WHITE PAPER

CommonBlock

Sharing the appreciation of a revitalized neighborhood with the people who live in it

Neighborhood funds that share appreciation with residents, delivered through a dual-rail wallet that keeps the value circulating in the local economy. Pilot: South Shore, Chicago.

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> **Important notice.** This is a working draft prepared by a non-lawyer sponsor team for discussion with funders, advisors, counsel and civic partners. It is not an offer to sell or a solicitation to buy any security, not a commitment to lend or invest, and not legal, tax, securities or investment advice. All figures are illustrative outputs of a planning model on stated assumptions and have not been underwritten. Every tax, securities, lending, payments and Opportunity Zone treatment described here is an open question for counsel.

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1. Foreword: what this is trying to be

At its heart, this is an attempt to answer a simple question: when a long-neglected neighborhood finally attracts investment, why do the people who endured the neglect so rarely share in the reward? Redevelopment has too often meant displacement: the community improves, and the community leaves. CommonBlock is designed so that improvement and belonging move together. Residents are included in the upside their own neighborhood creates, they get a ladder into modern finance, and they have a reason to help make the neighborhood a place people are drawn to rather than priced out of.

A neighborhood is not one kind of person, and this design doesn't assume it is. Some neighbors have savings and want a return; many don't. So the model offers more than one door. Neighbors who can invest put in as little as $500 and earn a market return. Neighbors who can't invest receive a stake anyway, for free, because they live there. Philanthropy stands in front of both, taking the first loss. Outside capital can join, but only in ways that add to the residents' share, never in place of it.

The engine is ordinary real estate finance: buildings bought with bank debt, renovated, managed and eventually sold. What is new is the rails. A conventional investment requires money to enter, which shuts out exactly the people this exists for. Blockchain rails let us *grant* a stake instead of selling one, split it into thousands of small pieces, credit it transparently as value grows, and program the rules (who can hold it, how much can be drawn, which deals must carry the residents' share) into the asset itself. And because the same wallet holds a spendable dollar balance next to the appreciating one, residents can turn a piece of the neighborhood's rise into groceries at the corner store in one tap, the merchant can lend it back to fund the next neighbor's advance, and the value keeps circulating on the block instead of leaving it. The wealth share is the purpose; the dual-rail wallet and the circular economy it creates are what make it real.

This is a sponsor's best current thinking, not a finished answer. It is shared with people in real estate, philanthropy, law and community development so it can be challenged and improved.

2. Executive summary

Disinvested neighborhoods carry an artificially low basis. When patient capital finally arrives at scale, values can rise faster and further than in already-stabilized markets. Captured the conventional way, that gain displaces the residents whose neighborhood is improving, which is unjust and, historically, a source of the resistance that stalls redevelopment in the first place. CommonBlock's reframing: include residents in the upside, and resistance becomes participation.

In one line. Real buildings in a disinvested neighborhood appreciate; a share of that gain is tokenized on a blockchain and given, free, to the people who live there; and they can spend it on the block.

The asset	The token	The rails
Appreciating real estate. A $10M fund	**A share of that gain, on a blockchain.** The	**One wallet, two balances.** Next to

The asset	The token	The rails
buys ~$16.7M of South Shore apartment and mixed-use buildings off a suppressed basis, puts ~$4M into renovation and backs ~$13M more through advances to local owners. Held ten years with ordinary bank debt, the portfolio is worth about $32M at sale: ~$11.3M of appreciation above what it cost.	Community Trust holds 35% of the appreciation and issues it as Wealth tokens on Solana, one identical token per resident household, granted rather than sold. Each token is a claim on real buildings, credited quarterly as they appreciate and never clawed back. The rules live in the token: who can hold it, how much can be drawn against it, and that any deal on these rails carries the residents' share.	Wealth sits Spend, a dollar stablecoin that works like cash at participating local retailers. Harvest turns up to 60% of marked Wealth into Spend today, as an advance repaid only from the resident's own share at the sale. Merchants settle in seconds at 1.25% and can lend the money back through Harvest Notes. The value stays on the block.

The fund. Each neighborhood fund raises $10 million: $5M from community investors (about 1,465 households, $500 minimum, $20,000 cap) and a $5M philanthropic program-related investment (PRI) that takes the first loss for a capped 2% return. With conventional debt, the fund buys about $16.7M of multifamily and mixed-use buildings in Opportunity Zone tracts and advances $667K of improvement capital to owners of other buildings, reaching another $13.3M of property. It holds for ten years.

The resident share. 35% of the appreciation goes to residents who don't invest. In the pilot that is 5,385 granted stakes, about 22% of South Shore's households. On base-case assumptions the resident pool is about $4.0M after tax, or roughly $739 per household over the hold. Residents never put in capital and never absorb losses.

One wallet, two rails. Each stake is held as **Wealth tokens**, credited quarterly on conservative marks and never clawed back. Next to it sits **Spend**, an existing dollar stablecoin accepted at neighborhood merchants for a 1.25% fee. **Harvest** bridges the two: a resident can draw up to 60% of their marked value early as a non-recourse advance, repaid only from their own share when the buildings sell, at 4.5% if it goes into Spend and 7% if it is cashed out to a bank. That rate gap, the merchant fee below card rates, and the option for merchants and savers to reinvest Spend in Harvest Notes that fund the next resident's advance, turn one fund's appreciation into a circular local economy: about $920K of local spending over the pilot's hold, with about $250K lent back. A sponsor-funded prize-linked saving program rewards residents who hold.

Investor economics. Community investors earn about 13.1% a year (3.4x their money) net of all fees. The deal itself earns about 9.1%; the difference is the upside the PRI gives up. The PRI absorbs roughly the first 30% fall in value before community investors lose capital. We disclose the downside plainly: 11.2% at 2% rent growth, 9.8% if exit prices also soften.

The company. CommonBlock sponsors and manages the funds and owns the platform. On a conservative rollout (one new neighborhood a year for four years, then two a year) it reaches 16 neighborhoods, 26 funds and about $650M of property by year 10, with $12.7M of fee revenue and a value of roughly $22.6M on real estate manager benchmarks. It needs about $1.5M to get there, structured as catalytic capital from a foundation and a family office that is repaid by year 10.

3. The thesis: a suppressed basis and the inclusion dividend

Two observations sit at the core of the model.

First, the basis. In a historically disinvested neighborhood, assets are priced as if the future will resemble the past. When capital is deployed at scale, improving buildings, filling storefronts and stabilizing blocks together rather than one parcel at a time, the neighborhood can re-rate. Appreciation is larger and faster off a suppressed base than in a market already priced for success.

Second, the inclusion dividend. Residents rarely oppose improvement; they oppose their own displacement. The model treats that fear as a financial variable, not a public-relations problem. A share of appreciation turns opposition into ownership, so the community helps drive revitalization. That participation produces the safety, vibrancy, local businesses and services that make a neighborhood more desirable; rising desirability supports value; higher value enlarges the pool that funds residents' stakes.

The cycle, stated plainly. Investment → appreciation above a suppressed basis → a share credited to residents → a community that helps drive revitalization → a more desirable neighborhood → broader demand and higher values → a larger resident pool → more investment.

The base case does not rely on the full re-rating. It assumes 3% rent growth and a 7.00% exit cap rate against a 7.75% going-in cap, and it gives residents no credit for cap-rate improvement until the buildings actually sell.

4. Why conventional redevelopment displaces

Conventional value-add redevelopment captures appreciation by raising rents, selling to the highest bidder and moving on. The people who lived through the disinvestment capture none of the upside and often bear higher housing costs as a result. The predictable response, organized resistance, entitlement delays and political risk, raises the cost of exactly the projects that could stabilize a neighborhood.

This is not abstract in South Shore. For thirteen consecutive years through 2023 it recorded more multifamily building sales than any other Chicago neighborhood, and the Obama Presidential Center sharpened the pattern. Out-of-state capital bid up the lower-cost multifamily stock: inflation-adjusted per-unit prices rose from under $60,000 in 2019 to nearly $73,000 by 2024, while renter incomes stayed largely flat (Institute for Housing Studies, DePaul

University). Much of that capital was detached from neighborhood fundamentals. Some owners declined to reinvest, tenants left deteriorating units, and a wave of properties tipped into disrepair and foreclosure. The appreciation was real, but outsiders captured it and left the community less stable.

An earlier version of this model tested the obvious alternative, having the fund hold rent-restricted housing on its own books, and rejected it. It cut investor returns sharply and left almost nothing liquid to share with residents. CommonBlock is a wealth-sharing engine, not a housing provider. It shares the financial upside of revitalization broadly, keeps subsidized buildings subsidized, and works alongside the affordable-housing developers and programs built for that job.

5. The structure at a glance

The value in CommonBlock is real estate. Everything else in this section exists to divide that value fairly and put residents' share somewhere they can use it. Four parts work together:

- **The neighborhood fund** owns the buildings and makes improvement advances to owners. Community investors and the philanthropic PRI hold its equity.
- **The Community Trust**, a charitable entity, holds the residents' 35% claim on appreciation and credits it to residents as Wealth tokens.
- **The rails**: Wealth tokens (the resident stake), Spend (a dollar stablecoin used locally) and Harvest (advances against Wealth), held in one app. They run on Solana's Token-2022 standard, which handles distribution, allowlists, transfer rules and automated Harvest. The chain adds no value of its own; all the value comes from the buildings. What the chain does is let that value be split into thousands of stakes, governed by code, audited by anyone, and spent locally in seconds.
- **CommonBlock**, a planned public benefit corporation, sponsors and manages the funds, runs property management, and owns the platform and app.

Money flows one way into the community. Investors and the PRI fund the buildings; the buildings produce rent and appreciation; rent goes to investors; 35% of appreciation goes through the Trust to residents. Residents never contribute capital and the Trust never absorbs losses.

6. The neighborhood fund

6.1 Capital

Source	Amount	Terms
Community investors	$5.0M	~1,465 households; $500 minimum, $20,000 cap; Reg A Tier 2 limits for non-accredited investors
Philanthropic PRI	$5.0M	First loss; return capped at 2% a year; foundation, family office

Source	Amount	Terms
		or other philanthropy
CommonBlock GP commitment	1%	Funded by the sponsor
Senior debt	Market	Construction loans at 70% of purchase plus rehab (about 8.0%); permanent and refinance at 65% LTV (about 6.85%)

The PRI is what makes the structure work. By taking the first loss and capping its return, it protects community investors and hands them the upside it gives up. It does not take a share of the resident pool; its return is recoverability and the chance to recycle into the next fund.

6.2 What the fund buys

The fund buys about $16.7M of property (around 230 apartments at about $73,000 a door) across four kinds of deals. The mix below is illustrative; the fund can't choose which deals appear.

Deal type	Share	Plan
A1 Stabilized residential	40%	Permanent debt at close; light rehab (~$8,000 a door); hold
A2 Vacant or partly vacant residential	30%	Immediate rehab (~$25,000 a door); nothing to displace
A3 Mixed-use with vacant storefront	18%	Vanilla-box storefronts for local businesses
A4 Occupied mixed-use	12%	Light business-friendly improvements

Value-add deals refinance at year 5 off stabilized value; debt coverage after the refinance is 1.60x against a 1.25x lender test. At year 10 the fund sells, pays selling costs of 2%, repays debt and distributes.

6.3 Returns

On base assumptions, community investors earn a 13.1% annualized return (MIRR, net of all fees and promote) and 3.4x their money. The portfolio itself earns about 9.1% on all $10M; the gap is the PRI's concession. A community investor who puts in more than about $305 does better than the free granted stake alone, so the $500 minimum is a real investment decision, not a disguised donation.

7. Sharing appreciation with residents

One number, everywhere. Residents who don't invest share 35% of appreciation: on the fund's buildings, on the fund's share of buy-in appreciation, and on any accredited deal minted on CommonBlock's rails. An earlier draft used 37.5%, but that number fell out of a stake count rather than a decision. At 35%, community investors stay above a 12% return in the base case.

What counts as appreciation. The resident share is measured above purchase price *plus initial rehab*, so investors get their renovation money back first. Value created later through unit turnover comes to investors through rent. Operating cash flow goes to investors.

Who gets a stake. In the pilot, 5,385 households receive a granted stake: one per household, identical, never sold. That is about 22% of South Shore's roughly 24,300 occupied households. The number of stakes is a policy choice. More stakes reach more people with a smaller amount each.

How big. The resident pool is about $4.0M over the hold after an estimated $411K of tax on the debt-financed share (unrelated business income to the Trust, a counsel question). That is about $739 per household, or about $74 a year, credited as value grows rather than paid in cash.

7.1 Who gets what

Every dollar of value has one owner, and residents never carry the downside.

	Puts in	Receives	Puts at risk
Residents (5,385 households)	Nothing; residency is the qualification	One identical Wealth token: 35% of appreciation above cost, credited quarterly, never clawed back; Harvest up to 60% early	Nothing
Community investors (~1,465 neighbors)	$5M, from $500 to $20,000 each	Rent, refinance proceeds and 65% of appreciation, net of fees: ~13.1% a year, 3.4x	Their capital, behind the PRI
Foundation PRI	$5M, first loss	Principal back plus 2%, capped; no share of the resident pool; recycled into the next fund	First loss, ~30% of value

	Puts in	Receives	Puts at risk
Local merchants	Accept Spend	Instant settlement at 1.25% instead of ~3% card fees; Harvest Notes at 5%	Nothing
Building owners (advances)	A building and 20% of its future gain	Improvement capital of ~5% of value; keep title, cash flow and 80% of the upside	Nothing beyond the shared gain
CommonBlock	Sponsorship, the platform, a 1% GP commitment	Market fund fees, promote, merchant fee; nothing from the resident pool	GP commitment, startup capital
Accredited investors	Deal-by-deal capital, only with the 35% slice minted in	Deal tokens on normal terms: 20% promote over an 8% pref, ~11.4%	Their own capital

8. Wealth, Spend and Harvest: one wallet, two rails

A resident opens one app and sees two balances: Wealth, which grows as the neighborhood appreciates, and Spend, which works like cash at neighborhood merchants. Harvest moves value from the first to the second. That pairing is the product. Most tokenized real estate stops at the first balance; a stake you can only watch is not much use to a household that needs groceries this month. Most local-currency programs stop at the second; spendable scrip with nothing appreciating behind it is a coupon. Putting them in the same wallet, with a deliberately conservative bridge between them, is what makes a share of appreciation feel like wealth to the person holding it.

Why a blockchain, and not a spreadsheet. Four things the token has to do that a cap table and a gift card cannot: grant thousands of identical stakes with no minimum and no lawyer; carry its own rules (who can hold it, the 60% draw limit, the residents' 35% on any deal minted on the rails); sit on a public ledger the neighborhood can audit; and settle at a corner store in seconds. The chain adds no value of its own. The buildings do. It is what lets that value be split, governed, moved and spent locally.

8.1 Wealth tokens: the resident stake

A resident's stake is held as Wealth tokens. Value is credited quarterly on the fund's conservative mark (Section 11) and is high-water: once credited, it is never taken back.

Residents keep all of it through the sale. Wealth tokens are meant to be held, not spent; a stake credited at about $131 by year 5 grows toward about $739 at the sale.

8.2 Spend: money for the neighborhood

Spend is an existing, widely redeemable dollar stablecoin (for example, USDC), not a CommonBlock-issued coin, which would need far more scale and licensing. Merchants on the CommonBlock network accept it for a 1.25% fee, below typical card fees, and never hold Wealth tokens. One merchant network spans every CommonBlock neighborhood, so as neighborhoods overlap, Spend becomes useful in more places.

8.3 Harvest: using value early without selling it

Most of a stake's value arrives at the sale. Selling the stake early would hand most of that upside to the buyer: early in the hold a stake appraises at about $5 against about $739 expected at sale. So Harvest is an **advance, not a sale**.

- A resident can draw up to **60%** of their conservatively marked Wealth value.
- Advances taken in Spend and used locally accrue **4.5%** a year; advances cashed out to a bank accrue **7%**.
- Repayment comes only from that resident's own share at the sale. There is no personal liability, the resident keeps every token, and it is likely not a taxable event (counsel to confirm).

The fund funds Harvest itself, in order: part of the year-5 refinance proceeds, a reserve of 4% of NOI, and the $500K distribution-smoothing reserve. Resident savers and merchants can also buy Harvest Notes (a 5% senior claim on repayments). In the base case every request is funded and the fund earns about $152K of interest and spread. About $992K is advanced over the hold, and the resident pool covers what's owed 3.3 times at the sale. Exit values could fall about 24% further before advances exceeded the pool.

8.4 Prize-linked saving

A sponsor funds a $60,000-a-year prize program (15% for administration) at no cost to residents or investors. Two tracks, weighted 65/35 toward saving: saving prizes are credited to Wealth; spending prizes are paid in Spend at local merchants. Entries come from holding undrawn value, keeping a streak and completing short financial-learning modules, so no one's odds are ever zero. The model assumes the program reduces drawing by 10 percentage points; that assumption is the program's whole payoff and needs testing.

The lesson is built in. Per stake, a resident who saves receives about $739 at the sale. One who draws the maximum receives $199 early and $495 at the sale; about $44 went to interest for spending sooner.

8.5 The app: four things a resident does

- **See it grow.** The Wealth balance is credited every quarter on the fund's conservative mark, with the mark itself visible. A stake credited at about $131 by year 5 grows toward about $739 at the sale.

- **Harvest in one tap.** Move up to 60% of the marked value into Spend, or to a linked bank account, with the cost of each shown before confirming.
- **Pay at the corner store.** One tap at a merchant on the network splits a purchase between Spend and a linked card, so a resident never has to carry two kinds of money. The merchant settles in seconds and pays 1.25%, below card fees.
- **Learn by doing.** Each move is explained in plain language as it happens, and short money lessons earn prize entries. For many residents this is a first wallet, a first appreciating asset, and a first experience of watching one grow.

The tax, securities and custody machinery stays under the hood. Regulated partners handle custody, identity checks and the card rail; CommonBlock builds the experience and the rules. Cash-out to a bank is always available, so no one is locked into the network.

9. A circular local economy

Sharing appreciation is the purpose. The rails are what let that appreciation circulate on the block rather than leave it. The loop runs like this:

1. **Buildings appreciate**, and 35% of the gain is credited to residents as Wealth.
2. **Residents Harvest into Spend.** Spending locally costs 4.5% a year against 7% to cash out, so the cheaper path keeps the money in the neighborhood. About $920K of the pilot's advances and prizes are spent at local merchants over the hold.
3. **Merchants get paid** instantly, at 1.25% instead of roughly 3% card fees, on one network that spans every CommonBlock neighborhood.
4. **Merchants and savers lend it back.** Spend received by a merchant, and savings from residents, can be placed in Harvest Notes: a 5% senior claim on the repayment of residents' advances. In the base case about $250K is rolled back in this way, funding the next neighbor's Harvest from within the neighborhood rather than from outside capital.
5. **The sale settles everything.** Advances and Notes are repaid from the resident pool; savers keep the rest.

Each turn of the loop is a transaction that would otherwise have gone to a card network, a payday lender or a landlord outside the neighborhood. The prize-linked saving program adds a lighter "shop the block" track that rewards local spending. And because one Spend network covers every neighborhood, overlap between neighborhoods widens the places the money works, which is why the company plans neighborhoods that touch.

10. Owners: improvement advances

Many South Shore owners of multi-unit buildings need capital for maintenance and improvements they can't easily finance. The fund offers them an **improvement advance** of about 5% of the building's appraised value, disbursed against completed work. In return the fund receives **20% of the building's appreciation above an appraised baseline**. The owner keeps title, cash flow and control, and 80% of the upside.

The fund's 20% share is then split like everything else: 35% to residents, the rest to investors. In the pilot the fund advances $667K, reaching about $13.3M of buildings (roughly nine buildings of $1.5M), and the buy-ins add about $429K to the resident pool.

Two assumptions here are placeholders until real data replaces them: a 5% cumulative loss on advances and collection of 90% of the 20% share by year 10. The 20% share itself has not yet been tested with owners.

Policies carried over from earlier work: heavy rehab on occupied buildings goes through owner advances rather than debt, so debt service never forces rent increases; a tenant-initiated turnover gate with anti-inducement rules keeps the program from rewarding displacement; and subsidized buildings stay subsidized.

11. Valuation: conservative by design

Because residents can draw against their stake, the mark has to be trustworthy. Overvaluation would transfer value from patient holders to early drawers. The design is conservative-only:

- **Quarterly interim opinions of value** set the mark, less an **8% valuation reserve**.
- A rotating sample of about 15 **desk appraisals** a year calibrates them. The reserve must exceed the observed bias between opinions and appraisals (8% against an assumed 5%).
- **Full appraisals** by licensed appraisers are done only at realization events.
- The mark counts NOI and rent growth as they happen but gives **no credit for cap-rate compression until the sale**.

Valuation costs about $24,000 a year per fund, charged as a fund expense.

12. Downside protection, and the downside we disclose

Loss order. The PRI's $5M takes losses first. On the equity arithmetic, the portfolio can lose about 30% of its value before community investors' capital is touched (assuming the senior loan is not in default). Residents never contribute capital and cannot lose any. Credited Wealth is never clawed back.

Harvest under stress. At a 20% fall in exit value, the resident pool still covers advances 1.4 times. At a 30% fall, about $633K of advances go unrepaid; that shortfall comes out of community investors' upside (their return falls to 7.2%), and the PRI's capital and 2% are untouched.

The disclosed downside. The fee package (Section 14) is market-standard but leaves less cushion than the earlier draft. Offering materials must 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%

Trimming fees barely changes this; dropping the disposition fee lifts the 2% case only to 11.4%.

13. Accredited capital: mint for access

The base case assumes **no accredited money anywhere**. Accredited capital is offered, not counted, and can be added as opportunities appear. When it does come, it follows one rule: **it adds to the residents' share and never takes from it**.

- **Co-invest.** Accredited investors can invest deal by deal through Reg D SPVs alongside the fund, at the same leverage, on normal terms: a 20% sponsor promote over an 8% preferred return. After the 35% community share and fees, the blended return is about 11.4% (after tax, with the Opportunity Zone ten-year exclusion; about 9.3% for a taxable investor without it). Each $1M of co-invest adds about $464K to the resident pool and about 1,077 more granted stakes.
- **Mint for access.** A deal can only be minted onto CommonBlock's rails with the Community Trust's 35% slice coded into its payout contract. The Trust's interest works like a carried interest: no capital in, paid only if appreciation is realized, never charged for losses. The same mint event credits the slice as Wealth to the resident pool.
- **Separation.** Accredited investors hold deal tokens, never resident Wealth tokens. Contributed interests are excluded from the Harvest borrowing base, so no risk flows back to residents. The PRI is not involved in either direction.
- **Other doors.** Accredited investors can also buy Harvest Notes or co-fund owner advances on the same terms as local capital (about 6.8%). Neither is in the base case.

14. Fees: who pays what

The fees below are what let a $10M fund support a professional sponsor without making funds bigger than the community can fill. Nothing is ever charged to residents' stakes or the resident pool.

Fee	Rate	Paid from
Management	1.5% a year on all $10M of equity (including the PRI)	Operating cash flow
Acquisition	1% of purchase price	Year-1 operating cash flow
Construction management	5% of rehab and turn capex	Project budgets
Property management	6% of effective gross income, plus leasing (half a month's rent per new lease) and renewal ($200) fees	Inside normal operating costs (Chicago range 5–8%)
Disposition	1% of sale price	Investors' share at sale
Promote	20% of community investors' profit above a 12% return, computed	Investors' share at sale

Fee	Rate	Paid from
	after the disposition fee	
Merchant fee	1.25% of Spend volume	Merchants
Launch costs	At cost, no margin (legal, audit, filing)	Fund operating cash flow over two years

Per fund, CommonBlock earns about $392K of promote and $326K of disposition fee at the sale, in addition to fees from operations. Charging leasing fees as a new fund cost, on top of market NOI, was tested and rejected: it would cost community investors 0.8 points for about $15K a year of company margin.

15. CommonBlock the company

14.1 One company, two engines

CommonBlock sponsors most funds itself, acting as general partner: it raises the capital, buys and manages the buildings, and earns the fees and promote above. It also owns the platform: the wallet, the marks, Harvest, the merchant network and the app. The platform is operating value inside the manager, not a separate software business.

About **90% of funds are CommonBlock-sponsored**. Neighborhood groups aren't yet a reliable pipeline, so CommonBlock actively builds and recruits funds. The other **10% are licensed** to CDFIs, community development corporations, chambers of commerce and block clubs, a leg with room to grow. Licensed funds pay a 10% platform fee (comparable to all-in franchise fees of 7–10%) plus either a $100K upfront license or a performance-based rate.

14.2 Rollout

Neighborhoods are the unit people buy into; Opportunity Zone tracts are the eligibility test. A neighborhood that outgrows one fund gets follow-on funds of the same size. Because each neighborhood needs its own $5M PRI match, the plan is deliberately conservative: one new neighborhood a year for four years, then two a year. By year 10: **16 neighborhoods, 26 funds, about $650M of property** on the platform, backed by about $130M of PRIs and $130M of community raises. PRI supply is the binding constraint and has not been verified.

14.3 Economics

Costs scale with the business: asset-management staff ($150K for the first $10M of equity, falling 10% per doubling), platform costs ramping from $250K to $1M a year, $75K of recruiting per new neighborhood, corporate overhead of $150K plus 5% of revenue, property-management staff at 85% of property-management revenue (a benchmarked 15% margin), and 28.5% corporate tax with losses carried forward.

Year 10, conservative rollout	Base case
Fee revenue	$12.7M
Run-rate fee earnings (excluding property management)	$1.9M

Year 10, conservative rollout	Base case
Company value	about $22.6M
Peak funding need before self-sufficiency	about $1.5M

Valuation method. Fee earnings are valued at 10x (small real estate managers trade at 8–12x; Bridge Investment Group sold to Apollo at about 11x) with a 1.25x premium for proprietary software; property-management earnings at 8x (multifamily managers trade at 6–10x EBITDA); plus unrealized promote at 50%. Cross-checks at about 3% of assets and by sum of parts land in the same range.

14.4 Sensitivities

Scenario	Fund investor return	Year-10 value
Base	13.1%	$22.6M
Faster rollout (up to 7 new neighborhoods a year)	13.1%	$71.2M
Property management margin 25% (top-quartile)	13.1%	$28.5M
Property management margin 11% (industry average)	13.1%	$20.2M
2% rent growth	11.2%	$20.1M

At the conservative rollout the company works but is modest. The property-management margin is the most sensitive operating assumption, and the pace of PRI matches is the most sensitive growth assumption.

16. Startup capital and ownership

CommonBlock needs about $1.5M to reach self-sufficiency. The fund's capital can't pay the sponsor's costs, so this sits entirely at the company level. The plan is **split catalytic capital**:

- **Tranche A:** a $1.0M recoverable foundation PRI to CommonBlock at 2%.
- **Tranche B:** a $0.5M family-office note at 6% with a 5% equity warrant. It comes from the family office itself, not its private foundation, so PRI rules don't apply.
- Plus $100K from the founder.

Both tranches are drawn as needed (about $0.94M and $0.47M over years 1–5). A 50% cash sweep repays the family office first, by year 9 ($631K with interest), then the foundation: about $1.07M returned by year 10. The foundation can roll its returned capital into new funds' first-loss matches.

Structure	Year-10 value	Peak need	Founder (fully diluted)	Founder value
Base: split catalytic capital, founder as CEO	$22.6M	$1.5M	85%	$19.2M
All $1.5M from a foundation	$22.6M	$1.5M	90%	$20.3M
Hired CEO and paid board, catalytic capital sized up ($1.9M + $0.9M, 9% warrant)	$19.4M	$2.8M	75%	$14.6M
Conventional seed ($2M at $8M pre-money), founder as CEO	$22.6M	$1.5M	70%	$15.8M
Conventional seed ($3M at $8M pre-money), hired CEO and board	$19.4M	$2.8M	57%	$11.1M

Every case includes a 10% employee option pool. The founder-as-CEO cases assume no founder salary; a realistic salary narrows the gap to the hired-CEO cases.

Leadership. The founder has more ventures than he can run personally, so the plan includes a hired-CEO option: a CEO at about 5% equity and $175K (seed-stage medians are about 4.8% and $153K), three independent directors at 0.25% and $25K a year, and the founder as executive chair. That adds about $250K a year of cost and raises the startup need to about $2.8M, which the catalytic capital would need to cover.

17. Governance, entity form and charitable purpose

Entity. CommonBlock is planned as a **public benefit corporation**. A Delaware PBC reports to stockholders at least every two years, with a third-party standard optional; an Illinois benefit corporation files an annual benefit report against a third-party standard. Each fund's general partner can be an LLC owned by the PBC.

Board. A proposed board: the founder (chair), the CEO, three independents (real estate and finance, legal and compliance, community), and an observer seat for a foundation funder. Residents have a voice through a compensated community advisory council.

Two entities, two jobs. The for-profit PBC runs the funds and platform; the charitable Community Trust holds the residents' interest and guards the mission. Related-party terms between them (property management, acquisition and disposition fees, platform fees) need independent review.

Charitable purpose. Treasury regulations list below-market loans to businesses in deteriorated urban areas as qualifying program-related investments, and allow a foundation to buy stock in a for-profit company for a charitable purpose (Treas. Reg. §53.4944-3(b), Examples 1, 3, 4 and 5). Building resident wealth in Opportunity Zone neighborhoods fits squarely. The real test is private benefit: the PRI's primary purpose must be charitable, not the founder's wealth. The mitigants are the PBC mission lock, below-market capped terms, resident ownership built into every fund, and expenditure-responsibility reporting. Counsel must confirm.

18. Questions for counsel

- **Securities:** the community offering (Reg A Tier 2 or Reg CF); the status of Wealth tokens and Harvest Notes; whether a Harvest desk raises broker-dealer questions; a Reg CF raise into CommonBlock alongside Reg A fund offerings.
- **Lending:** consumer-lending treatment of non-recourse Harvest advances.
- **Payments:** using an existing stablecoin as Spend; money transmission; the fiat-plus-Spend split at checkout.
- **Prize-linked saving:** gambling and sweepstakes law, including awarding Wealth credit as a prize.
- **Philanthropy:** PRI qualification for the fund match and the company-level PRI; private benefit; a management fee charged on PRI capital; §4958 on related-party fees.
- **The Trust:** unrelated business income on the debt-financed share of the resident pool; holding profits interests in Opportunity Zone funds and SPVs.
- **Residents:** transferability of granted stakes; tax treatment of the grant, the credited value and Harvest advances.
- **Opportunity Zones:** whether the community fund is structured as a qualified opportunity fund, and how co-invest SPVs qualify.

19. Risks and sensitivities

- **Rent growth and exit pricing.** The largest drivers of investor returns and the resident pool (see Section 12).
- **PRI supply.** Each neighborhood needs a $5M first-loss match. These are large, concentrated asks, and national PRI supply is not well measured.

- **Execution.** Buying, renovating and managing about 230 apartments per fund, plus owner advances, is operationally demanding. Property-management margins drive company value.
- **Buy-in credit.** Loss and collection assumptions are placeholders; owner appetite for a 20% share is untested.
- **Resident and merchant behavior.** Drawing rates, the share of Harvest that goes local (75% assumed), merchant reinvestment in Harvest Notes (10% assumed), prize-program effects and Spend uptake are all assumptions.
- **Regulation.** Securities, lending, payments and gambling rules could each require design changes.
- **Valuation.** The conservative mark depends on real opinion-versus-appraisal data once the program runs.
- **Model limits.** Returns are MIRRs on a planning model, not dated-cash-flow IRRs from underwriting. Renovation at unit turnover is modeled at a fixed 12% yield on cost and can only help; it should be made two-sided.

20. What's next

1. Engage securities and tax counsel on Section 18.
2. Source the pilot fund's $5M PRI and the company's $1.5M catalytic capital.
3. Test the model against real South Shore deals, owner interest in advances, and a Chicago property manager's costs.
4. Decide the leadership model and recruit a CEO and independent directors.
5. Decide which programs from the earlier design return (Appendix B).
6. Prove the full cycle in South Shore, then open the next neighborhood.

Appendix A: key assumptions and results

Assumption	Base
Fund equity	$10M ($5M community + $5M PRI)
Hold	10 years; value-add refinance at year 5
Price per door / going-in cap	$73,000 / 7.75%
Exit cap	7.00%
Rent growth	3% a year
Market rent / loss-to-lease	$1,400 a month / 15%
Vacancy and collection loss	10%
Operating expenses (excluding tax)	43% of income
Property tax	2.2% of value (Cook County Class 7b on storefronts)
Leverage	70% construction LTC; 65% permanent and refinance LTV
Rates	8.0% construction; 6.85% permanent
Reserves	$300K operating; $500K smoothing

Assumption	Base
	(returned at exit if unused)
Resident share	35% of appreciation above purchase + initial rehab
Owner advances	5% of appraised value for 20% of appreciation; $2M cap
Harvest	60% draw limit; 4.5% local / 7% cash-out; 75% of draws go local; Notes at 5%

Result	Base
Community investor MIRR / multiple	13.1% / 3.4x
Deal return on all $10M	9.1%
PRI return	2.0% (capped)
PRI protection before community capital is touched	~30% fall in value
Resident pool (after Trust tax) / stakes	$3.98M / 5,385
Per stake: saver / max drawer	$739 / $199 early + $495 at sale
Harvest advanced / coverage at sale	$992K / 3.3x
Spent at local merchants / Harvest Notes bought	~$922K / ~$250K
Owner advances / property reached	$667K / $13.3M
Debt coverage after refinance	1.60x
CommonBlock at exit per fund	$392K promote + $326K disposition fee
Company, year 10	16 neighborhoods; 26 funds; ~$650M of property; $12.7M revenue; ~$22.6M value

Appendix B: what changed since the July draft

- **Capital stack:** the July stack (senior debt, soft junior debt, a $1M Catalyst tranche, Growth and Commons equity on a $10M portfolio) is replaced by a $10M equity fund, $5M community plus a $5M first-loss PRI, levered with conventional debt.
- **Tokens:** the July cash-reserved, CommonBlock-issued Spend Token and the Community Wealth Vehicle are replaced by Wealth tokens (the granted stake), an existing stablecoin as Spend, and Harvest as an advance rather than a sale. Fixed quarterly dividends ($1,200 a household) are replaced by pro-rata credited value. The one-wallet, two-balance app and the fiat-plus-token checkout carry over.
- **Resident share:** a single 35% share of appreciation everywhere, replacing the earlier 20% Trust share and 37.5% variants.

- **Horizon:** a 10-year hold replaces the 15-year projection with year-7 and year-10 exit windows.
- **Fees and company:** market fees, in-house property management, a company model with a rollout, valuation and startup capital.
- **Not in the current model, to be decided:** the business-credit (BDC) sleeve, the affordable-developer carve-out, the retirement-capital exit, a right-of-first-refusal first look, and an owner token swap.

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