



REAL ESTATE INVESTMENT COOPERATIVE

NYC Real Estate Investment Cooperative *DRAFT v8* Project Selection Criteria

GOALS FOR THIS DOCUMENT:

1. **Allow NYC REIC to say NO to some potential investment projects so that we can confidently say YES to others.**
2. Clearly communicate an intention for the kinds of projects the REIC wants to work with / support.
3. Clearly communicate to why certain projects should be supported.

HOW TO USE THIS DOCUMENT:

Hello! This document is meant to be the key mechanism for determining whether the NYC REIC (NYC Real Estate Investment Cooperative) will enter into a collaboration with potential partner(s) around a property to fund a project.

This document is not meant to capture a contract between the REIC and its collaborators or to describe the entire lifecycle of a project or property scenario. Future collaborations will involve a set of legal documents that include agreements with lenders, leases, bylaws, agreements for shareholders in cooperatives that form to own buildings situated on land the REIC helps purchase, etc.

Read this document and check each item if it applies to your section. If you are a project without a property, skip over the aspects involving property. If you are a project without tenants, skip over the aspects involving tenants. If you are a project with multiple tenants, do this exercise for each tenant.

This document was informed from the Preliminary Criteria for NYC REIC Investments (at <http://nycreic.com/about/>). Please email the NYC REIC Scoping Group with any questions at nyc-reic-project-scoping@googlegroups.com!

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GATE 2: Assessment of the following, based on minimum criteria established below:

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- Finances of potential tenant(s)

For the property:

- Finances of the property
- Spatial/communal properties of the property & neighborhood

GATE 3: Individualized assessment of projects that pass through gates 1 & 2 to determine whether collaboration between NYC REIC & the project makes sense; done by NYC REIC Board in preparation for making recommendation to members

GATE 1: Mandatory/threshold criteria ¹

- The property to be invested in is located in New York City.
 - Property/project team is committed to engaging in legal mechanisms for permanent affordability/ownership.
 - Deed for the land beneath the property *available for purchase* and transfer to community land trust **or** project is based on 99 year ground lease from government entity that will retain deed to land
 - Property acquisition does not displace existing tenants who want to remain.
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GATE 2: For each tenant

Mission-alignment of potential tenants' program (at least 10 should be checked)

¹ From the NYC REIC Preliminary criteria for NYC REIC investments:
<http://nycreic.com/about/>

DRAFT CRITERIA 1: The property to be acquired is in New York City.

DRAFT CRITERIA 5: The property acquired is restricted from being transferred as a market commodity in the future through legal mechanisms in its deed (e.g. covenants, conservation easements, community land trusts); we can make this a prerequisite for working with us.

Encouraging culture

- Proposed tenant is an existing cultural institution.
- Proposed tenant is sponsored by a cultural organization
- Proposed tenant is sponsored by a Naturally Occurring Cultural District New York ([NOCD-NY](#)) member.
- Proposed tenant has cultural programming that benefits the public.

Encouraging small businesses and cooperatives

- Proposed tenant is a small business² (e.g., bakery, grocery store, etc.).
- Proposed tenant is a small business that already operates on the project property.
- Proposed tenant creates or preserves space for incubation of small business.
- Proposed tenant preserves and makes use of existing manufacturing space.
- Proposed tenant creates 3 new living wage jobs upon move-in.
- Proposed tenant anticipates creating 3 new living wage jobs within five years of tenant move-in.
- Tenant is a Minority and Woman-Owned Business Enterprise (MWBE).³
- Proposed tenant is a cooperative or incubates cooperatives (worker, financial, etc.).⁴
- Proposed tenant is a cooperative that already has members from the neighborhood community.
- Proposed tenant incubates cooperatives (worker, financial, etc.).

Encouraging community benefit

- Proposed tenant creates a space of exchange and the formation of social ties (e.g., cafe, barbershop, free school, archive, gallery, etc⁵).
- Proposed tenant houses free flexible, public meeting space for the purpose of enhancing neighborhood collectivity and the availability of neighborhood space.
- Proposed tenant provides services to the public (e.g. free ESOL classes).
- Proposed tenant's program incorporates raising awareness of environmental and/or public health issues, e.g. developing green building management best practices; resolving environmental issues, educating about lead.
- Proposed tenant offers job training services to a minimum of 100 people per year and places a minimum of 25 people per year in living wage jobs.
- Proposed tenant's program supports strategies to build community assets or residents' financial stability.
- Proposed tenant's program compensates for a history of redlining and subprime lending.

² "In New York State, the definition of a small business for the purposes of Chapter 15 Economic development law, S 131 (Article 4-B Division for Small Business), "a small business shall be deemed to be one which is resident in this state, independently owned and operated, not dominant in its field and employs one hundred or less persons." The State utilizes this definition to determine eligibility for the Small Business Environmental Ombudsman (SBEO) program, the annual New York State Small Business Awards, and other services or programs." <http://www.nyssbdc.org/resources/smallbizstats.html> [THIS CAN STILL USE SOME WORK]

³ <http://www1.nyc.gov/nyc-resources/service/2479/minority-and-woman-owned-business-enterprise-mwbe-program>

⁴ According to the International Cooperative Alliance (ICA): a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. According to United States Department of Agriculture (USDA) in 1987: a cooperative is a user-owned, user-controlled business that distributes benefits on the basis of use. <http://learningstore.uwex.edu/assets/pdfs/A1457.pdf>

⁵ These are called "third spaces" because they exist in addition to home or work.

Mission-alignment of potential tenants' process (at least 10 should be checked)

Connection to community

- Project is sponsored by an existing CLT⁶, or New York City Community Land Initiative⁷ members.
- Potential tenant can demonstrate existing connections to social networks/local stakeholders.
- Project facilitators or tenant can demonstrate that outreach has happened to get support from groups local to the proposed project site that are currently dealing with major challenges to find space to assemble.
- Project plans reflect a vision of the local community in the neighborhood where the property is. Project coordinators can illustrate this by conducting own planning process or pointing to outcomes of another organization's process.
- Project adds needed infrastructure, e.g. adding opportunities to access fresh produce in a neighborhood in which such access is limited, filling commercial vacancies in a neighborhood with high vacancies.
- Potential tenant has a mission statement explicitly supports populations that have traditionally had barriers to accessing stable places to assemble and/or do their work.
- Project location is in a neighborhood that was redlined and impacted by the subprime lending crisis and places people who have lived in those neighborhoods through the period of disinvestment (1930-1980) in charge of property.⁸

Populations we want to support directly or through tenant's activities

- Tenant is led by:⁹
 - Youth
 - Senior citizens
 - Low-income populations
 - Formerly incarcerated people
 - LGBT populations
 - Communities of color
 - Refugees
 - Undocumented people
 - People with mental or physical disabilities
 - Provides multi-generational programming.
- Tenant serves:
 - Youth
 - Senior citizens
 - Low-income populations
 - Formerly incarcerated people

⁶ Community Land Trust

⁷ NYCCLI.org

⁸ The Home Ownership Loan Corporation (HOLC) security maps (a.k.a. redlining maps) can be found here: <http://www.urbanoasis.org/projects/holc-fha/digital-holc-maps/>.

⁹ Leadership can be provided by board members, core staff or key volunteer decision-makers.

- LGBT populations
- Communities of color
- Refugees
- Undocumented people
- People with mental or physical disabilities
- Provides multi-generational programming.

Finances of potential tenants (at least 4 should be checked).

This appears here as a threshold question and will be explored in greater detail by the NYC REIC Board or a Committee empowered by it before a project will be recommended for collaboration to the NYC REIC membership.

Tenant financial viability

- Proposed tenant(s) have a healthy income to debt ratio based on their industry.
- Proposed tenants have good track record for finances (history of positive cash flow, etc).
- Proposed tenants have stable funding base (grants already committed, government funding available, tuition payments, etc.).
- Proposed tenants have committed investors/capital for this capital project.
- Proposed tenants have capacity to recruit investors to participate as REIC investors in the acquisition of property to house tenant and its programs.
- Proposed tenants have capacity to raise donated funds to support property acquisition and compliment REIC investment.

Tenant space requirements

- Proposed tenant's needs are compatible with current property configuration/do not require extensive customization.

GATE 2: For the property

Finances of the property (at least 8 should be checked)

Acquisition Costs

- Cost of acquisition is low/reasonable based on a comparative market analysis.
- Timeline of acquisition is reasonable and does not involve unusual delays.
- Project proposed use matches zoning or is not a change in use.

Building Condition

- Property is inspected to be in good condition (e.g. no foundation, structural issues), without need for extensive repairs.
- Property does not have any serious violations with the Department of Buildings.
- Property has a current Certificate of Occupancy.
- Property has current access to basic utilities (water, sewer, electricity, gas, internet).

ADA compliance

- The property can easily be converted to handicap accessible/ADA compliant.
- The property is already handicap accessible/ADA compliant.

Commercial Viability of Property or Location

- Property can accommodate multiple tenants.
- There is a commercial/business corridor within 5 min walking distance.
- Property is in an area with high foot traffic (greater potential social mixing, community connections, commercial success, visibility, etc.).

Spatial/communal properties of the property & neighborhood (at least 10 should be checked)

Partnering for Permanent Ownership

- Project property is in neighborhood that has a CLT in-formation.¹⁰
- Project is located near residential property in permanent community control.
- Project places residential property into permanent community control (such as a CLT).
- Project provides an opportunity to partner with a community-based housing developer.

Future-Proofing (at least 1 should be checked)

- Project is not in 100-year floodplain.
- Project is within a 100-year floodplain, but has a viable design that is sensitive to rising sea levels and the increased likelihood of high water events.

Neighborhood Vitality/Connectivity

¹⁰ See NYCCLI.org. There are CLTs in-formation citywide.

- Public transportation within 10 min walking distances of the property.
- Property is easily accessible, visible, and inviting from the street (e.g. not the fourth floor on a warehouse).
- Project will put occupants in a space that is not currently being used.
- Other community anchors are within 2 mins walking distance from the project location (churches, schools, social services, grocery stores, etc.).
- Park, plaza, or community garden space within 10 mins walking distance from the project location.
- Project location has historically been a social space/gathering space (e.g. churches, shopping malls, etc.).

Anti-displacement

- Property maintains each current use/current tenant.
- Property was previously government-owned and offered for sale to the private market (at risk of being seized by a private speculative developer).
- Property has no current tenants.

Environmental

- Property has an alternative energy generation system.
- Property has a rainwater management system.
- Property has a rainwater capture and reuse system.
- Property plans to install one of the systems above.
- Project provides other ecological benefits. [THIS COULD USE MORE WORK.]

GATE 3: Individualized assessment of projects that pass through gates 1 & 2 to determine whether collaboration between NYC REIC & the project makes sense