Twenty-First Century Ownership

Individual and Community Stakes

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In the current economic crisis, questions around ownership are at the forefront of policy responses. The banking industry bailout, and the auto industry supplications for a bailout, raise the prospect of a major transformation of the public-market relationship. Yet in much of the debate, the policy conversation seems polarized between the traditional two extremes: public investment on one side, and market oriented private ownership on the other. Quietly though, through practice and experimentation, diverse models of ownership have emerged in communities across the country. These models offer a different basis to building wealth for community development and economic recovery, and a potentially more sustainable and equitable economic system.

Underlying all of these conversations is the fundamental question of how we define "ownership." While ownership as a theory has seized the academic imagination since at least the seventeenth century, recent scholarship has emphasized the link between owning assets and the opportunities these assets offer to low-income households. Developed by Michael Sherraden in the 1990s, this theory argues that assets, whether financial, social or educational, are as important to look at as income in assessing inequality and poverty.[1] Sherraden showed that while U.S. policy favors the accumulation of assets by the middle class and wealthy, primarily through tax benefits related to retirement accounts and homeownership, it creates disincentives for the poor to save. Since then a host of thinkers have pointed to the important role that ownership plays, particularly at the individual level.[2] Research has suggested that the impact of savings is not just added financial security, but that financial assets change behavior and attitude, opening up opportunities that go well beyond the number of dollars saved.

Most of the focus on assets and ownership has been on individual savings. We argue that there may be an opportunity to rethink that focus. When assets are held individually, there is the risk that these assets will leave the community in search of greater returns. For example, an IDA program participant in a low-income neighborhood may choose to move to the suburbs when it is time to buy a home. In contrast, community-held institutions, such as schools, local businesses, land, and open spaces, are important local assets that may also be able to leverage community change.

Figure 8.1 *Tax benefit, in dollars, from the mortgage interest deduction, property tax deduction, and preferential rates on capital gains and dividends for households of different income levels.*

Income	Tax Benefit
$1–5,000	$0
$5,000–10,000	$0
$10,000–15,000	$3
$15,000–20,000	$10
$20,000–25,000	$20
$25,000–30,000	$45
$30,000–35,000	$74
$35,000–40,000	$122
$40,000–50,000	$264
$50,000–60,000	$418
$60,000–70,000	$606
$70,000–80,000	$836
$80,000–90,000	$1,124
$90,000–100,000	$1,469
$100,000–150,000	$2,604
$150,000–200,000	$4,383
$200,000–500,000	$7,860
$500,000–1,000,000	$20,512
$1,000,000 or more	$169,150

Source: Corporation for Enterprise Development

However, some critical questions have yet to be addressed. Who is the most appropriate owner of such institutions and resources and/or who commands their use? How can these community assets become a foundation for long-term community well-being? As of yet, the majority of the asset field has not focused on shared ownership strategies for building wealth, nor looked at the benefits of holding critical community or natural resources or institutions communally.

This is changing, however. Recently the Annie E. Casey foundation hosted a meeting in Baltimore where a diverse range of shared-ownership strategies for building and controlling assets were presented.[3] The evidence from these strategies does point to positive and equitable outcomes from shared ownership.

Take for example the case of Market Creek Plaza, a community owned commercial development project in San Diego started in 1998. The project was a response to 800 neighborhood surveys sent out by The Jacobs Center for Neighborhood Innovation that articulated a desire for a vibrant and creative commercial and cultural hub.[4] Since 2007, this shopping center has been owned in part by the community, purchased by 415 residents through a community development IPO (initial public offering).[5] Investors need only $2,000 in net income, and can invest between $200 and $10,000.[6] The community also holds a 20 percent ownership share in the company through the non-profit Neighborhood Unity Fund. Profits are split: one third of the wealth created through Market Creek goes for personal investor benefit, one third for community benefit, and the remaining third is for ongoing development of Market Creek. The project has had a significant impact on local residents, creating more than 200 new permanent jobs in the neighborhood, awarding 79 percent of construction contracts to minority and women-owned businesses, as well as creating a multi-cultural community art collection estimated at $570,000.[7] Any profits from Market Creek go first to community residents, building wealth from their initial investment, then to Neighborhood Unity Foundation.

These models offer a different basis to building wealth for community development and economic recovery, and a potentially more sustainable and equitable economic system.

Residents walking along the Laotian Tile Tapestry, part of Market Creek Plaza's Cultural Tapestry Walkways

Another example comes from resident owned manufactured home parks. The New Hampshire Community Loan Fund helped finance the first model where residents of a manufactured home park bought out the park. This gave them control and ownership of the land their homes were on. Currently 88 manufactured home communities representing over 5,000 individuals have followed this model in New Hampshire alone. In comparison to traditional manufactured home parks where residents merely have leasing agreements, families in these communities are protected against excessive rent-hikes and have control over what happens in the park.[8] Additionally, wealth building occurs for families if the land value of the park increases. A recent study found that homes in resident owned communities had higher prices per square foot than in investor owned communities.[9]

Or consider the Champlain Housing Trust (CHT) in Burlington, Vermont, the oldest example of a housing land trust in the U.S. It has a shared ownership model where the land trust owns the land and the individual family owns the house on the land, and leases the land for a nominal fee. Homebuyers have to be low-income. They access a lower priced home because the cost of the land is not included, but CHT also works with the bank to reduce mortgage costs by including the land as equity in the mortgage calculation. Their default rates have been very low even in this time of unprecedented foreclosures, and reportedly families have seen high (29 percent) levels of return on their investments in the homes.[10]

One final example is the Mission Asset Fund (MAF) in San Francisco, focused on place-based community and individual asset building. Initially envisioned as a traditional Individual Development Account program, the MAF emerged from an extensive series of community-based meetings which revealed that residents wanted to build communal assets to protect the rich cultural vibrancy of the neighborhood.[11] Since MAF's inception, it has helped fund worker-owned cooperative businesses such as Balloon Art Productions and Rental, and cooperatively owned homes in partnership with the San Francisco Community Land Trust.

MAF's focus on addressing savings and investments at the community level, as opposed to an individual based program approach, will hopefully spur not only greater wealth among residents, but also a greater level of community engagement and empowerment.[12]

Ownership of assets, whether community owned or individually owned, means that there is control over the assets.

This may be the most important lesson to be learned from these models. Ownership of assets, whether community owned or individually owned, means that there is control over the assets. This control allows the owner to make decisions about what happens to the asset. For example, if you own a house, you have control over it and can make decisions about what repairs to do, or whether you can have kids in the house. Having a stake in ownership, whether individual, or community, means that you are able to participate in making decisions about what happens to that asset.

This is a powerful idea, and can form the basis for a new policy response in this time of economic crisis. Any one of these models could be conceptualized at the national scale.

For example, rather than merely bailing out the auto industry, what would happen if we directed that investment to the community itself? The Mission Asset Foundation was formed in response to Levi-Strauss closing the doors of a factory that had long been a mainstay of jobs for residents in the community. The company made a commitment to the community, and invested one million dollars to jump-start MAF. In addition to investing government dollars into making the auto industry viable, it makes sense to invest dollars into community institutions that can help residents build wealth and ownership through starting new cooperative businesses along the models of the MAF or Market Creek Plaza. This would offer more resilience for the community to manage the difficult times ahead as the auto industry restructures.

Instead of pumping money into bailing out the banks, the U.S. Treasury could establish a moratorium on foreclosures, and then invest in innovative shared-ownership strategies like the CHT. This idea is already gaining some traction at the local level. For example, efforts are being made by communities in Boston to organize tenants of foreclosed properties to buy out the bank or the original owner. The model will use a land trust to hold the land and the residents will purchase condos or the entire house.[13] An example with a longer track record is the Anti-Displacement Project (A-DP) in Springfield, Massachusetts, which has established 1,400 units of tenant-owned cooperative housing. Members of A-DP are typically low-income and often single parents.[14] Shared ownership doesn't have to be at odds with the marketplace, in fact, these types of investments could get markets back on track.

The national political conversation in the U.S. overemphasizes a rigid public-market dichotomy that does not square with reality. Instead, out of the glare of the national spotlight, innovative practice has been re-molding this relationship for decades. The asset field, in particular, has been pushing public-private boundaries, emphasizing the large sphere of interaction and benefit of morphing models. The 2008 (im)perfect storm of a subprime meltdown, plunging housing and stock wealth, and the specter of a deep recession is recasting possibilities. We believe that bringing forth and investing in the innovative, shared ownership strategies that are percolating under the surface of this economic crisis would create a longer-term sustainable solution for a progressive ownership society benefiting families, communities, and the nation.

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