

# Helping Low-Wealth Business Owners Buy the Spaces Where They Operate

The Partners in Equity Strategy for  
Inclusively Owned Commercial Real Estate

## AUTHORS

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## ABOUT THE ASPEN FSP WEALTH INNOVATORS COHORT AND THIS PUBLICATION SERIES

In 2024, Aspen FSP invited leaders who are working at the forefront of inclusive ownership of commercial real estate (CRE) to participate in a Wealth Innovators Cohort. In addition to facilitating peer learning and networking, we have worked together over the past year to more deeply understand and communicate the opportunities this strategy presents for investors. More information about the Cohort is available at <https://bit.ly/AspenFSPWealthCohort>.

This case study is part of a suite of five publications, including a primer for investors on inclusively owned commercial real estate and case studies on Community Investment Trust, Chicago TREND, LocalCode Kansas City and LocalCode, and Partners in Equity. The primer<sup>1</sup> provides an overview of a variety of development strategies and approaches to inclusive ownership, including an examination of the legal structures, financing models, and strategies to make ownership possible for lower-income and lower-wealth investors. The case studies provide in-depth looks at four examples of how this type of development can work in practice. While each organization has a unique strategy, the Cohort members are united in their goal to change how and to whom development capital is allocated. By expanding residents' ownership stakes in local CRE, Wealth Innovation Cohort members seek to disrupt practices that neither account for the needs of low- and moderate-income (LMI) residents and business owners nor share the benefits of development projects in their neighborhoods.

Together, these five publications demonstrate proof of concept: Developing commercial property for inclusive ownership benefits developers, accredited investors and non-accredited investors, neighborhood residents, and local economies. What is needed now is greater awareness among investors and more capital to enable growth and replication across the United States.

# Partners in Equity: Facts and Figures

**Established:** 2022

**Business model:**

- Co-invest in commercial properties alongside the business owners who will operate in the spaces
- Establish investment funds and attract a diverse mix of investors
- Exit property investments within approximately seven years such that business owners wholly own their properties

**Target geography:** North Carolina, Southeastern states, Chicago metro area, and South-Central Los Angeles

**Target investors:** institutional, impact, philanthropic, and high-net-worth individuals

**Target business owners:** those running established firms with positive cash flow, located in LMI areas within targeted geographic areas, providing products and services that are resilient to business cycles and the shift to online shopping

## Background: Millions of successful business owners face capital barriers to owning the properties where they operate

Real estate ownership can be transformative for small business owners, just as it can be for homeowners; not only is it a dependably appreciating asset, but owning the place where you do business stabilizes operating costs, provides certainty about the future, and helps build equity in the business. Engaged local business owners can also benefit the residents of communities that surround them because they have a stake in neighborhood amenities, safety, and economic growth.

Like homeownership, commercial real estate purchases require significant amounts of capital up front. However, unlike in the mortgage market, where lenders will accept down payments as low as 3 percent in some cases, commercial lenders require at least 20 percent down payments. This barrier can be insurmountable, even for a business owner who could otherwise afford the costs of ownership, including mortgage and insurance payments and upkeep of the property.

Founded in 2022, Partners in Equity (PIE) is an investment firm that empowers small business owners who are low wealth or who face other barriers to buying their places of business. PIE provides flexible subordinate debt and equity—financing tailored to these entrepreneurs’ needs—to enable business owners to purchase their properties with as little as 5 percent of their own equity. Firm owners use the capital infusion from PIE as a down payment and borrow the remainder of the purchase price through the traditional Commercial Mortgage or the Small Business Administration’s (SBA) 504 loan program. The SBA 504 program provides private-sector lenders with a partial guarantee from the federal government, which reduces interest for the borrower.<sup>2</sup> PIE holds investments for seven to 10 years and then works with business owners to exit the deals, thereby enabling them to become the sole owners of their property.<sup>3</sup>

PIE was founded by three entrepreneurs whose careers have focused on creating greater access to opportunity and capital through community development finance, impact investing, and real estate finance for low-wealth entrepreneurs. Talib Graves-Manns, Wilson Lester, and Napoleon Wallace each come from entrepreneurial families, a background that underscores their acute understanding of the value of ownership. Their experiences enable them to provide technical assistance and advisory services to the business owners in whom they invest, helping to ensure their success.

By helping business owners secure the properties where they do business, PIE is catalyzing change in historically marginalized neighborhoods. As low- to moderate-wealth entrepreneurs establish a permanent space in a neighborhood, they help stabilize the area by preserving or creating jobs and exerting greater influence over local economic and community development decisions. As dollars circulate within these neighborhoods, the impact of ownership creates a multiplier effect, strengthening local economies and generating sustained economic growth while actively challenging and disrupting long-standing economic disparities.

## Organizational structure

PIE has a straightforward organizational structure. The investment firm establishes funds in which it serves as the general partner and raises capital from limited partners. Each of the two investment funds it has created to date have different goals. Its first fund focused on North Carolina and took advantage of the tax benefits of investing in Opportunity Zones (OZs),<sup>4</sup> which are IRS-designated low-income communities across the United States. PIE's second fund invests in businesses in LMI neighborhoods across the southeastern region, the Chicago area, and South-Central Los Angeles—all locations where the founders or key investors have deep experience.

PIE provides equity investment and connections to commercial mortgage financing as well as technical assistance to the business owners. They often work with financial partners including F&M Bank, First National Bank, JPMorganChase, M&F Bank, SomerCor, Southern Bancorp, and Woodforest National Bank. They also partner with Community Development Financial Institutions (CDFIs) that have track records of successfully serving lower-wealth small businesses. CDFIs are community-based institutions, primarily lenders though some are depository institutions, that are certified by the U.S. Department of the Treasury and serve residents and businesses located in LMI communities.<sup>5</sup> CDFIs provide business owners with education, training and technical assistance, and loans. PIE's CDFI partners include Appalachian Community Capital, Mountain BizWorks, Self-Help, and True Access Capital.

PIE's cofounders also established a nonprofit organization, ResilNC, which creates and supports collaboration among industry participants and community stakeholders, including banks, institutional investors, foundations, think tanks, business owners, and educational institutions. Through these robust partnerships, ResilNC and its partners explore and implement innovative strategies to enhance economic resilience in low-wealth communities.

## Sources and uses of capital

PIE sources deals through direct-to-consumer marketing, referrals from partners, and referrals from business owners. It targets successful, cash-flow positive firms that are well-positioned to withstand business cycles and the shift to online retail shopping such as personal services, small-scale manufacturing, and companies that serve other local businesses.

PIE raises capital from a wide variety of investors—including boutique investment firms, major financial institutions, impact investors, philanthropic sources, and high-net worth individuals—united in their commitment to fostering asset ownership, economic equity, diverse small business owners, and strong local economies. Variation in investor needs and priorities enables PIE to tailor terms to meet each owner's needs with patient, affordable capital.

PIE provides business owners with equity investment and mezzanine debt (debt that is not repaid until other, senior lenders have been repaid) in amounts ranging from \$100,000 to \$1 million. PIE's investment, combined with the entrepreneur's own equity, covers at least 20 percent—and no more than 25 percent—of the property deal value. This allows the business owners to take on commercial mortgages with as little as 5 percent equity

of their own. When possible, PIE helps business owners make even higher down payments to limit their reliance on debt to 70 percent of the property value (see Figure 1). In return, PIE takes an equity position in the property (not in the business) of 19 percent or less. If PIE's total investment in the property is larger than a 19 percent equity stake, additional funds are mezzanine loans.

**Figure 1. PIE Helps Small Business Owners Access Different, More Affordable Sources of Capital**

**Standard Commercial Mortgage Financing**



**Bank Debt**

- 80% of deal value
- Traditional bank lender
- Interest rates of 4%-8%



**Business Owner's Equity**

- 20% of deal value

**Commercial Mortgage Financing with PIE**



**Senior Debt**

- 70% of deal value
- Traditional bank, CDC lender, or CDFI lender
- Interest rates of 4%-6%



**PIE Equity**

- 15% to 25% of deal value
- Includes equity investment
- May include mezzanine debt



**Business Owner's Equity**

- As low as 5% of deal value

Small business owners who partner with PIE to raise equity typically take out SBA, conventional, or CDFI loans. Again, SBA loans are advantageous because they come with a partial guarantee from the federal government which reduces interest costs for small business borrowers.

PIE's business partners often use the SBA 504 loan program,<sup>6</sup> which is used to finance major asset purchases by small firms. In these deals, a bank will work with a Certified Development Company (CDC). The CDC provides 40 percent of the debt capital, and SBA provides a guarantee to the bank lender covering the full amount of the CDC's contribution. This reduces the risk faced by the bank lender, as, even if the business owner does not pay back the loan, they will still receive 40 percent of the deal value. This makes it possible to borrow at lower interest rates. CDFI loans are similarly lower cost than what a business owner can access through traditional commercial lending, but most institutions set a smaller maximum borrowing limit, so they are not always the best fit.

## Community engagement and governance

Transitioning from renting to owning commercial property has many of the same benefits for business owners as it does for home buyers, including higher levels of engagement in the surrounding community, a sense of ownership within the community, and the ability to take advantage of other opportunities to invest locally.

PIE's partners demonstrated this with their actions after purchasing property. For example, one of PIE's early partners was a business owner in South-Central Los Angeles, whose restaurant serves as a hub for the surrounding community. With PIE's help, the owner acquired the building and now participates actively in local urban planning discussions.

## Expansion and replication

While PIE is deeply committed to creating systemic change, its direct investments have already delivered significant outcomes. PIE has identified a \$16 trillion opportunity within commercial real estate lending for underrepresented business owners, offering immense potential to expand its proven model and transform underserved communities.

The SBA 504 loan program currently originates billions of dollars in commercial loans each year, yet participation by low-wealth entrepreneurs remains disproportionately low. PIE estimates that increasing participation in the SBA 504 program among business owners with historically limited access to networks of equity capital could unlock an billions in commercial lending for underinvested communities. By unlocking greater access to federal SBA funding, PIE is working to close this gap, providing more capital to entrepreneurs who have historically been left out of real estate ownership opportunities.

PIE's partnerships with other financial institutions allow PIE to bring critical investment to communities that have long been overlooked. PIE envisions a future where diverse entrepreneurs in marginalized communities represent a much larger share of the commercial real estate market, using property ownership as a powerful tool for long-term wealth building. Through this vision, PIE is not just financing businesses—it is laying the groundwork for a more equitable and inclusive economy.

## Conclusion

PIE's mission centers on empowering business owners to build wealth by providing the capital they need to secure ownership of commercial real estate. By focusing on ownership, PIE facilitates economic resilience, enabling business owners to gain certainty and greater control over their futures, contribute to the broader community, and generate lasting wealth. This approach nurtures whole ecosystems of community-serving organizations and activities, amplifying the voices of trusted local stakeholders and transforming neighborhoods.

PIE addresses a fundamental market failure in the lending industry where cash-positive, sustainable businesses are often excluded from traditional mortgage opportunities simply because of a lack of capital. By stepping in where conventional lenders fall short, PIE ensures that viable businesses in marginalized communities are not left behind. For potential investors, this model presents a unique opportunity. PIE's deep network of trusted partners and its extensive reach into underserved communities offer investors access to impactful opportunities with proven success. Through strategic investments in commercial real estate, PIE and their business owner partners are proving that ownership can be a key driver of economic justice and shared prosperity.

## Citations

- 1 McKay, Katherine Lucas. "Investing in Inclusively Owned Commercial Real Estate: A Primer," Aspen Institute Financial Security Program, December 2024, <https://www.aspeninstitute.org/publications/investing-in-inclusively-owned-commercial-real-estate/>.
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