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An 'On-Ramp' To Ownership: Chicago Developer Uses Crowdfunding To Get New Group Of Investors In The Game

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“Crowdfunding” is a word that can evoke negative connotations in commercial real estate.

The financing mechanism was tarnished by the fallout from this past summer's [CrowdStreet](#) saga, in which [Nightingale Properties](#), the New York-based real estate investment firm, [misappropriated investor funds](#) raised on the platform. Even before that, the history of CRE crowdfunding was littered with failures, as concepts like [Fundrise](#) and [Cadre](#) pivoted away from the model, while others, including [RealtyShares](#) and [Prodigy Network](#), [fell by the wayside](#).

But one developer hopes to rebrand the strategy and give it fresh life, utilizing crowdfunding to give smaller investors in traditionally underrepresented communities their first taste of property ownership — and a stake in the health of the areas they live in.



Courtesy of Chicago Trend
Roseland Center

The Chicago Trend Corp. negotiated a deal to acquire the 27K SF Roseland Center at 100 W. 111th St. for \$6M and is seeking community investors to reach a \$100K minimum capital investment. Individuals can invest **as little as \$1K**. For that level of investment, Trend projects a total return of about \$2,500 in eight years, or at the time the company sells the redeveloped property to another investor and realizes a full return.

Trend owns five shopping centers. Roseland Center is slated to be its sixth and the third financed partially through a crowdfunding initiative.

The company's mission is to strengthen the commercial corridors in low- and moderate-income communities, Trend co-founder and CEO Lyneir Richardson said.

"If people have a little ownership stake, our belief is that they will patronize, protect and respect the shopping center in a different way," Richardson said. "These are strip shopping centers in majority-Black, low- and moderate-income communities. We want people to feel a connection to ownership. We don't think about these as just crowdfunding investors."

As of publication, Trend had raised \$49K of the \$100K minimum goal for Roseland Center from 15 investors. The property is open for investment until May 10. The shopping center is 100% occupied, and Richardson said Trend will look to find ways to create additional value for the asset.

Richardson described Trend's crowdfunding process, which it has used on two previous projects, like this: The company does due diligence and financial underwriting, then it arranges first-mortgage financing. While it has a property under contract, it launches a crowdfunding page 60 days before it expects to close on the purchase.

It invites small investors interested in community development, often people of color who live in the neighborhoods where it buys the shopping centers, to get in on the same terms as the company is investing.

If Trend raises 5% of the required equity for the project, it will put in the other 95% of the required equity and close on the purchase, but it makes up to 49% of the equity available to individual investors, Richardson said.

"It is an on-ramp and a change of mindset about ownership," Richardson said. "Ownership matters."

MyLynda Stubblefield, her father and her grandfather each put \$1K into the project because they were interested in property investment as a way of building generational wealth, she said. Most of her family grew up in Roseland, and her nephew was born at the hospital across the street from the shopping center.

After reading through the business plan and projected investment returns, she found she liked the plan and the opportunity to invest in a community she has a connection to.

Stubblefield purchased a house two years ago, but this is her first time investing in commercial property.

"Every investment is a risk, but me, my dad and my grandfather feel comfortable that the risk was well worth it," Stubblefield said.

Other members of Stubblefield's family are also considering investing in the shopping center before the crowdfunding window expires, she said.

Richardson said his dream is the people who invest in the project will not only see the shopping center and neighborhood improve but also get a return on their investments. It could take as long as a decade to know if this dream can become reality, he said.

Crowdfunding endeavors in CRE have a shaky recent history.

CrowdStreet's legal troubles exemplify the risk. The company is **embroiled in an arbitration claim** from investors seeking more than \$3M in damages and an injunction that could stop the company from operating.

But the idea is far from dead. Other major industry players are attempting to get a piece of the pie, including brokerage firm Marcus & Millichap, which **invested in a crowdfunding platform** late last year.

Richardson said he is keenly aware of Trend's responsibility to perform well for first-time, small-scale investors.

"People ask me all the time, 'What keeps you up at night?' And what really keeps me up at night is this dream," he said. "That's what I'm trying to prove. That you can do community development, you can do inclusive ownership and you can get financial results at the same time."

Even in an area with strong residential properties, the first impression many visitors have of a neighborhood is its commercial property, Richardson said. A commercial corridor with boarded-up shops, liquor stores and check cashing spots can lead to an unfavorable perception, whereas a revitalized shopping center can turn into an asset for a neighborhood, he said.

Alongside the developer's social mission, Richardson said investment decisions start with conversations around buying an asset at a fair price and believing the financial opportunity is sound, since Trend is putting up a majority of the equity no matter how many investors it secures.

Richardson said Trend's long-term goal is to buy 15 shopping centers and involve 1,000 community investors, who he described as people who never imagined themselves owning a shopping center. They are getting K-1 tax forms, rent rolls and investor reports for the first time, he said.

"The mission of our company is to democratize ownership," Richardson said. "Even if we are remarkably successful and people achieve the return objectives, three times to five times their investment, that's not going to change anybody's life."

"The nature of the work is not as much about the money as it is about the participation."

Contact Ryan Wangman at ryan.wangman@bisnow.com

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