CommonBlock — State of Play

September 2026 · working draft. This replaces the July 2026 State of Play, which described an earlier design. It covers what's decided, what's still open, what needs real-world data, and the questions for counsel. It is written for advisors, counsel, funders and prospective leaders. All figures are illustrative outputs of the CommonBlock financial model (available on request); nothing here is an offer of securities or legal, tax or investment advice.

1. Where things stand

The fund design, the resident token mechanics and the company plan are worked out and tie together in one financial model. There is no operating fund yet, no committed capital and no counsel sign-off. The next phase is about testing the design against real South Shore deals, real funders and real legal advice.

Area	Status
Fund structure ($5M community + $5M PRI, 10-year hold)	Designed and modeled
Resident share (35%, 5,385 granted stakes)	Decided
Dual-rail wallet (Wealth, Spend, Harvest), prize-linked saving, merchant network	Designed and modeled; needs counsel and a build partner
Owner buy-in advances	Designed; loss and collection assumptions are placeholders
Fees and company economics	Set to market benchmarks; modeled
Company startup capital ($1.5M split catalytic)	Modeled; not yet raised
Leadership (hired CEO, independent board)	Options modeled; not decided
Legal and regulatory questions	Open; counsel not yet engaged
Pilot fund PRI ($5M first-loss)	Not yet sourced

2. The base case in brief

One neighborhood fund, South Shore, 10-year hold, 3% rent growth, 7.00% exit cap rate, net of all fees.

- **Capital:** $5M from about 1,465 community investors (average ~$3,400; $500 minimum, $20,000 cap) plus a $5M philanthropic PRI that takes first loss and earns a capped 2%.
- **Assets:** about $16.7M of multifamily and mixed-use buildings bought with conventional debt (about 230 apartments), plus $667K of improvement advances to owners of other buildings, reaching about $13.3M of property.

- **Community investors:** 13.1% a year (MIRR), 3.4x their money. The deal itself earns about 9.1%; the difference is the PRI's forgone upside.
- **Residents:** 35% of appreciation. A $3.98M resident pool after tax, spread across 5,385 households (about 22% of South Shore), or about $739 each over the hold.
- **Local economy:** about $920K of Harvest advances and prizes spent at local merchants over the hold, and about $250K reinvested by merchants and savers in Harvest Notes that fund further advances.
- **Protection:** the PRI absorbs roughly the first 30% fall in portfolio value before community investors lose capital.
- **CommonBlock per fund:** fees from operations, plus about $392K of promote and $326K of disposition fee at the sale.

3. Decisions settled

Decision	Why
One community share: 35% of appreciation, everywhere (fund, buy-ins, accredited deals)	One number is easier to explain and administer. 37.5% was never optimized. 35% keeps community investors above a 12% return at base.
Residents are granted stakes, never sold them	Residency is the thing money can't buy. Every granted stake is identical. Residents never put in capital and never absorb losses.
Token base = appreciation above purchase price plus initial rehab	Investors get their renovation money back before gains are shared. Value from later unit turns goes to investors through rent.
Wealth tokens are credited on conservative marks: quarterly opinions less an 8% reserve, calibrated by desk appraisals, with no credit for cap-rate compression until sale. Credited value is never clawed back.	Overvaluation would transfer value from patient holders to early drawers. The reserve exceeds the observed 5% opinion bias.
Spend is an existing dollar stablecoin (e.g., USDC), not a CommonBlock coin	A proprietary coin needs far more scale and a license. Value comes from the buildings, not the token.
Harvest is a non-recourse advance, not a sale: up to 60% of the marked value, 4.5% if spent locally, 7% if cashed out, repaid only from the resident's own share at sale	Selling stakes early would hand most of the upside to buyers. The advance lets residents use value now and keep all of it. Coverage at sale is 3.3x.
The fund funds Harvest itself (refinance proceeds, 4% of NOI, the $500K smoothing reserve)	No outside money needed in the base case; the fund earns about $152K of interest.

Decision	Why
Prize-linked saving, sponsor-funded at $60K a year	Rewards holding over drawing at no cost to residents or investors.
Buy-ins go to owners of existing multi-unit buildings: an advance of about 5% of value; the fund shares 20% of appreciation; the owner keeps title and cash flow	Reaches more buildings per dollar than buying them, without displacement pressure.
Leverage stays at market standard (70% construction, 65% permanent and refinance)	More leverage would thin the PRI's protection. Debt coverage after the year-5 refinance is 1.60x.
The $5M match is philanthropic (foundation, family office or philanthropy)	The concession is what funds the resident pool.
No accredited money in the base case	Accredited co-invest, Harvest Notes and buy-in co-funding are offered, not counted. Add them as opportunities appear.
Accredited deals "mint for access": a deal minted on CommonBlock's rails must code in the Community Trust's 35% slice	Accredited money deepens the resident pool one way only. Accredited investors hold deal tokens, never resident Wealth tokens.
Co-invest on normal accredited terms: 20% promote over an 8% preferred return	11.4% after the 35% community share (Opportunity Zone, after tax).
Fund fees at market: 1.5% management on all $10M; 1% acquisition; 1% disposition; 5% construction management; 20% promote over 12%; in-house property management at 6% of income; 1.25% merchant fee	These fees make a $10M fund viable for the sponsor without raising fund size. Nothing is charged to residents.
Launch costs reimbursed at cost from each fund's operating cash flow over two years	No margin to CommonBlock; doesn't shrink the buy-in budget or the resident pool.
CommonBlock sponsors ~90% of funds; ~10% are licensed to CDFIs, CDCs, chambers and block clubs (10% platform fee plus a $100K or performance-based license)	Neighborhood groups aren't a reliable pipeline yet, so CommonBlock builds funds itself and grows the licensed side over time.
Neighborhoods are the unit, with Opportunity Zone tracts as the eligibility test; a neighborhood can	People buy into a place. Fund size stays at $10M because the community profile doesn't change.

Decision	Why
hold several $10M funds	
Conservative rollout: 1 new neighborhood a year for four years, then 2 a year	Each neighborhood needs its own $5M PRI match, and PRI supply is the constraint.
Company startup capital as split catalytic capital: $1.0M foundation PRI at 2% + $0.5M family-office note at 6% with a 5% warrant	Keeps the founder at about 85% (after a 10% option pool). A conventional priced seed would take far more of the company.
Public benefit corporation (Delaware or Illinois)	Mission lock and a clean fit for PRI funders.

4. Disclosed downside

The fee package is market-standard, but it leaves less cushion. Offering materials will show:

Scenario	Community investor return
Base (3% rent growth, 7.00% exit cap)	13.1%
2% rent growth	11.2%
7.75% exit cap	12.05%
Both	9.8%
30% fall in exit value	7.2% (about $633K of Harvest advances go unrepaid; the PRI is untouched)

5. Decisions open

1. **Leadership model.** Keep Michael Kelley as CEO, or hire a CEO (about 5% equity and $175K) with Michael as executive chair, plus three paid independent directors. Hiring adds about $250K a year and raises the company's startup need from $1.5M to about $2.8M. A related question is whether CommonBlock stands alone or becomes the first company in a holding company that incubates several ventures.
2. **Sourcing the catalytic capital.** Line up the $1.0M foundation PRI and $0.5M family-office note, or choose a conventional seed ($2M at $8M pre-money is modeled).
3. **PRI appetite.** Can $5M matches be found for each neighborhood? No reliable national figure for PRI supply was found; these are large, concentrated asks.
4. **Property management margin.** Benchmarked at 15%; confirm with a Chicago operator. It is the most sensitive company assumption (11% → value $20.2M; 25% → $28.5M).
5. **Wallet build and partners.** Custody, identity checks and the card rail go to regulated partners; which ones, and what the white-label economics look like, is open.
6. **Buy-in credit.** Replace the placeholders (5% cumulative loss; 90% of the 20% share collected) with CDFI or CIC data. The fund's 20% share on buy-ins is untested with owners.

7. **Renovation at unit turnover** is modeled at a fixed 12% yield on cost, so it can only help. It should be two-sided.
8. **Programs from the earlier design** that aren't in the current model: a business-lending sleeve (potentially funding TIDE operators), the developer carve-out for affordable housing, a right-of-first-refusal first look, an owner token swap, and a retirement-capital exit. Decide which come back.
9. **Accredited contributions:** should they deepen existing resident stakes or fund new granted stakes (more reach)?
10. **Entity:** Delaware or Illinois PBC.

6. What needs real South Shore data

- Actual deal flow and deal mix (the model assumes 40% stabilized residential, 30% vacant or partial, 18% storefront mixed-use, 12% occupied mixed-use).
- Rent growth and exit cap rates from real trades; the Obama Center re-rating is a real but unproven lever.
- Buy-in owner interest, loss rates and collection.
- Opinion-versus-appraisal bias once valuation starts (sets the valuation reserve).
- Property management costs at CommonBlock's scale.
- Resident and merchant uptake of Spend and Harvest, and how much Spend merchants reinvest in Harvest Notes (10% assumed).

7. Operating policies carried over from the July design

These were worked out earlier and still fit the current design. They need to be confirmed and written into fund documents.

- Heavy rehab on occupied buildings goes through owner advances, not debt, so debt service doesn't force rent increases.
- Heavy value-add is limited to vacant or troubled buildings, where no one is displaced.
- A tenant-initiated turnover gate with anti-inducement rules, so the program never rewards pushing tenants out.
- Subsidized buildings stay subsidized (anti-deconversion covenant); there is no cap on subsidized tenants.
- Licensed appraisers, not broker opinions, for anything residents or investors transact on.
- Vacant storefronts are delivered as a vanilla box to local businesses; bad actors on the corridor are handled with lease terms and competition rather than capital.

8. Questions for counsel

- Securities: the community offering (Reg A Tier 2 or Reg CF), status of Wealth tokens and Harvest Notes, and whether the Harvest desk raises a broker-dealer question.
- Consumer lending treatment of non-recourse Harvest advances to residents.
- Using an existing stablecoin as Spend; money transmission.
- Prize-linked savings and gambling law, including awarding Wealth credit as a prize.

- PRI qualification for both the fund match and the company-level PRI; private benefit (Treas. Reg. §53.4944-3); the management fee charged on PRI capital; §4958 on related-party fees.
- The Community Trust: UBTI on the debt-financed share (about $411K modeled), and holding profits interests in Opportunity Zone funds and SPVs.
- Transferability of granted stakes; tax treatment of the grant and of Harvest advances.
- Related-party terms: in-house property management, acquisition and disposition fees, launch-cost reimbursement.
- A Reg CF raise into CommonBlock alongside Reg A fund offerings.
- PBC form and benefit reporting.

9. Next steps

1. Share the overview, white paper and decks with prospective funders, leaders and advisors.
2. Engage securities and tax counsel on the questions above.
3. Line up the pilot fund's $5M PRI and the company's catalytic capital.
4. Test the model against real South Shore deals and a Chicago property manager's costs.
5. Decide the leadership model and begin recruiting.