Forum Fosters Common Ground among Wealth Building Advocates
Steve Dubb, Democracy Collaborative, University of Maryland, December 2008
www.community-wealth.org

The Annie E. Casey Foundation and the Asset Funders Network sponsored a one-day event on December 2nd in Baltimore, Maryland designed to encourage advocates of employee ownership, shared equity housing, and asset building to develop productive ways to collaborate. Beadsie Woo, Senior Associate at the Casey Foundation, suggested that both the political transition and the economic crisis made it a "good time to discuss new ideas." Rick Williams of the Asset Funders Network noted that part of what led him to embrace this effort is that in his work in Hawaii, he found community interest in "outcomes that are shared and collective rather than individual."

The first panel, which was led by Ray Boshara of the New America Foundation and Heather McCulloch of Asset Building Strategies, contrasted individual asset building strategies with shared ownership strategies. As Boshara explained, asset-building organizations have often relied on "account-based and savings-based services." By contrast, shared ownership strategies seek to build wealth among low-income families through such means as employee or community ownership of a business or nonprofit community land trust ownership of the land.

Boshara also covered the historical development of the asset-building field. The current national financial crisis, he n, poses both challenges and opportunities. "The goal remains the same," Boshara emphasized, "but the means definitely have to change. We need to not have individuals bear so much of the risk. Too much risk has been individualized."

McCulloch gave a similar overview of what she labeled shared ownership strategies. "Asset building leaders do not typically look at shared ownership," McCulloch said. "And shared ownership leaders don't see themselves as part of the asset building movement. But many asset-building coalitions – working at the local, regional or state levels – *are* looking at shared ownership strategies as part of a broader menu of asset-building opportunities... It is an opportune time to look at common goals." McCulloch suggested that advocates expand their wealth building toolkit by employing the full range of what she calls a "continuum of asset-building approaches."

George McCarthy of the Ford Foundation seconded McCulloch's comments. "We started out on the asset side," McCarthy said. "The reason we started thinking about shared ownership was because we saw the asset building process hit a circuit breaker at the investment level…Well before the meltdown it wasn't delivering the goods. Affordability was outstripped. We needed other better access points for low-income people to get into asset building: [for instance] micro-entrepreneurs get stymied at the point that they need to broader their access to capital – the only way they could do that was through collective action. This was done best through cooperatives or collective ownership structures to manifest economies of scale." McCarthy also noted that community land trusts have "well below 1 percent foreclosure with a write-off rate of 0.5 percent at a time when prime foreclosures rates are at 3 percent."

The following panel profiled three promising strategies. Corey Rosen of the National Center for Employee Ownership talked about the community wealth building potential of employee stock ownership plan (ESOP) companies. Rosen noted that the tax code, by allowing exiting owners to defer capital gains if they sell the business to their employees provides an "inducement to owners to share capital wealth." Rosen advised those using employee ownership as a wealth building strategy to "focus on closely held companies [with 15 or more employees]… Increasingly these businesses are owned by baby boomers. We expect two or three times as many businesses will be sold in the next few years as historically." In the conversion to employee ownership, Rosen explained, "Workers never buy [the company] with their own money; it is bought with future tax-deductible profits that they create. If you can identify those businesses that employ low-income people, you don't need to subsidize it, you just need to make it available."

Anne Claire Broughton of SJF Ventures, a community development venture capital fund based in Durham, North Carolina, spoke about the role community development finance can play in wealth building. To date, SJF has raised $45 million, which is invested in 26 companies. In nine of the 26, SJF has gotten management to agree to put in place broad-based stock options—for instance, by setting aside 10 percent of the options to be available to all workers. At one firm, SJF did a partial exit, with employees earning between $700 and $5,500 on exit as result.

Jennifer Vanica of the Jacob Center for Neighborhood Innovation discussed Market Creek Plaza in San Diego, a shopping and community center complex in which individuals were able to become direct owners and accumulate assets by purchasing shares through a limited, initial public offering restricted to community members. After a six-year process of community planning and lobbying of the California Department of Corporations to approve the ownership structure, 416 neighborhood residents invested a total of $500,000, gaining a 20-percent ownership share. The community owners receive an annual preferred return of 10 percent, which, as Vanica and others noted, looked pretty good in 2008. Over 25 percent of the resident-owners have chosen to reinvest their earnings in a "community investment trust" designed to seed additional community projects down the road.

A pair of panels examined wealth-building challenges at the levels of practice and policy. Jeffrey Lubell of the Center on Housing Policy focused on the role of community land trusts and other forms of equity in which an individual family shares ownership with a community-based organization. Lubell explained that a critical challenge for the community land trust movement is to counter the notion that "lands trusts limit the ability to build wealth." In Albuquerque, Lubell noted, a land trust was "able to make the argument that the land trust is a better steward than absentee owners would be." Lubell added that, "It's also not true that land trusts trap people in their homes" and pointed to a study in Burlington, Vermont that demonstrated that most land trust residents when they left had amassed enough individual wealth to purchase homes. Lubell called for studies to be done in other cities to confirm these results.

Jessica Gordon Nembhard of the Howard University Center on Race and Wealth noted that "There is a tension in co-ops between profit/asset building and other 'bottom lines' such as providing quality jobs and products." Nembhard also emphasized the important wealth-building role played by credit unions, "a form of shared ownership of financial services."

Carol Wayman, Senior Legislative Director at CFED (Corporation for Enterprise Development) highlighted the role of the CFED's Assets and Opportunity Scorecard which grades state wealth-building performance on 38 policy indicators and 12 core policies. The report card, Wayman said, has proven successful in garnering state policy makers' attention, because nobody likes to get a low grade. Wayman also highlighted an $8 million initiative to develop resident-owned manufactured housing cooperatives that involves a partnership between CFED, the Ford Foundation, the New Hampshire Community Loan Fund, and NCB Capital Impact. Called Resident-Owned Cooperatives USA (ROC-USA), the effort employs a shared ownership strategy (collective ownership of the land with individual ownership of the specific manufactured housing units) that has the potential to increase the wealth of 3.5 million households nationwide.

Gar Alperovitz of The Democracy Collaborative spoke about longer-term efforts to develop a comprehensive community wealth building policy. Such a strategy could include a White House Office of Community Wealth Building, a Community Wealth Bank to provide financing, and an integrated network of Community Wealth Centers to coordinate efforts locally. Alperovitz noted that while there is a need to develop policy, there is also a need to build a movement. Policy "won't move without politics," Alperovitz cautioned.

The event concluded with a wide-ranging discussion of steps to take to move the conversation forward. Ralph Paige of the Federation of Southern Cooperatives highlighted an effort to raise funds for a policy and research center at Tuskegee University that could support policy to help black southern farmers protect their landholdings and wealth. Adam Schwartz of the National Cooperative Business Association emphasized that the United States has "28,000 co-ops, 45,000 establishments, and 500,000 employees." Co-ops, Schwartz added, can be "a mechanism to capture retirement income if we invest in co-ops." Cliff Rosenthal of the National Federation of Community Development Credit Unions highlighted President-elect Obama's endorsement of a social entrepreneurship agency at the Corporation for National Service as an idea that conference participants and their networks might support; Rosenthal also sardonically noted that the Troubled Assets Relief Program (TARP) was the "largest shared equity experiment in history," and called attention to a campaign by community development financial institutions to dedicate at least $1 billion of the $700 billion in the fund to help sustain community investment.

John Flory of the Latino Economic Development Center in Minneapolis spoke to the practical implications of a broader approach to asset building. Flory noted that in his organization's work, they found that they "needed to combine micro-enterprise with shared ownership. It has a higher impact on community, business ownership. The model is familiar in Latin America. They [the vendors] wanted a market where they owned the building. There are 47 micro-enterprises; at first, the shopkeepers were part owners. Ten years later they are now majority owners."

The conference concluded with a number of practical steps to take: developing working groups, creating information resources, and so on. A common slogan of the asset building movement has become “Earn it! Keep It! Save It!” For this conference, Rick Williams of the Asset Funders Network suggested a somewhat modified refrain: “Earn It! Grow It! Keep It! Share It!”

For more information on asset building through shared ownership, please contact Beadsie Woo, Senior Associate at the Annie E. Casey Foundation at BWoo@aecf.org.