Capital Needs for Community Owned Real Estate (CORE)

Summary of Capital Needs, Gaps, and Emerging Solutions for the CORE Field

transform finance

Transform Finance
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about transform finance

Transform Finance creates insights, connections, and actionable strategies for all stakeholders who seek to challenge legacy investment approaches and seed transformative investment models. In doing so, we work to ensure that capital aligns with three Transformative Finance Principles:

1. Meaningfully engages communities in the design and governance of investment processes;
2. Adds more value than it extracts; and
3. Fairly balances risk and return between investors and non-investors.

We create awareness of impactful trends and innovations through written materials, webinars, and communications that shape dialogue and create narratives. We educate the field through technical materials, collaborative spaces, and trainings that equip our community with knowledge to transform their practices. Lastly, we advise investors, philanthropic actors, collaborative initiatives, and other critical organizations to help move capital towards transformative strategies.

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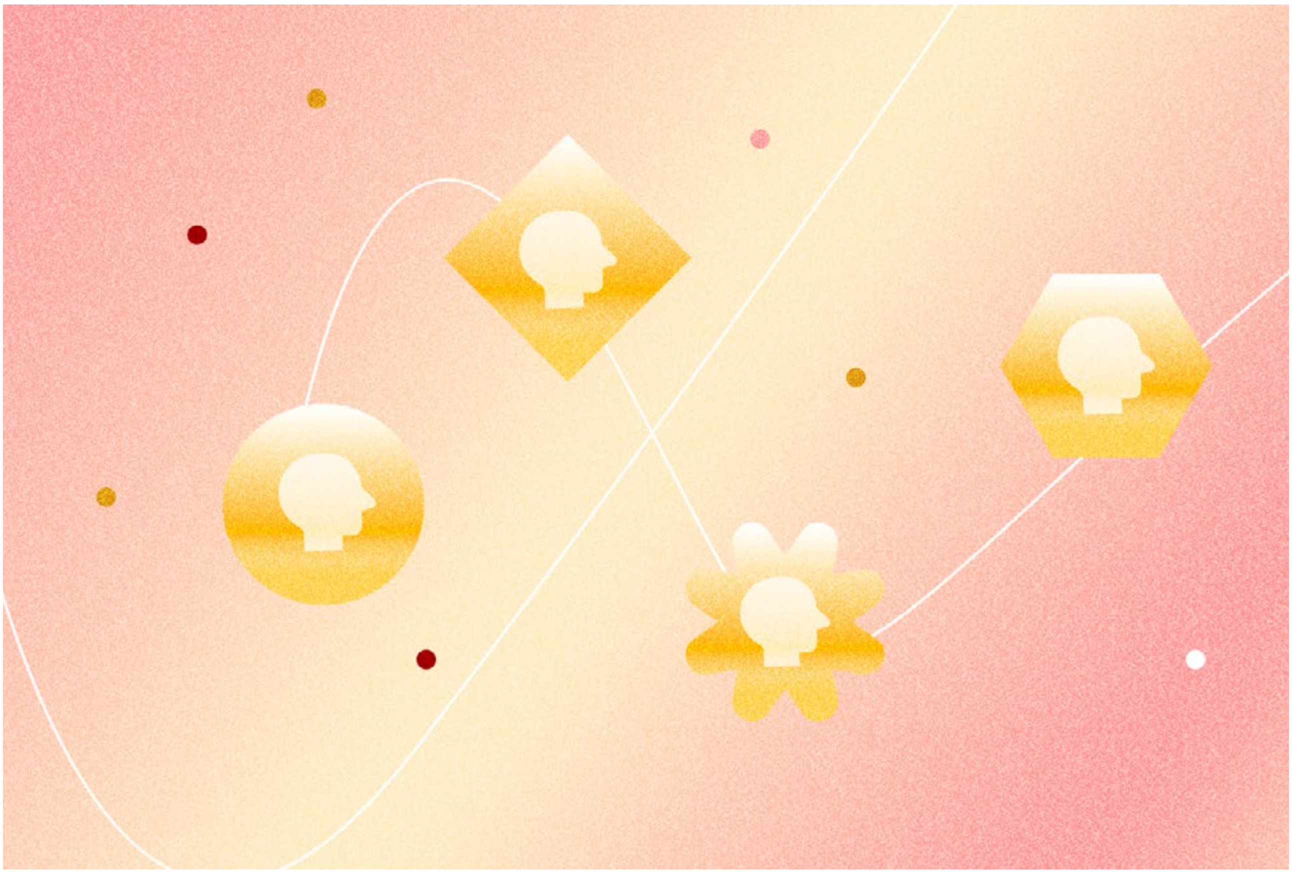
For more information about the COLA Lab, visit
https://eps.edu.miami.edu/research-featured-projects/colalab/index.html



I. Purpose of This Memo

This memo synthesizes Transform Finance's findings from literature, case examples, and field conversations regarding the capital needs of Community Owned Real Estate (CORE) initiatives—projects that seek to place commercial, mixed-use, and sometimes residential property into community-governed, mission-oriented stewardship models.

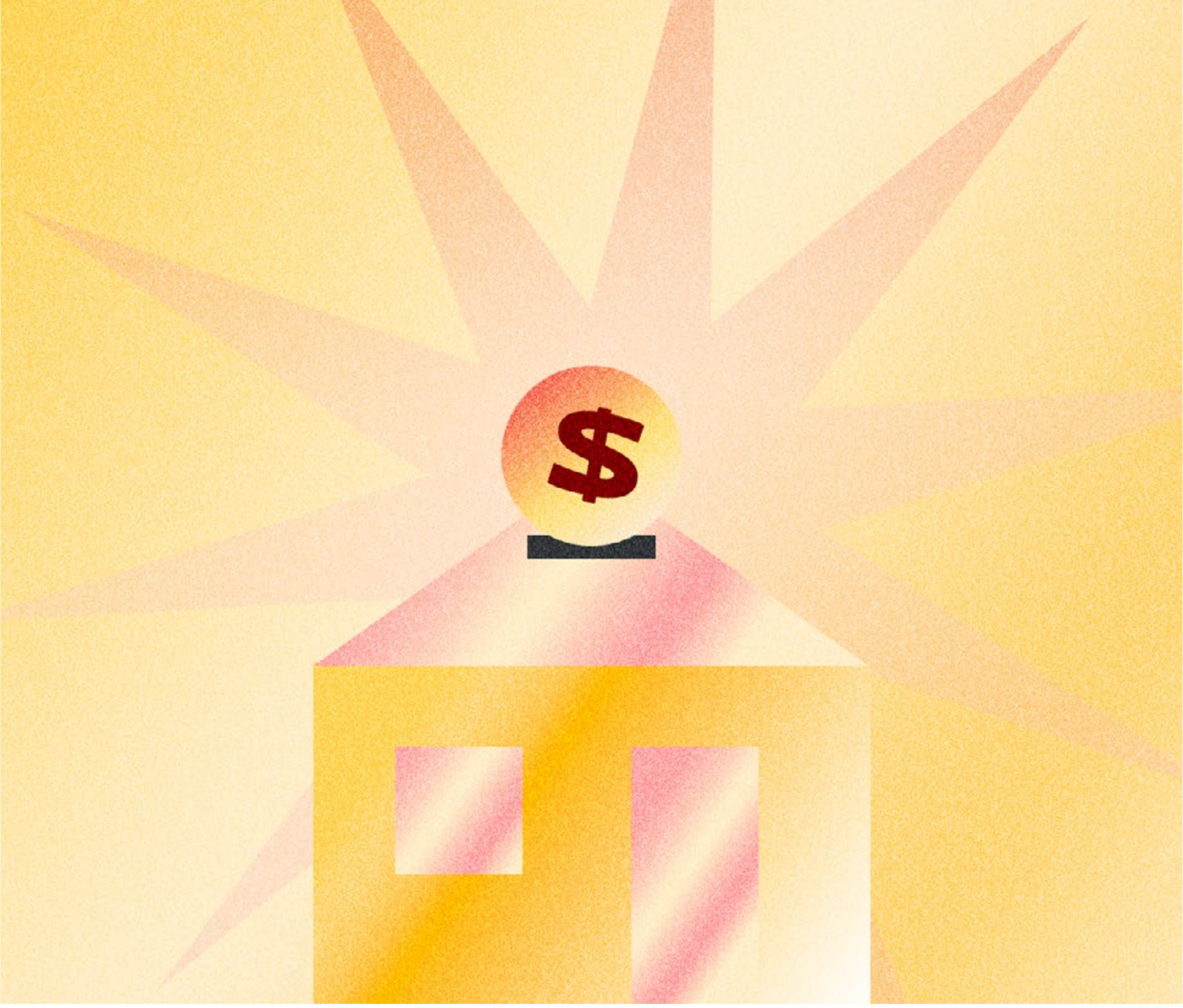
This memo aims to:

1. **Describe how CORE is financed** at a high level

2. **Detail specific capital needs** across financing phase and product types

3. **Identify the systemic barriers** that impede capital for CORE projects.

A more detailed report with case studies, examples, and additional CORE financing analysis will be released later in 2026.



II. Summary of CORE Capital Needs

- Intro: CORE's business model and impact goals require non-standard capital

Most real estate capital is structurally designed to chase maximized returns, which puts it fundamentally at odds with the needs of communities – such as permanently affordable housing, affordable retail space, and wealth building opportunities – that make up Community-Owned Real Estate (CORE). CORE often moves through familiar real estate development phases (pre-development, acquisition, rehab/construction, and long-term operations), but its mission-oriented goals change the rules at every step. Long-term stewardship, affordability commitments, and community governance introduce capital needs that conventional underwriting often treats as friction rather than value.

In many CORE deals, sponsors are not trying to sell to the highest bidder, and they may intentionally limit future control or upside to protect community ownership. That means the investors who fit are often "non-traditional" in how they assess risk and reward: they accept longer holding periods and lower—or capped—returns. Instead of a quick exit, returns may come later through refinance or stabilization, sometimes on a 7–10+ year timeline, which requires patient, aligned capital that doesn't punish the project for prioritizing permanence over speed.

At the same time, CORE projects still have to compete in a conventional market that moves fast—especially in commercial and mixed-use corridors where speculative buyers can deploy capital quickly. Community-based buyers, by contrast, frequently face slower pipelines: layered approvals, cobbling together multiple sources, and negotiating values-aligned terms. This speed mismatch has real consequences. When real estate markets move faster than social impact capital structures, community buyers can lose deals outright or end up paying more as prices rise while they assemble financing—making the case for faster, more flexible acquisition tools and pre-committed capital.

Higher upfront costs

CORE projects—especially those prioritizing wealth building, shared equity, or multi-stakeholder governance—carry **higher upfront costs** for community engagement, architectural exploration, legal structuring, and capacity building. Neither traditional commercial lenders nor LIHTC-style programs cover these costs, leaving groups dependent on small, episodic grants from the public sector or philanthropy.

Additional Ongoing Funding Needs

The long-term affordability and governance structures central to CORE require **operational funds beyond what rent revenue can sustain**, especially in early years. This includes staffing for stewardship, cultural programming, tenant supports, and governance facilitation.

Constraints Unique to Specific Models/Strategies

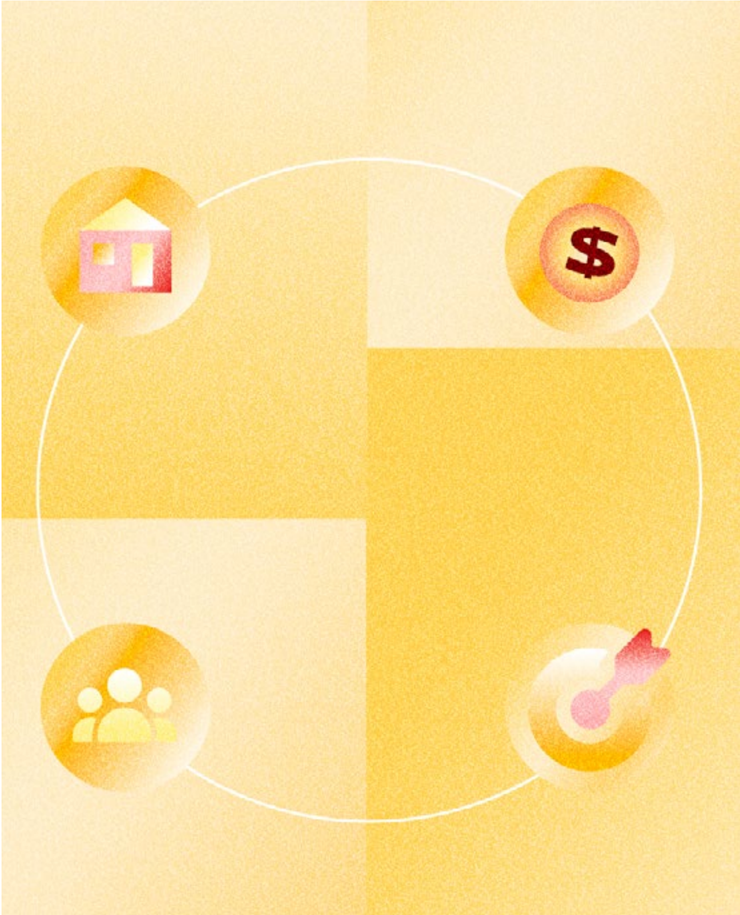
CORE is not monolithic. Some models have a longer track record and a baseline to compare to, like Resident Owned Communities (ROCs), and have worked out many kinks to the process. But many projects are somewhat unique with no comps.

- **Permanent affordability models (e.g. CLTs):** Permanent affordability limits cash flow higher subsidy/equity need
- **Tenant ownership models:** Easier to stabilize if tenancy exists, harder if displacement has already occurred
- **Commercial corridor models:** Require significant tenant improvement financing and business stabilization capital
- **Cooperative models:** Typical financing products require personal guarantees, creating a mismatch in needs.
- **Models with community investment or equity splits:** These models aim to share value with residents or the broader community, but change the math of repayment for investors.

Overall, these differences are perceived as unknown variables that add risk.

As such, CORE groups are often forced to spend great effort assembling patchwork capital stacks for deals. Funding may combine philanthropic grants, state and local funding programs, and catalytic investments from foundations and other mission-aligned asset owners, alongside more familiar sources of capital—loans from CDFIs and banks, NMTC allocations, and other public programs. The financing sources that make up a CORE capital stack rarely align in timing, underwriting, or eligibility.

III. Capital Needs Across the CORE Project Lifecycle



The multiple forms of capital that CORE projects require can be broken down into needs across the real estate lifecycle: Predevelopment, Acquisition, Construction & Rehab, Permanent & Takeout, and Operating & Stewardship.

This section outlines the following for each phase:

- **What the capital is needed for**
- **How non-CORE projects typically acquire capital**
- **How CORE projects currently meet their needs**
- **What shortfalls or constraints exist**

Predevelopment Capital Needs

Pre-development capital is early stage funding that helps the project move from a concept to an investable deal. CORE project leaders frequently note that **pre-development is often the most determinative phase**—projects cannot reach acquisition readiness without it.

What pre-development capital is needed for

- Feasibility studies, architectural exploration, community engagement, legal structuring
- Early planning for governance, community share models, business mix analysis
- Staff time for building organizational capacit

CORE projects have additional emphasis on pre-development financing that distinguish them from typical community development investments, due to several common features:

- Legal structuring needs, such as governance documents or community shares
- Additional time for community engagement and establishing governance models
- Staff capacity, given that CORE projects are often led by underfunded nonprofits,
- Generally, real estate professionals (e.g. lawyers, accountants, brokers) are not familiar with community ownership

How non-CORE projects typically acquire pre-development capital

- **Developer balance sheets:** In conventional (non-CORE) projects, developers often cover early pre-development costs directly from their own balance sheets—using internal cash reserves or a revolving pre-dev budget to pay for staff time, early design work, and due diligence before outside capital is formally committed.

- **Philanthropic feasibility grants:** Non-CORE projects also frequently secure philanthropic feasibility grants to fund discrete early-stage work—such as market studies, architectural sketches, community engagement, or financial modeling—so the project can reach a clearer "go/no-go" point and become more attractive to lenders and investors.

- **Soft-cost loans repaid at closing:** In addition, developers commonly rely on short-term soft-cost loans to cover expenses like legal fees, surveys, environmental assessments, and permitting; these loans are structured to be repaid at closing (or rolled into the permanent capital stack) once the project secures acquisition or construction financing.

Challenges for CORE projects

Predevelopment funding is chronically insufficient because:

- **Many CORE sponsors lack balance sheets for even small loans.** Unlike conventional developers who can front early costs, many CORE sponsors—often tenant groups, cooperatives, CLTs, or small community nonprofits—don't have unrestricted cash, significant net assets, or predictable revenue streams, so even modest predevelopment loans can be out of reach.

- **Funders prefer to wait until projects are "deal ready," creating a chicken-and-egg barrier.** Grantmakers and lenders frequently want to see site control, a clear development plan, and credible financials before committing; but CORE projects often need early capital to get those pieces in place, which slows momentum and can cause projects to miss time-sensitive opportunities.

- **Early-stage CORE concepts often lack formal pro formas.** In the earliest phases, CORE deals may be driven by organizing, stewardship goals, and governance design—before there's a defined tenant mix, stabilized income assumptions, or final subsidy sources—so the standard pro forma-based pathway to underwriting simply isn't available yet.

- **Soft-cost loans repaid at closing are harder to use in CORE deals.** In conventional projects, short-term soft-cost loans can be repaid quickly when a deal closes or rolled into a construction loan; CORE projects often can't offer the same certainty of a near-term closing, a clear takeout lender, or predictable collateral and fees. Because CORE timelines are longer and capital stacks are more layered (often involving public approvals, subsidy commitments, and governance requirements), lenders view repayment-at-closing as riskier—making these bridge-style products harder to secure without guarantees, committed subsidies, or a strong intermediary backing the sponsor.

How CORE projects meet this need

- **Small philanthropic grants:** CORE sponsors often rely on small philanthropic grants to cover discrete early-stage needs—like feasibility scans, organizing and governance work, early design concepts, or legal structuring—though these grants are typically short-term and rarely large enough to carry a project from idea to “deal ready.”

- **Limited internal reserves:** When available, CORE organizations may tap modest internal reserves or unrestricted operating dollars to pay for predevelopment expenses, but this can strain core programming, create cash-flow risk, and is rarely sustainable across multiple projects.

- **Occasional CDFI predevelopment financing:** Some CORE projects secure predevelopment financing from a CDFI—often structured as a small working-capital or early-stage loan—but access tends to be episodic and relationship-dependent, and it frequently requires credit enhancements, guarantees, or a clear pathway to takeout financing.

- **Volunteer professional services (architects, lawyers):** To fill gaps, CORE sponsors commonly depend on pro bono or reduced-fee support from architects, attorneys, and other professionals to move early work forward; while invaluable, this approach can slow timelines, limit scope, and make it harder to build consistent, scalable predevelopment capacity.

Acquisition Capital Needs

■ What acquisition capital is needed for

CORE projects need **fast, flexible acquisition capital** that can be deployed quickly enough to secure properties in competitive markets—often before a full capital stack is assembled. This capital functions as "rapid response" financing for site control, enabling community buyers to move at market speed rather than losing buildings to speculative bidders.

In many cases, that acquisition money must be available **within 30–60 days**—a timeline that reflects real-world bid deadlines, contract contingencies, and sellers' expectations. Without a ready-to-go facility or pre-committed source, CORE sponsors can't match private buyers who arrive with cash or streamlined financing, and promising opportunities are lost or become significantly more expensive.

■ How non-CORE projects typically acquire acquisition capital

- **Private equity, company cash, acquisition loans:** In conventional real estate, acquisition speed is typically enabled by readily available sources like private equity, a developer's own cash, or dedicated acquisition loans—capital that can be deployed quickly to secure site control and then refinanced or replaced later with longer-term construction and permanent financing.

- **Investors who move quickly and accept early-stage risk:** These deals are often backed by investors who are comfortable moving fast and underwriting early-stage uncertainty, because they expect strong upside through appreciation, repositioning, or a relatively quick exit—making "speed" a core feature of how conventional real estate capital operates.

Challenges for CORE projects

- **Most fast-moving capital is debt, and often not cheap.** In practice, the capital that can move quickly enough to win a bid is usually short-term debt—bridge loans, acquisition lines, or high-interest private financing—and those products can carry pricing and fees that are hard to absorb in affordability-driven models with thin margins.

- **Philanthropy is too slow for real-time acquisition competition.** Even when foundations and donors are supportive, grantmaking timelines rarely match the pace of real estate transactions; the time required for proposal review, approvals, and disbursement often means CORE buyers can't rely on philanthropy to make an offer competitive in the moment.

- **Takeout financing is often uncertain, limiting borrowers' appetite for acquisition loans.** Acquisition debt only works if there's a credible path to refinancing or converting the loan into construction/permanent financing, but CORE stacks frequently depend on later-stage subsidies, public approvals, or layered commitments that aren't guaranteed—making early borrowing feel risky for sponsors who can't afford to get stuck.

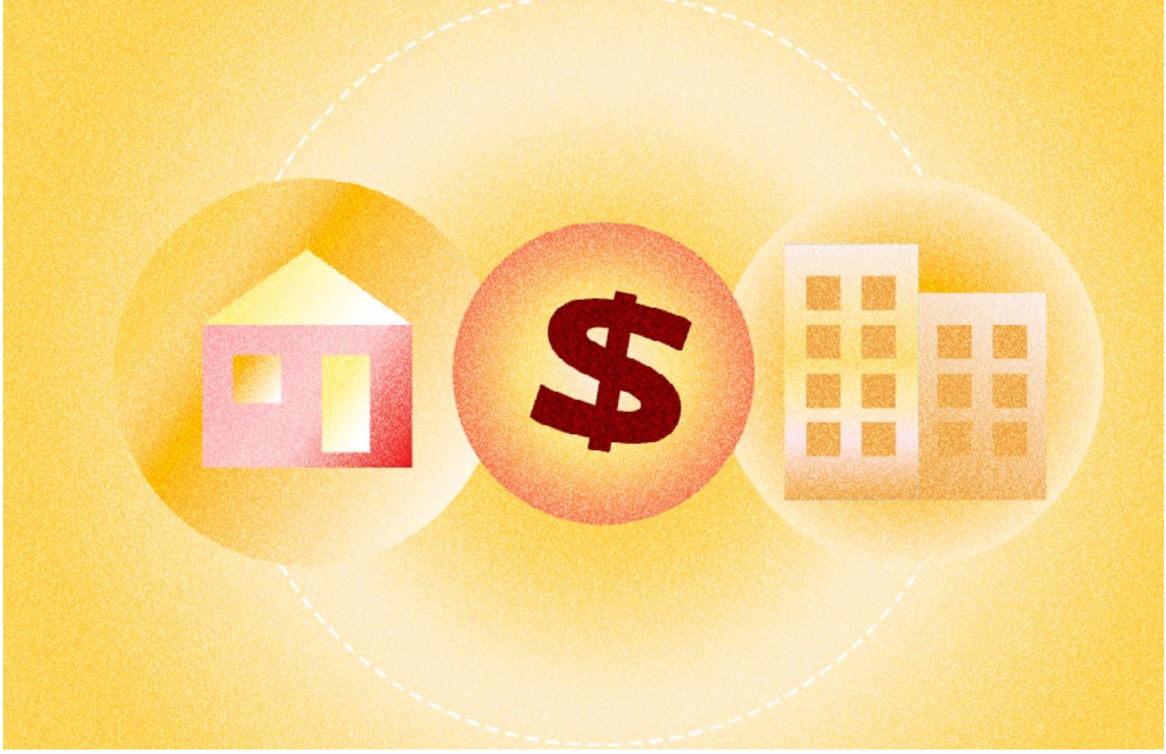
- **CORE sponsors lack liquidity reserves that large developers use for earnest money deposits.** Conventional developers often have cash on hand for earnest money, deposits, and immediate due diligence costs; many CORE sponsors do not, which can prevent them from even getting under contract—especially in competitive markets where sellers expect sizable deposits and quick proof of funds.

How CORE projects meet this need

- **Mission-driven acquisition debt from CDFIs (when available):** When they can, CORE sponsors pursue acquisition loans from mission-driven CDFIs that are willing to lend for site control with flexible terms and a longer runway to assemble the rest of the stack. In practice, this option is uneven—highly dependent on whether a local or regional CDFI has an acquisition product, the sponsor can meet underwriting requirements, and there is a clear path to takeout financing.

- **Revolving philanthropic bridge funds (rare):** In a few ecosystems, philanthropic partners provide revolving bridge funds that can move quickly to help community buyers secure properties and then recycle capital once longer-term financing closes. These vehicles are powerful because they prioritize speed and alignment, but they remain rare and often limited in size, geography, or eligible project types.

- **Public acquisition funds in select cities (e.g., TOPA-related funds):** Some CORE projects can access public acquisition funds—especially in cities that have built tenant opportunity or anti-displacement tools (including TOPA-related funding mechanisms). Where these programs exist, they can provide the scale and legitimacy to compete with private buyers, but they are typically constrained by program rules, political timelines, and administrative requirements that still may not match market speed.



Construction or Rehabilitation Capital Needs

What construction and rehab capital is needed for

CORE projects need **construction financing** that can support either ground-up development or major rehabilitation—capital that covers the full build scope while accommodating the longer timelines and layered approvals that often come with community ownership models. This typically includes a construction loan sized to the project's budget and draw schedule, with terms that don't assume rapid stabilization or an immediate exit.

They also need dedicated resources for **tenant improvements**, especially in commercial or mixed-use CORE properties where the goal is to keep space affordable for legacy small businesses, cultural organizations, or cooperatives. Build-outs, accessibility upgrades, and fit-outs for kitchens, retail, or light industrial uses can be expensive, and CORE sponsors often want to structure these costs in ways that don't force tenants into high rents to pay for the improvements.

Finally, many CORE acquisitions involve buildings with significant **deferred maintenance**—requiring code upgrades, systems replacement (roof, boiler/HVAC, electrical, plumbing), and life-safety work that can't be postponed. These costs are essential to habitability and long-term stewardship, but they can be difficult to finance through conventional underwriting because they don't always translate into higher revenue, even though they dramatically reduce risk and stabilize the asset.

How non-CORE projects typically acquire construction & rehab capital

- **Senior construction loans (banks, CDFIs):** In conventional real estate, the bulk of construction or rehab costs are typically covered by a senior construction loan from a bank (or, in more mission-oriented deals, a CDFI). These lenders provide the primary "first-position" financing tied to construction milestones, and underwrite to a clear takeout plan for permanent financing once the building is stabilized.

- **Equity contributions:** Developers usually pair that senior debt with equity—cash from the sponsor, private investors, or a fund—so the project meets loan-to-cost requirements and has a cushion for contingencies. This equity is also what absorbs early losses or delays and gives senior lenders confidence that the sponsor can manage overruns without destabilizing the deal.

- **Developer guarantees:** To further reduce lender risk, construction financing often depends on developer guarantees, including completion guarantees and repayment guarantees, backed by the developer's balance sheet. These guarantees reassure lenders that if costs increase, timelines slip, or the project underperforms, there is a financially capable party obligated to make the lender whole.

Challenges for CORE projects

Construction and rehab financing is often described as the most accessible phase for CORE—especially once acquisition is secured and the project has a defined scope, budget, and development team—but meaningful challenges still persist. Even when lenders are open to the mission and the plan, CORE sponsors frequently face barriers that don't show up as sharply for conventional developers.

Construction financing is **the most accessible** phase for CORE, but challenges remain:

- **CORE project sponsors rarely have the guarantor capacity that construction lenders typically require.** Completion guarantees, repayment guarantees, and balance-sheet backstops are common expectations in construction lending, but many CORE sponsors are tenant groups, cooperatives, CLTs, or small community nonprofits without the net assets or liquidity to stand behind those obligations. As a result, projects often need partner entities, credit enhancements, or guarantee substitutes to get to closing.

- **Tenant improvements for commercial spaces are rarely covered by standard financing sources,** even though they are essential to keeping space affordable for legacy small businesses, cultural anchors, and cooperative enterprises. Fit-outs for kitchens, retail, light manufacturing, and accessibility upgrades can be expensive, and when TI costs aren't financed, they either get pushed onto tenants (driving up rents) or delayed—undermining the stability and community benefit that CORE is designed to achieve.

- **Complex community governance structures can slow closing timelines,** even when the complexity is a feature—not a flaw. Participatory decision-making, member votes, shared ownership structures, and layered approvals can take more time than a conventional sponsor-led deal, and lenders may interpret that timeline as execution risk. Without patient capital and clear governance "readiness," CORE projects can struggle to match the pace of standard construction underwriting and closing processes.

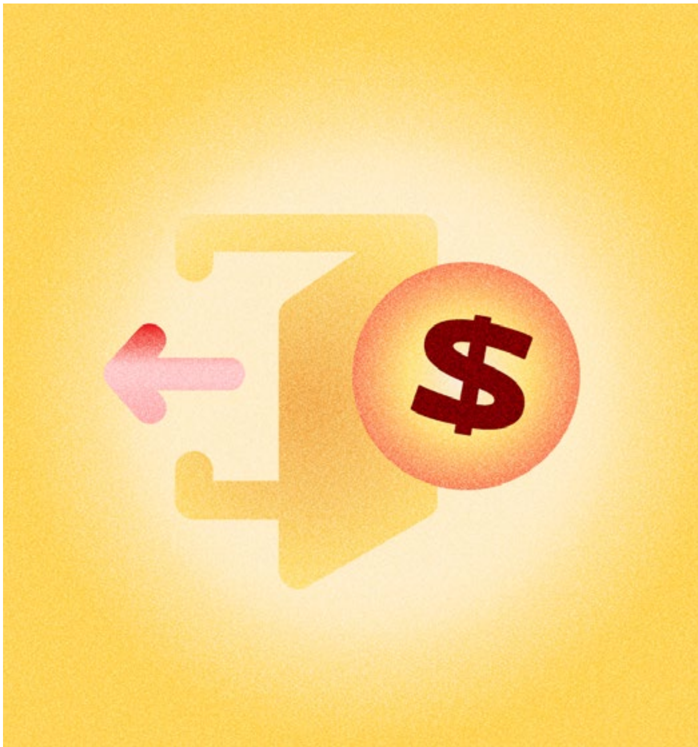
How CORE projects meet this need

- Once a CORE project has site control—either under contract or fully acquired—**CDFIs are typically more willing to provide construction or rehab loans**, because acquisition reduces uncertainty about the sponsor's ability to execute and allows the lender to underwrite a defined scope, budget, and draw schedule. In many cases, the CDFI construction loan functions as the senior construction facility, with terms that reflect longer stabilization timelines and a more values-aligned approach than conventional banks, even if the project still requires layered subsidy.

- CORE sponsors also sometimes leverage **public financing tools** to close gaps that conventional debt can't cover, especially when major rehab costs or mixed-use/community space would otherwise push rents beyond affordability. For example, **historic tax credits** can bring in a tax credit investor and generate equity-like proceeds for eligible buildings, while **HUD Section 108** can be used in some jurisdictions to support qualifying development costs through a city or county's borrowing capacity. These resources can materially reduce the debt burden, but they are often complex, time-intensive, and highly dependent on local program access and administrative capacity.

- Because many CORE sponsors can't provide the kind of **full-balance-sheet developer guarantees** that senior lenders commonly expect, they often piece together **limited guarantees through partner entities**. This can take the form of a mission-aligned nonprofit serving as a co-borrower, a fiscally sponsored structure with stronger financial capacity, or a shared-services/intermediary partner offering targeted credit support such as a completion backstop, a loan loss reserve, or a partial guarantee. These arrangements can unlock construction financing, but they also highlight a persistent structural need for credit enhancement mechanisms designed specifically for community-owned projects.

Permanent / Takeout Financing Needs



What permanent capital is needed for

- CORE projects need **permanent (takeout) financing** in the form of long-term mortgages that can retire short-term acquisition and construction loans once the property is stabilized. This takeout capital is what converts a time-limited, higher-risk phase into durable ownership—locking in the project's ability to hold the asset over decades rather than continually refinancing under pressure.

- They also need **predictable, low-cost debt** that aligns with affordability goals, because CORE operating models are intentionally designed around modest cash flow and long-term stewardship rather than rent-maximization. If permanent debt is priced too high or structured too aggressively, it can force rent increases, squeeze maintenance reserves, or undermine the very affordability and community benefit the project is trying to protect.

- Finally, CORE projects typically require financing with **20–30 year terms**, which provides the stability needed for long-term planning, responsible asset management, and community governance. These longer amortizations reduce annual debt service, making it easier to keep housing or commercial space affordable while building the reserves required to maintain the property and sustain stewardship over time.

How non-CORE projects typically acquire permanent & takeout capital

- **Banks or life insurance companies refinance properties once stabilized.** In conventional real estate, permanent financing is typically provided by banks or life insurance companies once a building is completed, leased up, and generating predictable income. After stabilization, these lenders refinance the construction loan with a long-term mortgage at lower rates and longer terms, based on the property's proven operating performance.

- **Properties with stable rent rolls attract conventional takeout loans.** When rents are consistent and tenant turnover is low, properties can demonstrate strong, reliable cash flow—making them attractive candidates for conventional takeout loans. Lenders underwrite to the stability of the rent roll and operating history, which allows them to offer standardized loan products and pricing tied to the perceived security of the income stream.

Challenges for CORE projects

- One of the biggest shortfalls in CORE financing is the lack of **long-term, affordable mortgages** that can reliably take out acquisition and construction debt. CORE projects are designed to hold assets for stability and affordability, but without permanent debt that is low-cost and long-duration, sponsors can get stuck carrying short-term or higher-cost financing that pressures rents, squeezes reserves, and undermines stewardship.

- A major structural issue is that **many CDFIs are strongest in the early phases**—acquisition and construction—where they can be catalytic and flexible, but they are not always positioned to provide permanent takeout loans at scale. Balance sheet constraints, liquidity needs, and risk policies can limit their ability to hold 20–30 year mortgages, leaving a gap between what CORE projects need and what mission-driven lenders can consistently offer.

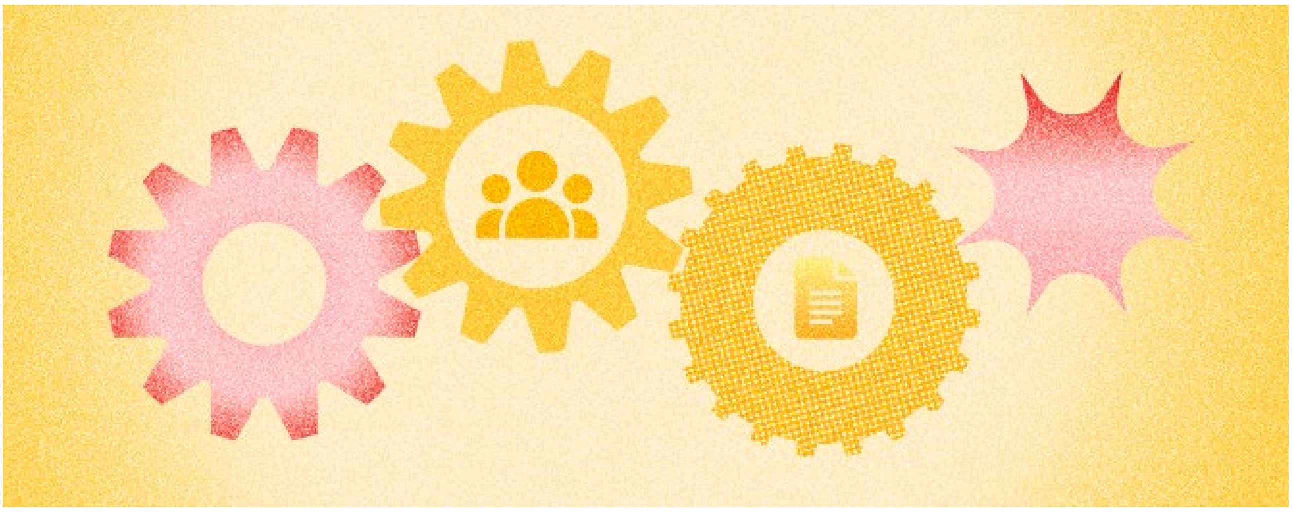
- **Public takeout financing is also scarce and inconsistent**, varying widely by city, state, and program priorities, and often coming with complex compliance requirements that don't fit every CORE model—especially mixed-use or non-housing community space. Without a predictable, repeatable takeout pathway, CORE projects can't plan with confidence, and sponsors become understandably cautious: **when permanent financing is uncertain, groups hesitate to take on acquisition debt**, because getting stuck without a refinance option can threaten the entire organization, not just the project.

How CORE projects meet this need

- CORE projects often meet permanent financing needs with **limited access to long-term takeout debt**, meaning they may secure a permanent mortgage only in certain markets, for certain asset types, or when they can demonstrate a strong enough operating profile to satisfy conventional underwriting. Because CORE projects frequently cap rents, prioritize community-serving uses, or carry added stewardship costs, they can struggle to meet standard lender expectations—even when the underlying asset is stable and well managed.

- When takeout financing is possible, it often comes through **public programs or mission-driven lenders** rather than mainstream banks. Some projects rely on government-backed products, local housing finance tools, or mission-aligned lenders (including select CDFIs) that are willing to underwrite affordability commitments and longer timelines. These options can be critical—but they are unevenly available, can be administratively complex, and may not easily fit mixed-use or non-housing community space.

- As a result, many CORE projects experience **delayed refinancing**, sometimes waiting **5–10 years** for stabilization before they can secure affordable permanent debt. During this period, projects may carry higher-cost or shorter-term financing, focus on completing lease-up and operational improvements, and work to build the operating history lenders want to see—effectively extending the "bridge" phase far longer than a conventional deal.



Operating Capital & Stewardship Funding

What operating capital is needed for

- CORE projects need **ongoing operating capital** to fund the human infrastructure that makes community ownership real—not just on paper. This includes staffing and resources for community governance (member engagement, meetings, voting processes, leadership development), tenant organizing and communications, day-to-day asset management, and—when relevant—cultural programming that anchors the property's community purpose. These functions are central to CORE's value, but they are rarely treated as "financeable" costs in conventional real estate models.

- CORE projects also require **replacement reserves and stewardship budgets** that support long-term maintenance and responsible ownership over decades. That means adequately capitalized reserves for major systems (roof, boiler/HVAC, elevators, electrical and plumbing), planned capital improvements, and preventative maintenance—alongside stewardship funds that cover compliance, insurance, professional services, and long-term planning. Without these reserves, affordability can become fragile over time, because deferred maintenance accumulates and the property's physical condition—and community trust—can deteriorate.

How non-CORE projects typically acquire operating capital

- In conventional real estate, ongoing operating needs are typically covered through net operating income (cash flow) generated by rents and other property income, which funds staffing, routine maintenance, and day-to-day management. Property managers and developers also often rely on management fees (and sometimes asset management fees) built into the operating budget, creating a predictable revenue source to cover professional oversight and administrative functions.

- When cash flow is tight or the owner wants additional flexibility, projects may add supplemental revenue streams—such as parking income, storage fees, laundry, event rentals, commercial leases at market rates, or other ancillary income—to strengthen the operating budget and support reserves. These revenue strategies are often easier in profit-first models, where maximizing income is an explicit goal and rent increases are a standard tool for sustaining the operating plan.

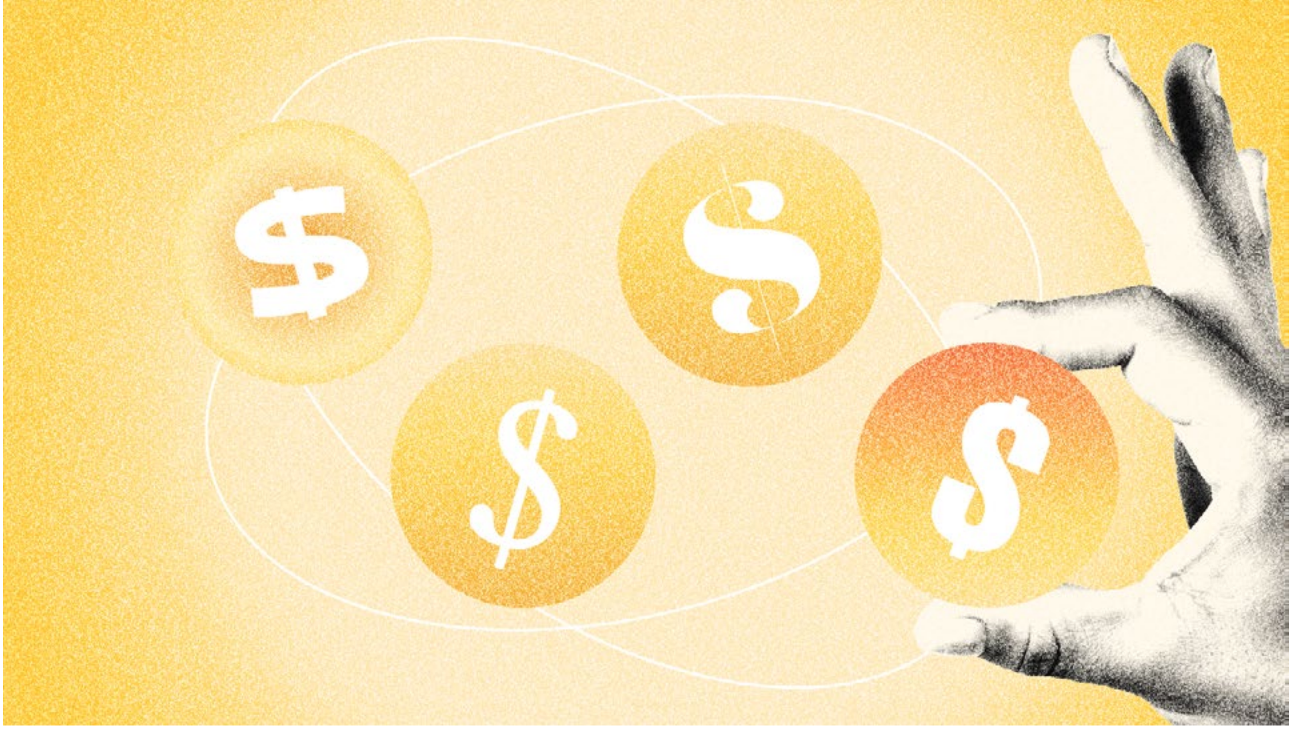
Challenges for CORE projects

- Operating needs are ongoing, not one-time—most CORE sponsors lack reliable recurring revenue
- CORE governance requires more staff, not less, compared to private real estate
- Stewardship costs are structurally underwritten by philanthropy, threatening long-term sustainability

Interviewees warned that many promising CORE projects "**don't fail at the project level—they fail at the operating level**."

How CORE projects meet this need

- CORE projects often rely on philanthropic operating grants to fund the "people costs" of community ownership—governance facilitation, tenant engagement, organizing, and the additional coordination required to steward property democratically. These grants can make the difference between a CORE model that functions in practice and one that exists only in documents, but they are often time-limited and not designed as long-term operating support.
- Some CORE properties also use cross-subsidies from limited commercial rents to strengthen the operating budget, especially in mixed-use buildings where modest commercial income can help cover shared costs or build reserves without raising residential rents. However, CORE projects often intentionally keep commercial rents below market to protect legacy businesses and community-serving uses, which limits how much subsidy can realistically be generated.
- Finally, many CORE groups depend on volunteer governance participation—community members donating time to boards, committees, and decision-making processes—to reduce staffing needs and keep governance accessible. While this volunteerism reflects deep community commitment, it can also create capacity constraints, burnout risk, and uneven continuity over long timelines, underscoring the need for reliable operating dollars to support sustained stewardship.



IV. Capital Needs by Product Type

While the lifecycle view is most intuitive, CORE stakeholders also experience capital needs by **product type**, each shaped by unique conditions.

Senior Debt

Needed for: construction, stabilized permanent loans
How it's usually met: banks, national CDFIs
Challenges:

- Senior lenders are comfortable underwriting real estate but struggle with governance complexity
- Loan-to-value limits often require significant subordinate capital

Subordinated Debt / Mezzanine Capital

Needed for: Fill the gap between equity and senior debt
How it's usually met: small number of junior lenders or city grant dollars
Challenges:

- Almost no intermediaries provide patient sub-debt
- Community dividends must sit below debt service—undermining long-term ownership models

Equity or Equity-Like Capital

Needed for: flexible, non-extractive, long-term capital
How it's usually met: philanthropy, recoverable grants, limited impact equity
Challenges:

- Most mission-aligned funds still rely on below-market debt rather than patient equity. CORE projects need recoverable grants, revenue-participation structures, and non-extractive equity to truly pencil out.
- Equity is expensive and misaligned with CLT or permanent ownership models
- Investors want exit strategies that conflict with long-term community stewardship

Guarantees & Credit Enhancements

Needed for: unlocking construction loans & reducing perceived risk
How it's usually met: rare philanthropically backed guarantees
Challenges:

- Community groups lack corporate guarantors
- Public guarantee programs are inconsistent or small-scale

Grant Capital (Operations & Subsidy)

Needed for: technical assistance, staffing, pre-dev, long-term stewardship
How it's usually met: national & local foundations, state & local capital grant programs, public discretionary funding (all levels)
Challenges:

- Philanthropy rarely funds multi-year operating budgets
- Grants are episodic and insufficient relative to CORE's governance obligations

V. Structural Barriers Across Phase, Products, and Project Types

Many of the challenges that CORE practitioners face are not specific to any specific financing phase, product type, or specific need based on their particular model, but cut across the entire ecosystem.

Lack of Dedicated Capital Funds, Aggregators, or Product Infrastructure

One of the core barriers facing Community-Owned Real Estate (CORE) is the absence of dedicated capital infrastructure built for its needs. Many existing capital providers are not equipped with the right products or institutional flexibility to support these projects effectively. CDFIs, for example, often rely heavily on conventional debt tools and may be reluctant to experiment with more flexible or hybrid structures that better match community ownership models. At the same time, philanthropy frequently provides grants in ways that are helpful but not sufficiently catalytic, and PRIs are still underused relative to their potential. The result is a fragmented landscape where CORE projects must patch together financing from institutions that were not designed for them. What is missing is a stronger ecosystem of dedicated funds, capital aggregators, and product platforms that can intentionally structure, pool, and deploy capital in ways aligned with community governance, affordability, and long-term stewardship.

Lack of Standardized Diligence Templates for CORE

CORE projects also face high transaction costs because there is no widely adopted diligence framework tailored to the sector. Investors and lenders often do not share diligence processes, which means community groups must repeatedly respond to different requests, formats, and underwriting expectations. This creates a significant administrative burden, especially for smaller organizations with limited staff capacity. It also slows down deal execution and can discourage promising projects from pursuing capital at all. A more standardized set of diligence templates, underwriting questions, and document expectations could reduce duplication, shorten timelines, and improve consistency across capital providers. Standardization would not eliminate the need for investor-specific review, but it could create a common baseline that lowers risk and makes the field more legible to both funders and borrowers.

Significant Geographic Variation in Public Funding, Ecosystem Strength, and Capacity

The viability of CORE projects varies dramatically by geography. Some regions benefit from stronger public funding pipelines, mission-driven lenders, technical assistance providers, and impact investors already focused on housing or community real estate. In these places, CORE projects may still be difficult, but there is at least some ecosystem infrastructure to support them. In other regions, the landscape is far more limited, with few local actors able to provide patient capital, predevelopment support, legal guidance, or subsidy layering. This unevenness means that access to CORE is often determined not just by project quality, but by where a project happens to be located. In places with thinner ecosystems, projects increasingly need to seek national or place-agnostic capital, which introduces additional challenges. National funders may lack local knowledge, trusted intermediaries, or effective channels for deploying capital into place-based community ownership strategies. Without stronger regional infrastructure or national-local bridging mechanisms, these geographies remain at a structural disadvantage.

Reliance on Philanthropy for Operating Support Is Often Unsustainable

Many CORE initiatives depend heavily on philanthropy to cover the ongoing work that makes community ownership possible, including organizing, governance support, stewardship, technical assistance, and early-stage staffing. While philanthropic support is often essential, this model is not sustainable as a primary long-term solution. Grants are frequently time-limited, restricted, and disconnected from the actual operating rhythms of community-owned projects. This leaves organizations in a constant cycle of fundraising for core functions that are mission-critical but rarely financed through earned revenue or traditional lending. Overreliance on philanthropy can also make projects vulnerable to shifting funder priorities and undermine long-term planning. For CORE to scale in a durable way, the field will need more reliable mechanisms to fund operating infrastructure and stewardship, rather than treating those functions as peripheral or temporary.

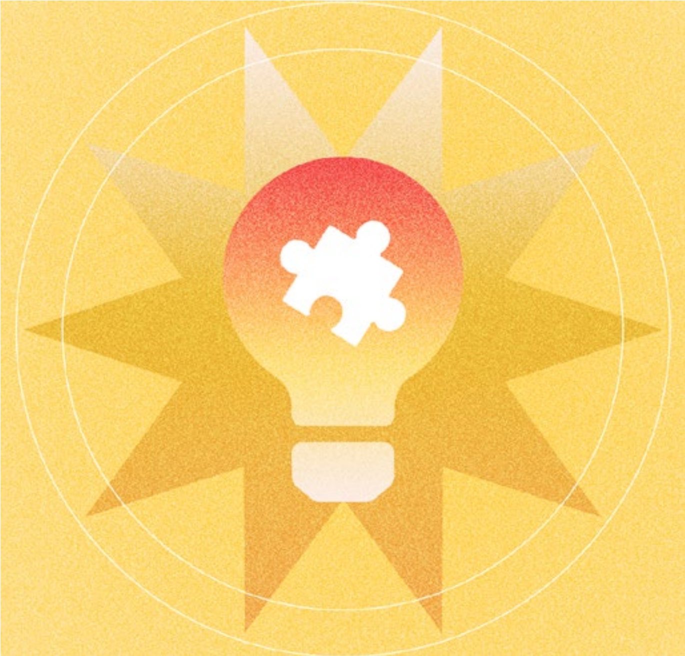
Capital for Rehabilitation and Tenant Improvements Remains a Major Gap

Securing capital for rehabilitation, code compliance, and tenant improvements remains one of the most persistent challenges in CORE deals. The Nonprofit Quarterly case on Inclusive Action's CORE portfolio illustrates how bureaucratic permitting processes, deferred maintenance, and infrastructure repairs can create major delays and cost escalations. In practice, many projects underestimate the true cost of bringing properties into safe, functional, and community-serving condition. Tenant improvements, accessibility upgrades, environmental remediation, and basic systems repairs can quickly exceed original budgets, especially in older or distressed buildings. Contractor delays and local permitting bottlenecks further increase project risk and often force groups to raise additional capital in the middle of implementation. These realities make rehabilitation financing especially difficult for community-owned models, which are already balancing affordability goals with limited margins. More flexible, higher-risk-tolerant capital is needed to absorb the uncertainty that comes with these projects.

Lack of Standardized Legal and Capital Mechanisms

Many CORE projects are designed with the intention that residents, workers, small businesses, or other community stakeholders will eventually build equity, gain ownership, or share in project surplus over time. However, the field still lacks standardized legal and capital mechanisms to make those transitions workable at scale. There is no broadly accepted model for how to move from nonprofit or steward-led control into deeper forms of community ownership without putting affordability, mission integrity, or long-term governance at risk. As a result, many projects rely on bespoke legal structures and one-off financing arrangements that are difficult to replicate. This limits field-building because each project must reinvent its ownership transition model rather than adapting proven frameworks. Developing more standardized mechanisms for equity transition, surplus sharing, and mission-protected ownership transfer would help CORE projects move from aspiration to implementation in a more repeatable and scalable way.

VI. Proposed or In-Development Solutions



These ideas arose frequently in interviews and in field conversations. Some are conceptual; others are being prototyped but lack infrastructure, policy support, or investor uptake.

National or Multi-Regional Intermediary Funds for CORE

Interviewees repeatedly advocated for an **intermediary fund** that:
- aggregates philanthropic, CDFI, and impact capital
- standardizes diligence
- moves with speed
- blends risk across geographies
- communicates between investors and projects

Such a fund could function similarly to a **Fund of Funds (FoF)** and create the consistency that local groups cannot achieve alone.

A "CORE Bond" or Community Ownership Fixed-Income Product

Interviewees repeatedly advocated for an intermediary fund that:
- fixed-income products
- tax-credit-like structures
- bond offerings secured by CORE portfolios

This would allow institutional investors (e.g., pensions, insurance companies) to participate at scale once risk is mitigated.

National Guarantees or Backstop Facilities

A pooled guarantee mechanism—philanthropic or public—could:
- free up CDFI lending
- solve the guarantor limitations faced by community groups
- unlock more acquisition financing

Large-Scale Social Housing–Style Public Investment in Commercial & Mixed-Use CORE

Interviewees imagined:
- public land banks dedicated to community ownership
- acquisition-first public programs
- long-term community stewardship mandates
- anti-speculation measures supporting commercial affordability

Cross-Regional CLT or Community Ownership REIT Structures

Several interviewees proposed a structure where:
- multiple CLTs or CORE groups pooling assets under a shared vehicle
- consistent governance standards
- unified collateral to attract bigger capital

Standardized CORE Underwriting Framework & Governance Risk Scoring

To reduce investor uncertainty, practitioners proposed developing:
- standardized deal templates
- clear risk scoring for community governance features
- CORE-specific underwriting principles (similar to LIHTC models)

Multi-Year Operating & Stewardship Endowments

A proposal for philanthropy:
- create renewable or endowed funds
- support tenant engagement, governance, operations, and technical assistance over time

VII. Conclusion

Community-Owned Real Estate (CORE) is not simply a variation on conventional real estate finance, it is a different ownership and stewardship model that requires different capital components. Across every phase of the project lifecycle, CORE initiatives face a persistent mismatch between what communities need and what the market is designed to provide. Conventional capital is built for speed, liquidity, and maximized returns, while CORE depends on patience, affordability, shared governance, and long-term stewardship. As a result, the challenge is not only that there is too little capital, but that too much of the available capital is structured in ways that do not fit the realities of community ownership.