



# THE KENSINGTON CORRIDOR TRUST

THE FIRST FOUR YEARS

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## About the Author

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Front and Back Cover: Aerial view of the KCT Corridor.  
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# EXECUTIVE SUMMARY

## WHAT IS THE KCT?

The Kensington Corridor Trust or the KCT is a neighborhood trust started in 2019 whose mission is to acquire and redevelop real estate on a disinvested commercial corridor and place it into long-term community control to preserve culture and affordability while building neighborhood power and wealth.

## WHAT IS UNIQUE ABOUT THE KCT MODEL?

The KCT has an innovative trust governance structure that seeks to de-commodify street level retail and the apartments above by taking them out of the speculative market and placing them under community control.

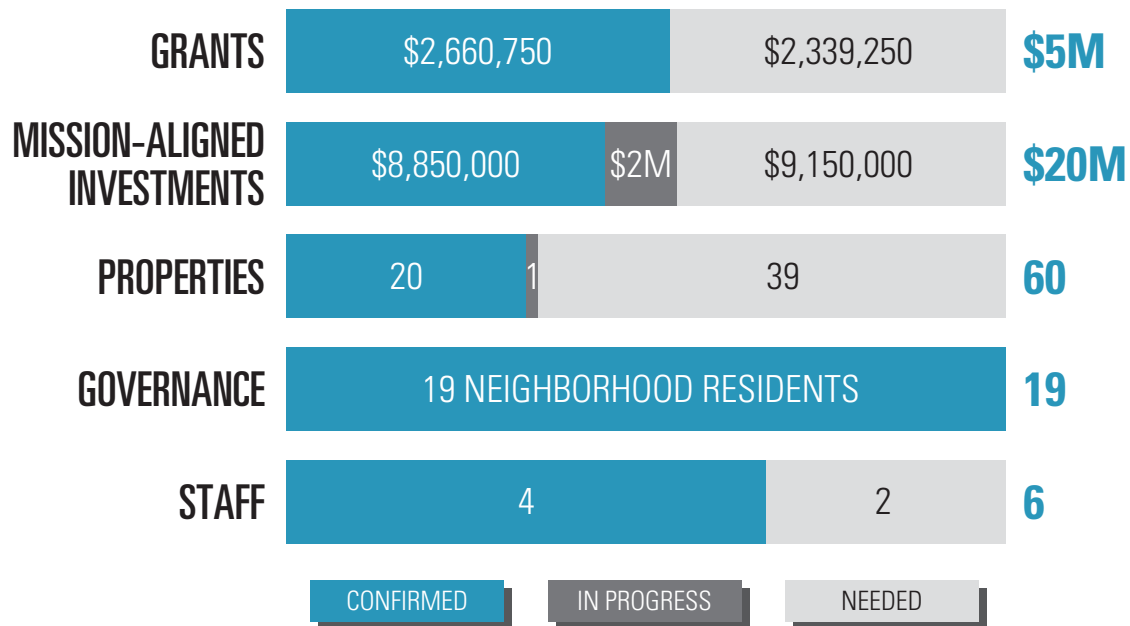
## WHY WAS THE KCT FORMED?

The KCT was formed to address vacancy and speculative development on a neighborhood commercial corridor.

## HOW IS THE KCT FINANCING THE ACQUISITION AND REDEVELOPMENT OF PROPERTIES ALONG THE CORRIDOR?

The KCT set a fundraising goal of \$2 million in non-recoverable grants to fund trust formation, operating costs, and community engagement efforts. It also sought to raise \$20 million in patient, low-interest capital to fund the acquisition and development of 60 properties. Today the KCT has raised \$2.5million in grants and \$10.85 million in loans at interest rates between 0-2 percent with a 30-year amortization term. Its investors are primarily philanthropic organizations rather than market based investors.

## PROGRESS TO DATE



Left: The Kensington-Allegheny station of the Market-Frankford Line is a central stop along the Kensington Avenue Corridor. Photo by Luis Acosta Studio, 2020.

## HOW DOES THE KCT PROVIDE COMMUNITY CONTROL OVER ASSETS?

The KCT has established a 501(c)(3) nonprofit board comprised of community residents and small business owners and a Perpetual Purpose Trust Stewardship Committee made up of nine residents and small business owners who are responsible for ensuring that board decisions further neighborhood control and preserve affordability.

## WHY IS THE KCT'S MODEL IMPORTANT TO EXPLORE?

Cities are seeking new models for creating community power and control over neighborhood real estate development and for regenerating failing retail corridors in a manner that benefits existing residents. The KCT seeks to prove that commercial districts can be improved while catering to the needs of existing residents.

## WHAT IMPACT HAS THE KCT HAD?

As of Spring 2024, it is too early to show the impact of the KCT. At that time, the KCT controlled just 20 out of 627 properties on 1.4 miles of a deteriorated neighborhood commercial corridor. The KCT also has received virtually all of its funding outside the market from philanthropy rather than private market investors with an interest in social impact. It is unclear whether this first infusion of funding is just the beginning or whether it will represent the bulk of funding the model will receive over the next ten years. The KCT's Executive Director feels strongly that it has the capacity, capital, and community standing to affect transformative change.



Above: The intersection of Kensington Avenue and Westmoreland Street with several neighborhood-serving retail establishments. Photo by Fr. Kevin A. Mueller, 2022.

Opposite: The raised tracks of the Market-Frankford Line run directly above Kensington Avenue. Photo by Luis Acosta Studio, 2020.



# THE KCT MODEL: KEY ENABLING FEATURES

*Unique governance model that provides community control*

*Clear, legally protected purpose and priorities*

*Targeted geography for market rate acquisition*

*Narrow focus on street level retail properties and their upper floor residential apartments*

*Partnership with philanthropy's impact investing arm for low-cost financing*

*Strong, articulate leadership that has built trust with investors and community residents*





# INTRODUCTION

After decades of disinvestment, investment capital is flowing back into some low-income neighborhood commercial corridors that are experiencing an influx of wealthier residents. This increased capital flow frequently overlooks the needs and concerns of existing residents and small businesses. Instead of fostering neighborhood retail districts that support local entrepreneurship, provide safe communal spaces, and preserve community culture, the investment typically prioritizes profit extraction for absentee property owners and developers. Armed with the capital to acquire undervalued commercial assets at scale, these external stakeholders become the primary beneficiaries of the revitalization efforts. **The term “neighborhood retail” rings hollow given that a striking 81% of commercial real estate is owned by the top 1% of households or the wealthiest households nationwide.** In contrast, 49% of investment residential properties are owned by the top 1% of households.<sup>1</sup> Rather than sitting by and watching investors buy up nearly 75% of available neighborhood retail (a 30% increase from the 10-year average) community innovators are piloting new programs to ensure local control of commercial real estate.<sup>2</sup>

This case study looks at one model for community ownership of mixed use properties (street level retail with apartments above) on a long-standing commercial corridor in one of the poorest neighborhoods in Philadelphia. **The Kensington Corridor Trust (KCT) seeks to acquire and hold commercial real estate to**

**safeguard it from extractive investment practices and place the future of these properties firmly in the hands of community.**

The KCT model, like most of the community-centered reinvestment models being piloted to ensure inclusive growth of business districts, is in its infancy. The KCT is currently acquiring properties along three blocks of the Kensington Corridor and placing them in a perpetual purpose trust. The goal of this small nonprofit is to de-commodify real estate and take it out of the speculative market to preserve local control. For its first infusion of funding for acquisition and renovation of properties, the KCT has relied primarily on philanthropic dollars in the form of grants, Program Related Investments (PRIs), and below-market catalytic capital. Unlike real estate investors, philanthropies are willing to take a smaller financial return to help to prove the viability of a new model that could provide a community development solution. However, it should be noted that fewer than 2% of the nation’s foundations use PRIs to loan money at lower rates, and even fewer have used PRIs to influence the real estate market or protect community assets from speculative private real estate investors.<sup>3</sup>

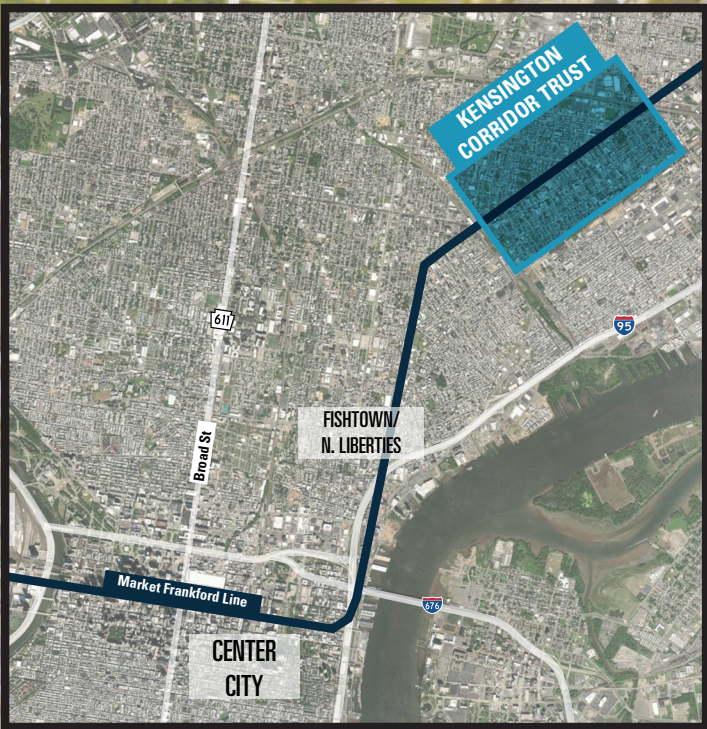
Collective ownership of commercial properties is not a new concept. David Kemper, the co-founder of Trust Neighborhoods, points to Chinatown in Manhattan as a historic example. In the 1960’s and 1970’s the Chinese Consolidated Benevolent Association (CCBA) bought up about 60 buildings in

Chinatown’s historic core—that they still own collectively—to ensure the sustainability of Chinatown. In a much more recent example, the Anchorage Community Land Trust has acquired and redeveloped commercial properties in disinvested neighborhoods since 2003.<sup>4</sup> In addition, there are different models for community ownership of retail assets such as the Mercy Corps Community Investment Trust in Portland Oregon that gives community residents the opportunity to become small investors in neighborhood commercial redevelopment projects.<sup>5</sup> The KCT model builds off of these ideas but with the mission to create a neighborhood trust that creates and preserves community ownership of mixed use properties in perpetuity to ensure they remain affordable to future business owners and residents.

**This City Case explores the first four years of the Kensington Corridor Trust.**

Its leaders and stakeholders agreed to share their victories, mistakes and journey in real time with us as this ambitious project unfolds. We are deeply grateful to the KCT for letting Drexel embed ourselves in this process and for sharing honest and candid information about their experiences as they pilot this idea. They invited us into the room as the KCT formed its board, hired its first Executive Director, and established its bylaws, purpose, and capital strategy. We stayed in that room for the next three years to report out on the challenges and successes and the critical pivots the KCT makes as it innovates. We hope to continue to track its progress and explore its trajectory over the next three years.

Left: The raised tracks of the Market-Frankford Line run directly above Kensington Avenue. Photo by Luis Acosta Studio, 2020.



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# THE KCT MODEL: BACKGROUND

**This City Case tells the origin story of the KCT—a neighborhood trust established in Fall 2019.** The KCT was founded to provide neighborhood residents with control over a critical mass of properties within their neighborhood commercial corridor and to create an equitable economic revitalization of Kensington Avenue. In pursuit of this goal, the KCT is acquiring real estate and redeveloping it to serve the needs of existing residents. The geographic focus for the initial acquisition and redevelopment phase is three commercial corridor blocks from 3200-3400 Kensington Avenue as shown in the image opposite. The KCT is legally structured as both a 501(c)(3) nonprofit and a Perpetual Purpose Trust, giving it the ability to accept grants and investment as a nonprofit while binding it as a trust to fulfill its purposes of community ownership of real estate assets in perpetuity and intergenerational affordability.

**The KCT was created through a partnership between for-profit Shift Capital, nonprofits Impact Services and If Lab, and a quasi-governmental agency PIDC.** Private developer Shift Capital entered the

Kensington-Harrowgate market in 2012 by acquiring two large former warehouses and residential single-family houses. Nonprofit Impact Services has been located within and served the neighborhood since 1974 helping people re-enter the workforce, train for jobs, find housing, and build community. If Lab is an incubator and co-working space started in 2020 in one of Shift Capital’s redeveloped warehouse spaces. PIDC, a nonprofit founded by the city of Philadelphia, is a public-private economic development corporation that provides financing and resources for impactful real estate development projects. Shift was one of the first for-profit developers in decades to invest in the Kensington-Harrowgate neighborhood in a concentrated way. Shift is a “Certified B Corporation,” which means it balances profit with a commitment to having a positive social impact on the neighborhoods where they target their investment. Social impact investors who supported the acquisition of a portfolio of neighborhood properties wanted assurances that the investment would benefit the community, rather than extract value. Shift explored forming a community controlled nonprofit as an exit strategy for these properties

Opposite: Maps illustrating the KCT’s location in the Kensington and Harrowgate neighborhoods of lower northeast Philadelphia. The elevated tracks of the Market-Frankford Line, one of Philadelphia’s three rapid transit lines, is a defining feature for the neighborhood and the KCT corridor.

## DEMOGRAPHIC PROFILE OF NEIGHBORHOOD SURROUNDING KENSINGTON CORRIDOR <sup>11</sup>

The Kensington-Harrowgate neighborhood surrounding the Kensington commercial corridor is home to approximately 30,000 residents spread across six census tracts.<sup>12</sup> Residents are some of the poorest in the country's poorest big city. 46% of neighborhood households fall below the poverty line—more than twice the citywide percentage of 22%. The median household income stands at \$26,708, which is half the citywide median of \$52,649. The neighborhood is 64% Latino. Over the past two decades, the neighborhood has experienced a decline in population, losing a couple thousand people. Many residents are self-employed. Specifically, 5.2% of working men and 2.7% of working women aged 16 and over are self-employed with their own business. Older, single family rowhouses make up over 80% of neighborhood housing with a median house age of 84 years. Roughly 14% of the houses are estimated to be vacant.

with Impact Services and the other founding organizations. In 2019 the four founding partners agreed to create the KCT to acquire, redevelop, and provide community control of real estate along Philadelphia's deteriorated Kensington Avenue commercial corridor. The commercial corridor has been in decline for decades and has vacancy rates of up to 60% of properties on some blocks.

**In 2019, the founders knew how challenging it would be to revitalize a commercial corridor in a poor, high crime neighborhood.** The Kensington Corridor is nationally known for its open air drug markets as individuals often sell and use opioids in plain sight on public sidewalks and hundreds of unhoused people with drug dependency issues gather there.<sup>6</sup> From 2015-2021, 295 people

were shot within a 5-minute walk of the corner of Kensington and Allegheny Avenue, the commercial center of the neighborhood.<sup>7</sup> The stores along the corridor face a dwindling customer base in part due to fallout from the opioid epidemic, but also due to common challenges for neighborhood retail such as competition from online shopping and nearby big box stores. Stations along the Market-Frankford Line, the city's elevated rapid-transit line, provide its customer base and its most defining feature—sky blue giant elevated train tracks rolling over the corridor. The El gives the corridor a unique look and feel but also casts much of it in shadow. In 2019, five thousand people a day used the station at Kensington and Allegheny Avenues providing a primary customer base. The neighborhood boasts several



Above: Unhoused encampments are a common sight along Kensington Avenue, exacerbated by the opioid epidemic. Photo by Luis Acosta Studio, 2020.



*The goal is to rebuild a distressed commercial corridor that, once stabilized, will generate jobs for people in the neighborhood, it'll also provide amenities at price points that are affordable for those residents, and will be clean and safe enough for people from other neighborhoods to come and visit.*



*Alex Robles, Chair of the KCT Board and Long-term Neighborhood Resident*

strengths including its walkability, transportation infrastructure, and active neighborhood civic organizations. The stretch of Kensington Avenue is located just north of Fishtown and Northern Liberties, two neighborhoods that have experienced extensive gentrification and population growth in the last decade.

**By March 2020, the challenges of revitalizing a commercial corridor increased exponentially as the neighborhood wrestled with a global pandemic, protests over police abuse that resulted in the looting and burning of retail properties, an economic downturn, and increased crime and drug activity.** Notably, the founding Executive Director of the KCT, Adriana Abizadeh, began work just days before the city of Philadelphia issued a Stay at Home order in response to the COVID-19 epidemic that forced the closure of non-essential businesses.

Soon after, the police announced that they would not prosecute drug sales or drug use during the lockdown period.<sup>8</sup> Consequently, the commercial corridor experienced a notable surge in drug sales, characterized by highly visible queues extending several blocks as individuals awaited illegal drug “samples.”<sup>9</sup> In May 2020, several properties along the corridor were looted or set on fire as a result of citywide protests over repeated police brutality against people of color. Some businesses, such as Rent -A- Center, were burnt to the ground.<sup>10</sup> By June 2020, several key retail anchors on the corridor, including Sneaker Villa, decided not to renew their leases. **The leaders of the KCT began to question whether this significant destruction along an already hurting commercial corridor was a tipping point from which the corridor could not recover or an opportunity for properties to be inexpensively placed under local control.**

## THE CHALLENGE OF REVITALIZING NEIGHBORHOOD RETAIL

The challenges are daunting for a nascent organization to regenerate a neighborhood commercial corridor with small format retail along a major transit line. Neighborhood commercial districts with stores selling food, clothing, and household goods and services have declined throughout Philadelphia as big box stores and online retail have gained in popularity and middle income households have moved to the suburbs. Experts agree that resident population growth is typically a prerequisite for the revitalization of neighborhood commercial retail. Even with a significant number of newcomers choosing to live in a neighborhood, it can take many years before there is significant new commercial real estate investment or new retail businesses locate on the corridor.<sup>13</sup> Revitalization demands that there is not a perception of high crime.<sup>14</sup> It is more likely to occur in neighborhoods that are becoming middle-income or upper-income rather than a mix of low-income longstanding residents and high-income newcomers. This is because middle-income neighborhoods are more able to attract start-up businesses and chain stores.<sup>15</sup> The good news is that higher functioning neighborhood retail corridors provide new jobs, many of which are filled by residents.<sup>16</sup>



***The Neighborhood Trust vests ownership and control with the neighborhood, rather than with outsiders and protects and maintains long-term affordability.***

*Joseph Margulies, Cornell University Professor of Law and Government, Stanford Social Innovation Review, "Communities Need Neighborhood Trusts", Spring 2019.*

# THE KCT MODEL: HOW IT WORKS

## LEGAL STRUCTURE AND GOVERNANCE

The goal for the KCT governance from the start was to be a community controlled, mission driven organization formed with a legal governance structure that would allow the community to hold and steward real estate assets in perpetuity. **To achieve this goal the KCT needed to: (1) Identify a legal structure that achieved this goal; (2) Determine whether the KCT needed to be a 501(c)(3) nonprofit to accept funding and financing; (3) Define**


**what community control means; and (4) Create clear rules with community resident input about long-term governance.**

## THE PERPETUAL PURPOSE TRUST LEGAL STRUCTURE

**In 2019 Shift Capital took the lead in exploring potential legal structures to create community-control of neighborhood real estate and its future uses.** Shift Capital needed an exit strategy for a series of investments in the neighborhood as they

experienced pressure from investors to show how this B Corporation balancing profit with achieving positive social outcomes would guarantee that residents benefited from the redevelopment of properties. After considering various models including an Equity Fund and a community development corporation, Shift's Brian Murray began to look for a way to "preserve or keep a large chunk of the neighborhood in some kind of perpetual state outside of the capital markets".<sup>17</sup> Murray came across an article in the Stanford Social Innovation Review that presented a model for placing ownership

## GOVERNANCE TIMELINE

- 
- 2019: Founding partners decided to create a nonprofit community-led real estate trust.** The interim nonprofit board is made up of representatives from founding entities. Proposed schedule is to transition to community control in 10 years.
  - 2020: Hire an Executive Director** and name co-founder Impact Services a fiscal agent to accept loans and grants to pay operating costs until a nonprofit is legally established.
  - 2021: Interim board transitioned from founders to community residents.** The KCT Board determines that even before a 501(c)(3) is legally established, the board composition should reflect the community – with at least 30% of board members being current or former residents, at least 30% small business owners with businesses located in the Kensington neighborhood and no more than 40% key stakeholders such as nonprofit leaders identified by residents.
  - 2022: Nonprofit 501(c)(3) established and interim board becomes permanent nonprofit board.** Eight community residents participate in six community working group sessions to determine the legal purpose for the trust and its governance structure.
  - 2023: PPT formed.** Perpetual Purpose Trust Stewardship Committee is formed with nine members and holds first meeting. Ownership of all real estate is expected to be transferred from the nonprofit to the PPT sometime in 2024.

Opposite: Aerial view of the KCT Corridor. Image Landsat / Copernicus ©2024 Google.

of property into community control through the formation of a neighborhood trust.<sup>18</sup> Author Joseph Margulies, a Cornell University Professor of Law and Government, argued that it was time to develop a new type of property owning institution called the neighborhood trust to place assets in the hands of low income communities for the benefit of the community in order to “insulate them from private profit making and political manipulation.” Margulies envisioned the trust as a real estate and community development nonprofit that is governed by the neighborhood with the assistance of financial and real estate advisors. Margulies asserted that a trust would allow disinvested neighborhoods to invest its assets in a manner that will create an endowment to better weather economic downturns and ensure local decision-making and control. Margulies shined a particular light on the suitability of a trust to provide communities with control over the future of commercial

properties that “are critical to a low-income neighborhood that needs affordable markets, pharmacies, clinics, auto mechanics, clothing and hardware stores, laundromats, restaurants, and so on”. Margulies noted that when these businesses are displaced by stores that “cater to a different clientele”, it can “destroy the character and affordability of the neighborhood.” When Murray read this paper, he realized that a neighborhood trust could provide the exit strategy Shift was looking for to allow them to sell properties into community hands for the long-term benefit of the community. Shift, Impact, Margulies and the other founders sat down and began to articulate exactly what a neighborhood trust in Kensington could look like.

The proposed structure of the Perpetual Purpose Trust borrows elements of a Business Improvement District (BID), a Community Land Trust (CLT), and a nonprofit Community Development Corporation (CDC),

but seeks to create something more. Its goal is to create an entity controlled by community members while providing agreed upon returns to value aligned investors. The co-founders engaged Purpose, a national expert on trusts, to guide the creation of this innovative legal structure and governance model. Traditionally, trusts are stewards of assets and investments to meet the needs of trustees and can maintain, sell, or determine a new use for real estate. A Perpetual Purpose Trust, or PPT, is a steward of assets and investments to achieve a purpose rather than to benefit individual trustees—all profits and assets must serve the specified purpose stated in the trust documents.

As the chart opposite shows, a neighborhood trust offers something that the other more common models did not—the ability to hold real estate properties in perpetuity to ensure long-term affordability and guarantee residents control over property use and disposition.



The 3300 Block of Kensington Avenue with several neighborhood-serving retail establishments. Photo by Fr. Kevin A. Mueller, 2022.



# MODEL COMPARISON

## Understanding the Innovation



	Business Improvement District	Community Land Trust	Community Development Corporation	Private Developer	Neighborhood Trust
Main Activity	Stimulates the economy of a commercial area through business development	Ensures availability of affordable housing for a community and encourages home ownership	Revitalizes an underserved area through expansion of affordable housing and other services	For-profit private entity that develops properties for speculative purposes	Collective ownership of assets for neighborhood benefit. Protects local control and ownership, as well as affordability intergenerationally.
Legal Form	501(c)(6) nonprofit	501(c)(3) nonprofit	501(c)(3) nonprofit	LLC (typically) or S-corporation	Perpetual Purpose Trust, Nonprofit-Hybrid
Community Involvement	None	Participation from community & renters	Community engagement	None, not location based	Neighborhood controlled governance
Funding	Fees & assessments	Donations & debt	Donations and debt	Private Capital	PRIs, grants, donations, traditional debt
Purpose	Corridor Improvements	Housing	Charitable purpose defined by state	Profit maximization	Purpose defined by and for community
Timeframe	N/A	Perpetuity	Private sale or exit housing to lower income	7-10 fund horizon	Perpetuity
Asset Types	Typically does not hold assets	Land & residential	All types with charitable utility	All types	All types, as desired by neighborhood

Above: Comparing a Neighborhood Trust to other types of real estate asset management and community economic development organizations.

Business Improvement Districts rarely hold significant real estate and perform services such as marketing and cleaning by assessing fees from property owners—something that the Kensington—Harrowgate businesses could not afford. Three CDCs were already present in the neighborhood and while they did acquire and redevelop properties, they did not provide collective ownership. Community Land Trusts were the closest model to a trust since they traditionally hold real estate assets in perpetuity to maintain affordability, but the KCT's founders wanted to ensure that it would be extremely difficult, if not impossible, for future residents to sell the properties to someone other than the small business tenant who seeks to own the building in which their business is located.

### THE KCT HIRES AN EXECUTIVE DIRECTOR, FORMS A 501(C)(3), DEFINES COMMUNITY CONTROL

**Starting in 2019, the KCT operated under an informal board of founders but soon recognized the need to become a 501(c)(3) organization.** The KCT began as many new organizations do with its founders serving as an informal “board” and defining its strategy and direction. At first, they resisted forming the KCT as yet another small neighborhood nonprofit, but it became clear that a 501(c)(3) was needed to meet the underwriting and philanthropic guidelines of investors. The Board of the nonprofit Kensington Corridor Trust has powers that are

consistent with the traditional authority of a Board of Directors of a 501(c)(3). This includes the power to approve an annual budget for real estate acquisition and redevelopment as well as operations. The Board also approves all fundraising initiatives and investments. Finally, the Board approves new partnerships and programs and evaluates the Executive Director.

**In March 2020 the founders hired Adriana Abizadeh, as Executive Director.** She began her tenure by holding a series of virtual conversations with the founding partners about what the KCT was and what it should be in the future. She received very different answers, although there was a consensus that the KCT's goal was to preserve local control and affordability along the corridor.

***Community board members who came on brought a lot of skills to the table. That expertise we need does live in community. It may not be the traditional pedigrees. In fact, lack of community insight is typically the biggest Achilles heel of most real estate investments, and they [KCT] can hire expertise in real estate.***

*Margot Kane, Spring Point Partners*

Efforts by the founders to invite community input or involvement were made difficult by the need for extensive information before a resident could understand the proposed purpose or structure of the KCT. There also was no agreement as to the boundaries of the neighborhood area they would target.

**The founding partners initially planned to guide the KCT for ten years before transferring control to the community, but in 2020, their new Executive Director and Board Chair convinced them to dramatically move up the transition to a neighborhood led board.** The founders anticipated having a decade to build a thriving real estate portfolio using their extensive expertise and experience, and gradually adding more community residents and small business owners to the nonprofit board. Like other neighborhood transformation models that have been the subject of City Cases, they planned to quickly move into the neighborhood real estate market and buy up properties before they were bought up by well-resourced investors using stealth to guard

against their acquisitions raising sale prices. The premise was that the Board needed to be adept at fundraising from private investors and have experience with commercial development, property management, and asset management. The board decided to prioritize the need to change that timing dramatically to create neighborhood buy-in and build community trust over the need to move at the speed of the market. **As Abizadeh explained, “this was a neighborhood trust and we couldn’t build it and hope folks would love it later, this trust needed to be created and governed by residents.”** In 2021, the Board was converted to all community members with the consent of the founders after a yearlong transition that

ensured a transfer of knowledge. The founders continue to support and advise the the KCT board when needed. Community resident board members receive ongoing training on issues relevant to the KCT’s mission and Board responsibilities. In July 2023, the Executive Director proposed that future Board members be selected through a neighborhood-wide open application process because “there is a great deal of talent in the neighborhood we do not know about”.

**In order to define its purpose, the Trust needed to determine the community it represents and establish what community control of property means.** There are roughly 30,000 residents

***Who holds power?  
Who benefits when a  
neighborhood changes?***

*Adriana Abizadeh,  
The KCT Executive Director*



Above: 3312 Kensington Avenue (with the orange awning), occupied by Vizionz Gallery, is one of the several properties the KCT stewards. Photo by Luis Acosta Studio, 2020.

who live across six census tracts touching the 1.4 mile long Kensington Avenue corridor. How could the KCT make community the decision-maker and power holder over real estate assets when there is no one homogeneous community with a clear set of desires? The starting point was a 2016 neighborhood plan conducted by Impact Services, one of the founding partners of the KCT. The planning process, which included extensive community engagement, found that neighbors and businesses wanted to reduce blight and vacancy along the corridor, formalize the large informal economy in Kensington, and give entrepreneurs the opportunity to open bricks and mortar businesses that would create new jobs. There was broad consensus that conditions on the corridor need to be improved, but using real estate to build

neighborhood power and local wealth was not discussed in the neighborhood plan.

**The KCT chose to deeply interact with twenty community stakeholders to form the trust rather than to hold a series of town meetings to involve large numbers of community residents.** Strategy Arts, the consultant selected to lead community engagement, proposed a plan to engage with a smaller group of community stakeholders over a full year where they could learn about the purpose of the trust and its governance structure and then set the rules for the KCT. Strategy Arts began in the summer of 2021 by interviewing a total of 20 community residents and business owners identified by the KCT board and staff as individuals with knowledge of the community. The KCT then

offered the 20 people who they interviewed the opportunity to participate in a longer term working group that would define the governance structure of the trust. Eight of the individuals, primarily homeowners who lived in the neighborhood for five years or more, agreed to take part in the working groups. No business owners agreed to serve on the working committee as it required a substantial time commitment, and many small businesses were struggling after COVID. The eight participants were each paid a \$600 honorarium for participating in six two-hour long meetings between February and July 2022. The \$600 compensation was low enough that no participant would have to pay taxes on the income, and it would not impact any government benefits that they might receive. Most of these meetings were held virtually with the KCT providing a stipend for participants to

***The goal is to move assets out of the service of capital and into the service of community.***

*Camille Canon, Co-Founder and Executive Director of Purpose*

buy their own snacks to eat during the meeting. The eight participants were instructed to speak solely for themselves and not try to represent the larger community. Strategy Arts used each session to explain the trust governance process and to guide the small group as they made a series of decisions that were required to establish the PPT. The same group of eight residents participated in each of the six meetings and by the sixth and final meeting ratified the legal trust agreement and

the governance documents. Two members of the working group joined the Trust Stewardship Committee that would govern the Trust to bring the knowledge they obtained through the working group process to the permanent governing body. The KCT followed up this process with a large neighborhood meeting and several smaller meetings with civic organizations to ensure that residents agreed with the key principles guiding formation of the KCT. According to Abizadeh, the residents were

enthusiastic and were excited about making community control of neighborhood real estate happen.

**In 2023, after years of work, the KCT established a Perpetual Purpose Trust and put out a call for applications to serve on the Trust Stewardship Committee and as trust enforcer.** The PPT requires several key agreements, features, and roles. First, a PPT requires a defined purpose for the trust's



Above: A shopkeeper of an apparel store talks with a patron at one of the KCT-stewarded properties. Photo by Luis Acosta Studio, 2020.

stewardship of real estate. The KCT defined this mission as community ownership. More specifically, the Neighborhood Trust's purpose is "to preserve its perpetual independence, values, and mission to uplift and support community-led initiatives that harness neighborhood power, or those of any other values-aligned enterprises in which the KCT Neighborhood Trust holds a majority or controlling interest." Its values are "stewardship, community, transparency, and equitable, community-minded development that is led by and benefits the local community." Real estate is to

be held in perpetuity so the KCT can only exit an asset after ensuring it meets the purpose of the trust. For example, the KCT may decide to sell a retail property where there is a long-term commercial tenant who is stewarding the asset so that it can use the revenue to buy another property on the corridor. The KCT had to assign individuals to the required roles of a Perpetual Purpose Trust. Where the KCT had discretion, the eight community member working group made the critical decisions about governance. The working group determined, for example, that the Trust Stewardship Committee would

include nine members—two residents, two business owners, two community leaders, two youth leaders ages (16-21) and one the KCT Nonprofit Board member. The working group defined a nomination process to fill those positions. The working group also decided that the KCT redevelopment should blend in with the existing architecture of the buildings along the corridor rather than introduce more modern buildings. Where the working group could not reach a decision, the issue was brought to the nonprofit board. For example, the nonprofit board finalized the name of the Trust.

## KEY FEATURES OF A PERPETUAL PURPOSE TRUST



**Trust Agreement:** A Perpetual Purpose Trust must have a trust agreement. The Irrevocable Trust Agreement is a legally binding document that establishes a PPT's mission and governance structure. The agreement also protects against the future sale of its underlying assets so that they can be under long-term multigenerational community ownership.



**Trust Stewardship Committee:** This committee is made up of 9 members of the community (residents, youth leaders, business owners and one KCT nonprofit board member) who apply to become members. They are the keeper of the trust's purpose and are responsible for ensuring that decisions follow the community's priorities. The committee also sets the parameters on development and leasing of assets in trust including which types of commercial tenants can be selected, and how affordability is defined in determining rental rates. Most decisions are made with a simple majority vote, but ultra-high impact decisions require a consensus with no more than one member dissenting and approval of the Trust enforcer. Ultra-high impact decisions include termination of the trust, a change of purpose within the trust agreement, and sale or merger or changes to the powers of the Stewardship Committee. The IRS requires that committee members must be citizens with a social security number, making the undocumented residents in this neighborhood ineligible to serve. (Proof of citizenship is not mandatory to serve on a nonprofit Board.) The term is two years although some of this first group of nine have agreed to serve a term of three years so that future terms will be staggered, and the committee will always have a stable base of experienced members. Members are paid twice the living wage per hour for their time. The committee met for the first time in July 2023.



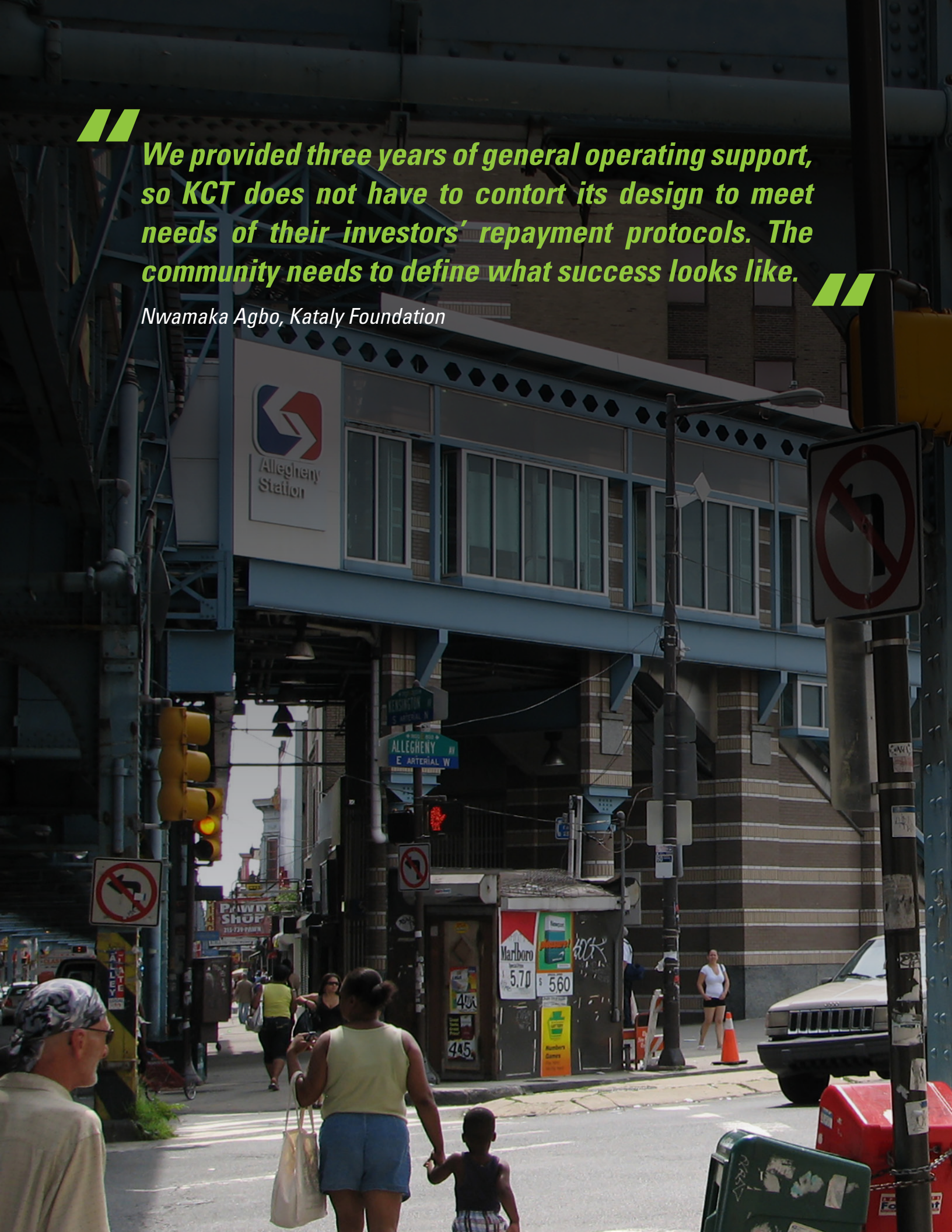
**Trust Enforcer:** This is an individual who has no direct financial ties to the Neighborhood Trust who is selected by the community to monitor the Trust Stewardship Committee and has the authority to take action if the committee violates the trust agreement terms or does not protect and preserve the mission. The enforcer does not have a set term. For the KCT, the Trust Enforcer is the entity Purpose—the organization that advised leadership on how to form a PPT.<sup>19</sup> The KCT asks community residents to contact the Trust Enforcer if they feel that the decisions of the Trust are not for community benefit. The Enforcer must maintain a log of grievances, the response and the reason for the response and submit this log to the Trust Stewardship Committee no less than one time per year. The initial Enforcer is selected by the nonprofit Board, but future selections will be determined by the Trust Stewardship Committee. Where the Enforcer investigates and finds the KCT leaders took an action that is not in the community's best interests, the Enforcer can bring a civil action in Pennsylvania courts.



**Corporate Trustee:** A bank that plays an administrative role that allows the trust to be established.

***We provided three years of general operating support, so KCT does not have to contort its design to meet needs of their investors' repayment protocols. The community needs to define what success looks like.***

*Nwamaka Agbo, Kataly Foundation*



# THE KCT'S CAPITAL STRATEGY

In 2020, the KCT's Board established clear financing goals: \$2 million dollars in nonrecoverable grants to establish and operate the trust and \$20 million in patient, low interest capital (0-2%) with long runways (loan terms between 10-15 years with 30 year amortization) to finance acquisition and redevelopment of 60 properties. The goal was to buy 5 properties each year.

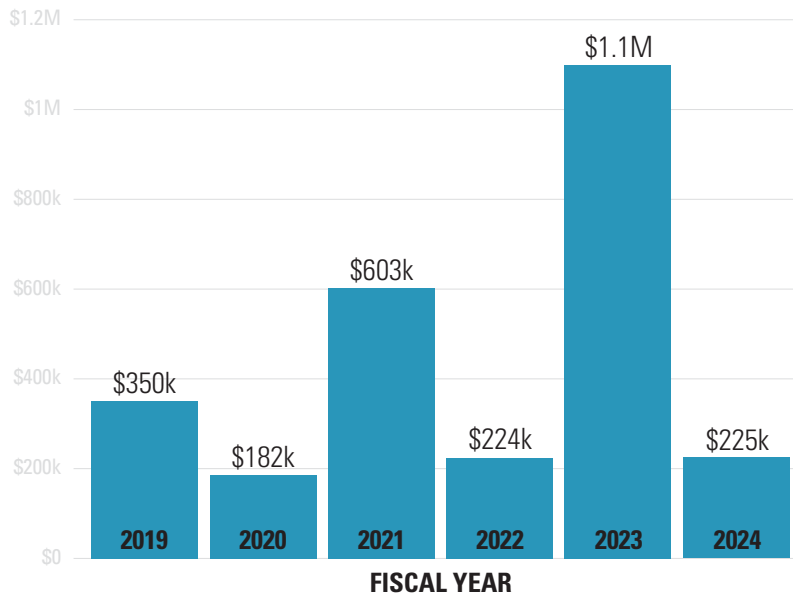
During the summer of 2020, the KCT began presenting their vision to social impact investors without much luck. **One large national funder showed significant**

**interest in making a \$3 million investment, but the investment did not happen. Adriana Abizadeh questioned for a time whether the patient, low-interest capital that the Board thought was out there actually existed.** Each week, the KCT board and staff were able to include more specific details around the trust's governance, vision, bylaws, and operations into the "pitch deck" for potential investors. They explained that the KCT is an innovative model and required investment under different terms than the market typically allows. In particular, the KCT needed below market, patient loan capital to have the

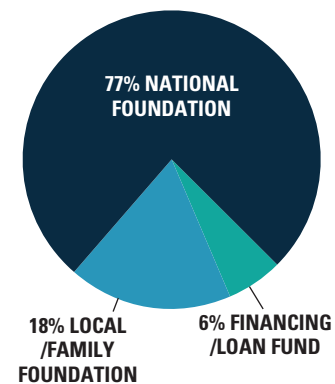
flexibility to acquire real estate, redevelop and stabilize their real estate portfolio before they would be required to repay or refinance debt. But investors expressed their discomfort investing in a general acquisition fund without detailed information about each investment and in the absence of real estate to serve as collateral to mitigate risk.

**In 2022 and 2023, the KCT found their investors. By Spring 2024, philanthropies had invested \$10,850,000 in loan dollars that include \$8,850,000 closed and a \$2 million commitment.** Foundations including the Barra Foundation, which also funded

## GRANTS RECEIVED PER YEAR



## SOURCES OF LOAN FUNDING AND LINES OF CREDIT



Opposite: The Kensington-Allegheny station. Photo by Luis Acosta Studio, 2020.

Above Left: Chart illustrating the total grant dollars the KCT received per year since 2019

Above Right: The KCT's loan funding by originator type, by percentage.

this case study, did extensive due diligence of the KCT model and made commitments of grants and loans to help the KCT achieve a community led governance model and begin acquisitions and redevelopment. They also brought the KCT to the attention of other mission-aligned funders and shared their due diligence with other funders to speed up peer foundations' consideration stage. Each agreement with a funder/investor has different terms but all provide below market rate dollars at 0-2% interest.

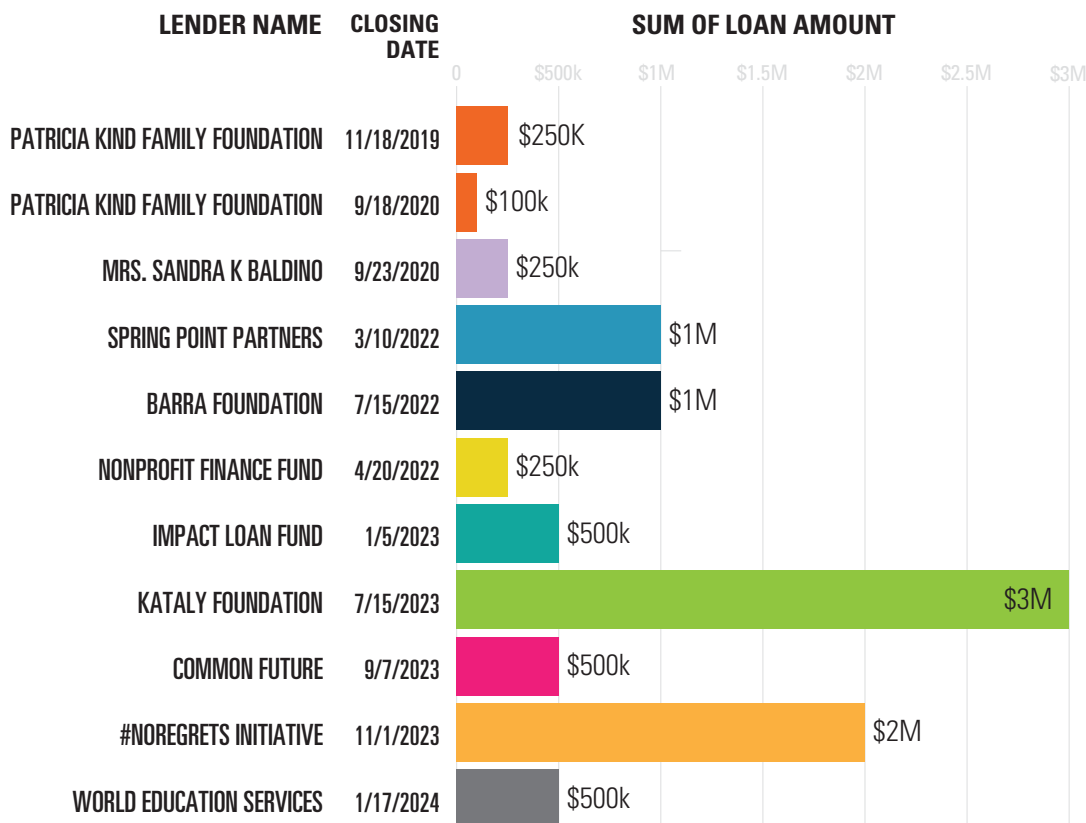
**Barra Foundation, a well-respected philanthropy that invests in innovation to advance bold change that strengthens Greater**

**Philadelphia communities, was one of the KCT's earliest funders.** In 2019, Barra made an initial grant of \$350,000 to support the KCT's formation. In 2021 they provided an additional \$100,000 grant that included \$20,000 for a real estate coach to work with Abizadeh. In 2021, Barra provided a \$1,00,000 Program Related Investment (PRI) to be dispersed in four tranches of \$250,000 with each tranche being conditional upon achieving certain milestones. Barra offered the PRI dollars for a ten-year term. There would be no interest for the first two years and in year three interest rates were set at 1%. The PRI is amortized over thirty years and there will be a balloon payment after 10 years. The reason for making

the amortization period longer than the loan term is to allow the KCT to pay more of the interest up front leaving twenty years of loan principal at the end. This allows the KCT to preserve cash flow in its early years. Barra was critical to getting the KCT off the ground, providing the first money in to the Trust and offering their connections with other investors and philanthropists.

**Spring Point Partners, another well-respected Philadelphia social impact organization, funded the development of a unique pro forma for the KCT which considered intergenerational stewardship.** The KCT needed to determine how much commercial property could

## LOANS



Above: Chart illustrating the total loans received, closing date, and source.



***When testing innovative initiatives like KCT, organizations require patient and affordable 'risk' capital to gauge their viability. Private foundations are uniquely positioned to leverage a blend of grants and Program Related Investment (PRI) funds to provide essential catalytic capital. We understand that pioneering community development models like KCT need time to mature and reveal their true impact, which is why our commitment extends over a decade. Our goal isn't just to measure success against existing benchmarks but to uncover valuable lessons.***

*Kristina Wahl, President, The Barra Foundation*

be acquired and redeveloped with \$20 million of financing and how much development financing could be sustained by the real estate portfolio. Each property the KCT acquired is required to generate sufficient income to cover its own debt service obligations. In developing its most recent proforma which included commercial property sales prices on the corridor and an estimate for rehab costs per square foot, the KCT also looked at how it could include intergenerational stewardship as a key factor and operating cost expense. The pro forma assumes a lower rate of increased rent and no sale of the real estate assets. It also assumes commercial spaces will lease for 25% below market rate and remain empty with no income for 12-18 months to give the KCT time to rehab and lease the space to a business that residents believe will serve the community. In addition, the KCT assumes it

will add affordable housing units above street level retail properties to meet another neighborhood need and make each property self-sustaining. The pro forma showed rents for all residential units as being affordable to households earning less than 60% area median income. The KCT determined that anticipated rents and operating expenses would allow the KCT to generate enough income to make payments on its debt where it uses the appreciation on its existing properties to secure financing on its next properties and refinances loans prior to the date when balloon payments are due. If the KCT has surplus funds after paying off its debt, that pool of funding will be used how neighbors decide, but to date there is no surplus.

**The national Kataly Foundation provided a mix of grants and loans** to achieve its goal of working to provide Black and

brown people with resources, power, and agency to achieve well-being and shared prosperity within their communities. Kataly provided seven years of general operating support as a grant to ensure that the KCT could “hone in on its vision and not contort its design to meet the needs of its investors.” The funder also provided catalytic capital in the form of a \$3 million line of credit at 1% interest rate. The term sheet did not require the KCT to repay principal or interest for three years. Further they agreed to take a subordinate position in the capital stack to allow the KCT to raise 2-3 times the capital from other sources and better leverage their investment. Finally, the foundation provided the KCT with a second term sheet for an additional \$2 million that can be accessed once the first line of credit is drawn down.

## STAFF LEADERSHIP

**Adriana Abizadeh's leadership is a critical ingredient to the KCT's success to date.** No philanthropy or investor will give their money to an organization without a strong, competent leader they trust. In fact, they probably will not even come to the table unless there is a leader who can articulate a thoughtful path to a well-defined vision of success. Abizadeh can articulate complex concepts and a multi-layered capital stack in clear and simple terms. She also constantly pushes to achieve as many positive goals out of each action as possible. For example, when the Board stated it is more important to get their first new construction up and occupied than to achieve a high level of green building sustainability, she immediately countered with the request to build a zero energy ready building if she can raise the money, and with Board permission, she did. Hired in 2020 from her prior job as executive director of the Latin American Legal Defense and Education Fund (LALDEF) in Trenton, NJ, Abizadeh was the sole staff member for two years. When the KCT obtained sufficient operating support, she made two key hires with her board – a community organizer who works with residents to advance public policy and makes sure the KCT understands community priorities and needs and a construction project manager to manage redevelopment of the KCT properties.

## ACQUISITIONS AND REDEVELOPMENT

**The KCT's acquisition strategy is to buy market rate properties at or close to market value.** When Adriana Abizadeh came on, she immediately

focused the KCT's efforts on three blocks rather than try to "boil the ocean" and take on the whole corridor. The 3200, 3300, and 3400 blocks of Kensington Avenue were chosen in partnership with the Board because they are located between two Market-Frankford Line stations and have substantial foot traffic. They also have a large stock of vacant and blighted buildings many of which have absentee investor owners. These blocks also have lower crime and drug use than adjacent blocks. **The KCT targeted 174 out of 627 parcels on these three blocks.** The majority of the 174 properties have structures that are two or three story with roughly 1,800-2,200 square feet of commercial and residential space. Many are vacant. In addition, SHIFT Capital owned five properties that they were willing to sell to the KCT on those blocks. In 2020, the KCT purchased two dilapidated buildings at 3246 and 3248 Kensington Avenue and demolished the structures in August 2020 because they could not be rehabbed. In July 2020, the KCT also signed a letter of agreement to purchase seven more lots on the 3200 block from a single owner - five of the vacant lots were contiguous from 3236-3244 Kensington Avenue and two other vacant lots were located at 3254 and 3256. Each was acquired for approximately \$25,000 per lot. The KCT then purchased from Shift Capital, two additional vacant lots at 3250 and 3252 Kensington giving them eleven contiguous lots within their focus area. The KCT reached out to owners of other parcels but lost several of these properties to cash buyers who could move more quickly. The KCT's board responded by seeking to streamline their board acquisition approval processes and obtain sufficient capital to be able to make competitive cash offers rather than fundraising once they identified an available property. In 2024, the KCT will apply, for the first time, for city-controlled Land

Bank properties on the corridor. The KCT made a strategic decision not to pursue public land earlier because of the significant rules and regulations tied to the land use. In addition, a requirement that a buyer hold sufficient funds in an account to cover acquisition and redevelopment expenses during the lengthy Land Bank approval process would have tied up scarce capital the KCT needed for other acquisition and development.

Almost from the start the KCT became the most active buyer of properties on the Kensington Commercial Corridor taking the risk that they would drive up prices. **The KCT made the decision to be transparent about its purchases rather than to take a stealth acquisition approach working through agents and placing each property into the name of a separate Limited Liability Corporation or LLC.** Their commitment to being transparent with community residents in order to build neighborhood trust meant that owners were aware of the KCT's interest, and each acquisition risked creating a higher comparable price for future purchases. In March 2024, Abizadeh says that the price of later acquisitions to date has not risen significantly.

The Board deliberated intensively about whether to use limited capital to redevelop its initial properties or to acquire more properties and expand their footprint before market values increased significantly. The board decided that it must redevelop its properties with scarce capital, or it risked becoming a land holding entity that does not provide a direct benefit to the neighborhood. Once each property is redeveloped, the KCT seeks retail tenants for its properties who add value and are not predatory or extractive. The working groups that were precursors to the Trust Stewardship



Above: The intersection of Kensington Avenue and Tioga Street, under the Tioga station. Photo by Luis Acosta Studio, 2020.

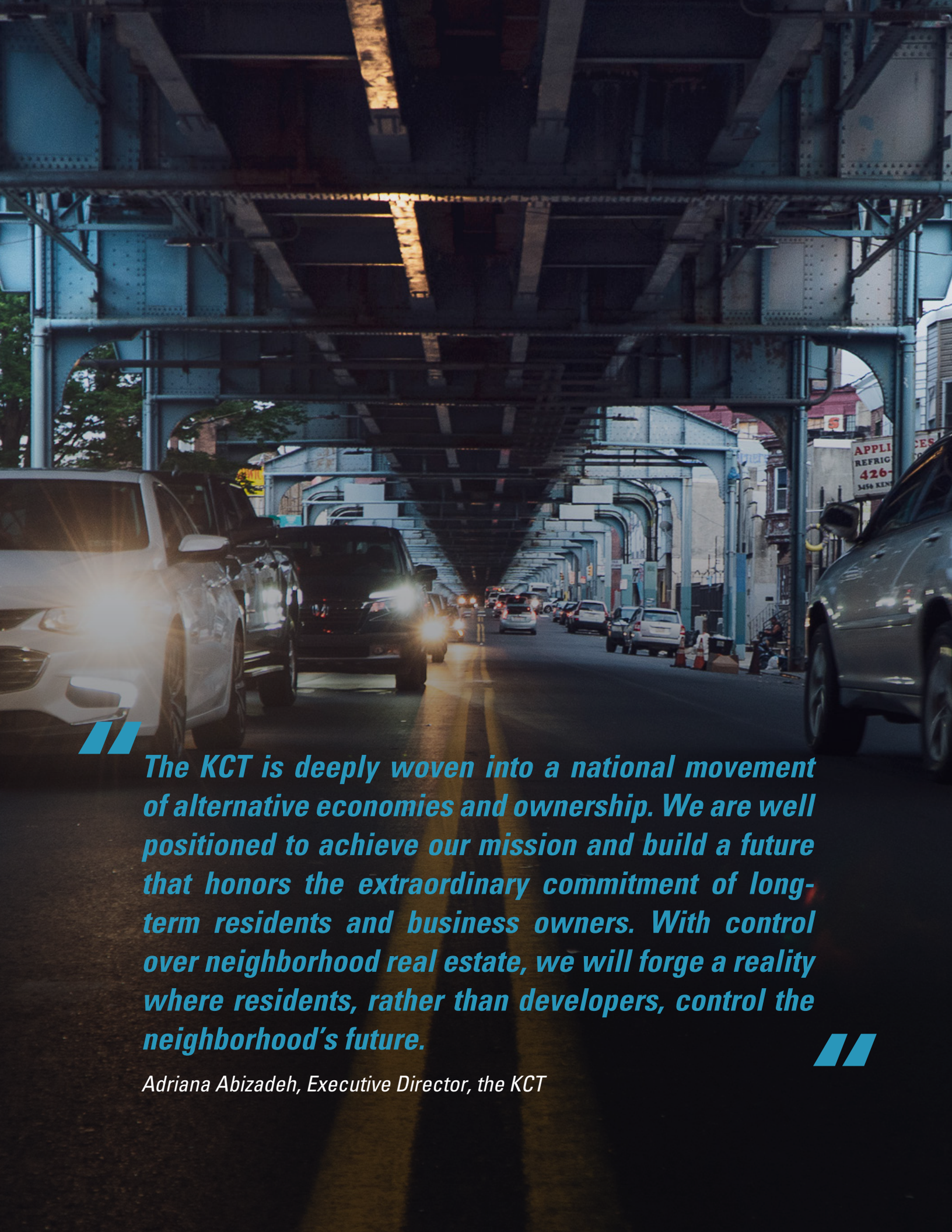
Committee specifically excluded private developers, alcohol and tobacco sales, check cashers, and pawn shops as tenants. Instead, they prioritized businesses that align with neighborhood needs, have inclusive hiring practices, and Black and Brown ownership. During a six to eight week period before a lease is signed with any business tenant, the KCT also consults residents to ensure that they see that business as an asset on the corridor. Since all of the commercial tenants to date have been long-term neighborhood residents, residents have given their resounding support. One of the KCT's redeveloping properties will host a small grocery store on street level with a community kitchen above. Other early commercial tenants include, Waxery, a candle making studio and Vizionz Gallery, an artist hub. The KCT has also stewarded a community garden as a third space for neighbors to gather that may be a permanent use for the space.

In July 2023, for the first time, the KCT had funds in reserve allowing them to move nimbly and quickly towards acquisition and redevelopment. With a little over \$8 million in total debt closed and more than \$2 million in the pipeline, the KCT is about \$9 million shy of its goal to raise \$20 million and has physical assets worth \$2.6 million.

### IMPACT OF THE KCT ON BUSINESSES AND RESIDENTS —TOO SOON TO TELL

The KCT seeks a catalytic impact on its neighborhood and to build the capacity of neighborhood residents and small business owners to be decision-makers and power-holders. That being said, it is too early to determine whether they will be successful. The KCT has control of only 20 properties. It is beginning to

redevelop these properties in a startlingly incongruous situation where parts of the neighborhood are gentrifying, and acquisition and redevelopment costs are increasing while at the same time key quality of life indicators remain low. Crime, drug use and homelessness are making it hard for early businesses to prosper.<sup>20</sup> However, new Mayor Chelle Parker announced at the start of her term in January 2024 that cleaning up the Kensington neighborhood and its commercial corridor are a top priority, and she appointed a Deputy Police Commissioner to focus on the neighborhood. In January 2024, City Council formed a caucus of four council people to fix the longstanding issues facing the Kensington-Harrowgate neighborhood. The KCT's fate is tied to the neighborhood of Kensington-Harrowgate. We at Drexel plan to continue to observe KCT's evolution and assess its impact in the coming years.



***The KCT is deeply woven into a national movement of alternative economies and ownership. We are well positioned to achieve our mission and build a future that honors the extraordinary commitment of long-term residents and business owners. With control over neighborhood real estate, we will forge a reality where residents, rather than developers, control the neighborhood's future.***

*Adriana Abizadeh, Executive Director, the KCT*

# UNLEASHING THE POTENTIAL OF THE KCT MODEL: THE NEXT PHASE

The KCT was born in response to extractive investment practices in Philadelphia's low-income neighborhoods of color. The KCT was built on the premise that an organization that answers to the local community can redevelop real estate, rent it in perpetuity at affordable prices and provide decent returns to investors. The KCT also created a unique legal structure to ensure it could never stray from its mission and would hold onto properties in perpetuity. To date the KCT has obtained almost \$9 million in financing outside of traditional real estate markets under favorable terms that have given them some runway to try out the model before they need to pay back their investors. We are left with many questions about the viability of the model that we hope to answer over the next two to three years:

**Is the KCT's model financially sustainable?** Will it generate sufficient returns on investment to cover real estate development costs, repay investors, and provide affordable spaces for commercial activities and housing? What about the larger Kensington-Harrowgate neighborhood property market, will values rise giving the KCT a portfolio of appreciating assets they can leverage or will gentrification skip over the neighborhood for now and continue its advance along the Market Frankford transit line?

**Will the KCT's model build community wealth?** The the KCT model was designed to give community residents control over real estate assets in order to build community wealth. Yet can the KCT extend community control beyond those serving

on the Trust Stewardship Committee and nonprofit board? Can it pave the way for tangible wealth creation among residents, breaking through systemic barriers, by backing locally owned businesses, supporting entrepreneurs, and revitalizing vacant properties? Further will the city's new initiative to maintain the corridor's cleanliness and safety succeed where past initiatives have failed and pave the way for a corridor capable of nurturing strong local businesses?

Please share your questions at [lindyinstitute@drexel.edu](mailto:lindyinstitute@drexel.edu) to guide our further exploration of the KCT model.

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