on people’s commitment to and sense of responsibility for the community. JCNI staff and volunteers reasoned that by appealing to residents who had already demonstrated commitment to their community through work or other forms of voluntary involvement, individuals would respond to the IPO opportunity both because they wanted to benefit financially and because they were interested in Market Creek Plaza’s contribution to the broader well-being of the community. Beyond the social benefits of the project, the outreach and sales strategies also stressed that the IPO was an opportunity for residents to control a significant asset in their community, have an ownership stake in commercial real estate, and create a legacy for their children and grandchildren.

The sales team adopted an attitude that reflected their primary focus on the community’s well-being. Throughout all of their interactions with potential investors, they carefully chose their wording to avoid using typical “sales” terminology. Education presentations were conducted on-site at Market Creek Plaza and included a tour that stressed resident contributions to its development. After the tour, participants attended an information session that included a video providing additional background and a facilitated discussion about the IPO. At the conclusion of the presentations, participants were invited to sign up for a one-on-one session with the enrollment team. While the presentation covered a “nuts and
bults’ description of the investment – risks, expected returns, and other relevant information – there was a clear message about the IPO as an opportunity for individuals to positively impact their community.

In the lead-up to the IPO and during the initial months of the offering, a significant effort was made to develop community members’ financial literacy to increase the likelihood that first-time investors would participate. However, that target audience proved challenging to identify and enlist in the IPO. In addition, outreach and enrollment of certain ethnicities were less successful than others; e.g., Latinos and Asians were underrepresented in the IPO. As it became clear that the original “ideal investor” was not going to fulfill the IPO requirements, the sales team developed new outreach approaches, materials, and sales strategies. Ultimately, word-of-mouth outreach and church networks proved key to successful recruitment and enrollment in the latter days of the offering.

The connection with churches in the community emerged spontaneously through an investor who mentioned the offering to a major religious radio personality. The IPO was then promoted through calls to the program and an on-air interview with the sales team. This was followed by requests for presentations at church gatherings. In the closing weeks, clerics also promoted the offering from the pulpit and served as significant trust-builders for the IPO. While two of the area’s Catholic churches were also instrumental in outreaching to potential Latino investors, the radio show that spurred this activity had a largely African American audience. Thus, outreach through religious networks was particularly strong at African American churches.

ENROLLING INVESTORS

A celebration announcing the IPO took place on March 2, 2006. Actual sales began on June 7, 2006 and ended nearly five months later on October 31. Two weeks before the sales deadline, only 170 people had invested for a total of $225,000. Yet by October 31, all 50,000 units had sold, for a total of $500,000.

Of the people who were contacted, many expressed interest in the IPO and verbally committed to attending the educational workshops. However, a significant number of these people did not attend the presentations and had to be contacted more than once. The sales team estimated a 50% no-show rate for on-site presentations. Sales team members suggested that some people did not understand the next steps and were waiting for more follow-up. In other cases, the closed-ended nature of the offering was not communicated, so people simply procrastinated. It took considerable effort for some potential investors to realize the opportunity was time-limited.

Of those who quickly responded to the opportunity, most were well-educated, African American women with previous investment experience. This sub-population was well embedded in the community and had extensive networks. After investing, they took it upon themselves to promote investment among their neighbors and friends. This proved to be effective; in the final days of the IPO, a large percentage of investors came because “their brothers, cousins, or friends talked to them.”

The team expected that people would be ready to invest by the time they came to the one-on-one sessions. They also anticipated that some investors would need a payment plan to give them more time to gather the necessary money. For the most part, these assumptions were true. Most people did come ready to invest. Of the sixty-four people who could not provide their total investment at once, sixty-three used a payment plan to complete the process. Some adhered to the payment plans they signed up for; most met their obligation either by providing a one-time additional payment, or they made no additional payments and settled for the units secured with their initial down payment. The JCNI team felt that the payment plans were not particularly effective; they believed that automatic withdrawals or structured savings plans might have had greater impact on potential investors.

The process of enrolling investors was more challenging than originally anticipated. The sales goals were ultimately reached by tapping into established networks and making intensive staff commitments to one-on-one contact and follow up.

STATUS OF THE IPO

Half of the pool invested in October 2006 during the final two days of the sales period. With the last of the paperwork finalized, the IPO officially closed on December 31 that year. The final pool included 419 investments: 273 individuals and 101 couples invested in the IPO. 33 investments were made on behalf of minors, and twelve were made on behalf of institutions. The monetary objective of $500,000 was reached.
After many years of planning and hard work, the IPO closed with 419 investors. The majority of investors were female (65%), educated (75% attended some college), and identified as African American (78% vs. 11% Latino and 5% White). They ranged in age from 18-85, with a mean of 53 years old. The largest group of investors was 45-54 years old. Sixty-five percent (65%) of the initial investor pool included individual investors, 24% were married couples, and 8% invested on behalf of minors. Three percent (3%) of the investments were made on behalf of local institutions.

The majority of the initial investor pool had a vested interest in the area surrounding Market Creek due to residence, work, or community engagement. Sixty-five percent (65%) of the initial investor pool lived in one of the ten target Diamond Neighborhoods. Thirty-five percent (35%) of the investors lived outside of the Diamond Neighborhoods, yet of these, 57% volunteered and 32% worked in southeastern San Diego.

IPO investors tended to be long-term residents and homeowners in their communities: 75% of survey respondents owned their own home. With regard to personal economics, the majority (73%) of investors possessed assets and had financial literacy and/or prior investment experience. Those who were older or had higher levels of formal education were most likely to have made a previous investment or engaged in financial literacy education.

Four out of five investors recommended the investment or knew other people who had invested in Market Creek Plaza: 37% were related to other investors, 79% knew other investors, and 81% recommended the investment to another.

Of the initial investor pool, the majority was very active in the community and civic-minded:

- Market Creek investors tended to be active in community groups – particularly faith-based groups – in terms of membership, time commitment, and/or leadership.
- Overall, 83% of the investors surveyed said they participated in at least one community group.

Overall, the investor pool is comprised of older, educated, more financially sound, long-time residents who are civically engaged in their communities.

Potential investors could sign up for one-on-one sessions with the sales team.

- Half of respondents reported spending twenty hours or more per week dedicated to community group activities. Sixty-one percent (61%) said they held an office in at least one of the groups to which they belonged.
- Of those who invested, 91% reported that they voted in the last election.

Group involvement was associated with age, gender, education, and ethnicity. For example, greater numbers of older investors (around 90% for ages 45 or older) reported involvement with groups compared to younger ones (56% for 18-34 year olds), and females were more involved than males (91% vs. 69%).

Reflects information self-reported by investors in 2006 at the time of investment.
Those with more formal education were more likely to belong to a group (90% for college graduates vs. 79% for high school graduates). As well, group involvement varied by ethnicity, with African Americans having the highest rate (86%) compared to Whites (80%) and Latinos (63%).

JCNI has worked in partnership with residents of the Diamond Neighborhood for many years. Accordingly, the relationships they developed may have shaped the initial investor pool. Eighty-two percent (82%) of investors had heard of JCNI prior to the IPO. Further, 32% of survey respondents said they had been involved with JCNI, although this varied by ethnicity (69% of Latinos vs. 46% of Whites and 27% of African Americans). Of interest is that African Americans cited the least involvement with JCNI, yet were the largest ethnic group to invest in the IPO.

It was assumed that the initial investors would include people concerned about their community’s well-being and this appeared to hold true. When asked why they decided to invest in the IPO, the most common response (37%) was that they were investing to help the community.

BASELINE COMPARISON: INVESTORS VS. NON-INVESTORS

To assess the long-term impact of participation in the Market Creek Plaza ownership opportunity, a baseline was required. JCNI needed to know how investors compared to typical residents of the Diamond Neighborhoods. To get this baseline information, 329 investors were surveyed in 2006 and 2007. In 2008, a random sample of 401 residents who did not participate in the IPO (non-investors) was surveyed.

The two surveys used similar measures and methods. The results show that the investors came from across all ten Diamond Neighborhoods. As for place of residence, then, the investors represented the broader community quite well. In addition, the proportion of men and women in the investor pool matched that in the survey of non-investors (about two-thirds female). On other demographic factors, the investors differed significantly from non-investors.

The investors tended to be older (70% vs. 49% were 45 years and older), more educated (40% vs. 21% were college graduates), and wealthier than non-investors (26% vs. 16% had incomes of $60K - $100K). More African Americans were investors than not (78% of investors, 36% of non-investors), while Latinos were less represented in the investor pool than in the community (11% of investors, 38% of non-investors). Investors were also more likely to own their residences (75% vs. 61%) and to have spent more time there (65% vs. 56% had lived in their home over ten years).

On five indicators, investors reported considerably more investment experience than others in the community (e.g., 73% vs. 34% had previously invested). They were also more likely to see themselves as financially independent (55% vs. 38%).

Investors tended to report stronger ties to their community. They were much more likely to be involved in a civic, political, religious, or social group (83% vs. 48%). On five behavioral indicators, investors appeared significantly more active in their groups (e.g., 61% compared to 29% hold an office). As expected, the investors (32%) were more likely than non-investors (9%) to be involved with JCNI.

Some differences occurred when respondents were asked how much influence they had on eight types of actors in the community, such as political leaders, school personnel, or developers. Both groups saw people, generally, as having much more influence than they did as individuals – twice the proportion said so in many case. When asked if they had contacted these community actors the investors were much more likely to say they had (up to 42% of investors vs. 24% of non-investors).
Lessons Learned

The extensive and unique experience of the Market Creek Plaza ownership opportunity, from resident engagement to facilitating economic development, offers a wealth of information for reflection. Below are key lessons learned during the evaluation process, divided into the three categories: resident engagement, financial and regulatory systems, and institutional roles and responsibilities.

RESIDENT ENGAGEMENT

Commitment to long-term community engagement and education was critical to fostering resident leadership in the ownership initiative, developing an investment opportunity that resonated in the Diamond Neighborhoods, making technical documents accessible to community members with little or no investment experience, and developing trust amongst stakeholders.

The inclusive, consensus-building approach used by resident teams was essential to making decisions effectively, garnering respect among members, and creating cohesion during difficult times. These processes were time-consuming yet regarded as a worthwhile investment to address complex challenges, create local ownership, and achieve sustainability.

Word-of-mouth was one of the most effective outreach tools. Enlisting local “champions” – who were trusted and respected by diverse community members – to facilitate information sharing among social networks had a great impact in a short amount of time.

More proactive, ongoing, and tailored outreach strategies could have led to greater success in efforts to enroll a more diverse group of investors. For example, identifying and partnering with local leaders from diverse groups; developing materials appropriate to culture, language, age, and education levels; and organizing outreach events that took into account available transport, childcare, and accessibility occurred to varying degrees but could have had more emphasis. Going forward, current investors can be ambassadors to other residents and explain investment opportunities: as early adopters, they can spread the word to the next generation of investors. This approach to outreach is critical for financial opportunities and instruments, such as an IPO, that are unfamiliar to community members.

Innovative, focused approaches are needed to engage the hard to reach and foster trusting relationships with community members regardless of age, income, ethnicity, or education. An examination of the relationship between cultural norms and practices and financial decision-making is critical.
making is useful when developing inclusion strategies and selecting financial instruments. As well, group investment options may offer opportunities to those who cannot or will not invest by themselves.

FINANCIAL AND REGULATORY MECHANISMS

The JCNI team was prepared to navigate unchartered real estate waters, engage in creative leveraging of resources, and frequently reexamine its assumptions and strategies. The regulatory systems were neither innovative nor flexible, particularly when it came to small, non-traditional investors. The ability of JCNI to leverage its own extensive resources to secure project financing was critical to the success of the IPO. Existing DOC regulations, including the investor criteria and the quiet period, presented challenges for the authentic inclusion of community voice in the process. Recognizing that the regulations were designed to protect low-income residents from being taken advantage of, JCNI staff and volunteers worked tirelessly to adhere to the intent of the regulations while developing the ownership instrument they desired.

The work of skillful attorneys and dedicated community builders was essential to steering a course through the complex systems and diverse stakeholders that intersected through the development and implementation of the IPO. The ability of volunteers, staff, and consultants to seek alternate solutions within the established regulatory systems, translate complex legal documents and processes into terms accessible to community residents with little or no investment experience, and effectively communicate with a range of partners (philanthropists, residents, financial institutions, and DOC representatives) was essential. That they were motivated to contribute significant time and energy because their values aligned with those of the initiative was critical to everyone’s success.

THE OWNERSHIP DESIGN TEAM HAD MORE THAN 125 PARTICIPANTS IN ITS MEETINGS

INSTITUTIONAL ROLES AND RESPONSIBILITIES

The Ownership Team’s integral role in the design and implementation of the ownership opportunity proved critical to the success of the initiative. The members’ willingness to volunteer their time and energy over the long-term was facilitated by several factors: JCNI’s strong relationship with and commitment to the community, the depth of the community engagement process, and – most importantly – the institutionalization of the volunteers as equal, valued, and respected partners in the Market Creek Plaza ownership opportunity.

The vision and support of JCNI’s Board and staff was critical to the success of the initiative. This includes their belief in ownership as a means to sustainable social change; substantial investment of financial resources to reduce perceived project risk by financial institutions and regulatory systems; patience with the length of time required for plans to come to fruition; deep commitment to community partnerships; and continued receptiveness to the need for mid-course corrections.

Private philanthropists can be effective facilitators in the development of innovative community ownership strategies because they can engage communities and systems, are financially independent, and can commit to maximizing both economic and social impacts.
The innovative Market Creek Plaza ownership strategy and its outreach efforts proved adept at engaging residents, navigating regulatory systems, and fostering local ownership in a comprehensive community change initiative. The success of the IPO is evidenced in the unique shared ownership model, number of local investors, and monetary targets reached. However, future ownership opportunities should place greater efforts on reaching out to community members of diverse ethnicities, ages, incomes, education levels, and community experiences.

The realization of the IPO was due to several factors, including vision and commitment to community change on the part of community members, JCNI’s belief that individual wealth formation and resident-controlled assets can strengthen underinvested neighborhoods, and perseverance and flexibility on the part of all stakeholders.

While most stories of a limited public offering of shares in commercial real estate are attractive because of the financial opportunities they present to investors, this offering stands out because of the additional opportunity it presents for sustained community development.

In conclusion, the enduring and unwavering commitment on the part of JCNI and residents of the Diamonds Neighborhoods enabled the Market Creek Plaza ownership strategy to overcome considerable challenges over many years and succeed in developing an innovative model for community change and economic development.

This Evaluation Synthesis Report, along with its three companion reports – a pathway analysis, an investor survey, and a comparison of investors to non-investors – provides the needed baseline data to follow the evolution and impacts of this unique model over the next several decades.