

Lar Commons Whitepaper

Draft v0.4, 2026-10-14. "Lar Commons / LAR" is a working name. Not an offer.

Numbers come from our financial model; the structure from our legal analysis, which Portuguese counsel has not yet confirmed. Any sale happens only through a licensed EU crowdfunding platform (ECSP) with its Key Investment Information Sheet (KIIS). This paper is the investor memorandum behind that, not a MiCA white paper.

1. Summary

Lar Commons buys whole apartment buildings in Portugal, rents the homes at or below **80% of the local median rent**, and pays the net rental income to the community that funded them.

Each building is owned by its own Portuguese company. That company issues **€100 digital bonds (LAR)**, secured by a mortgage on the building, that pay:

- a **1.25% fixed base coupon**, set below the worst-case income (1.45%: one tax break only, plus stress) so it can be paid in a bad year, plus
- a **share of all remaining rent profit**.

Combined target: **~3% a year**, paid quarterly in euro. Not guaranteed. Stress case ~2.2%. Base-case model 3.25% assumes the RSAA and CIA tax regimes combine on one building, which is not yet confirmed. If only one applies, the floor is ~2.4%.

2. The problem

- EU house prices rose **57.9%** between 2010 and Q1 2025; rents rose **27.8%** (Eurostat, Jul 2025).
- Portugal: house prices **+130%** over the same period, and **+18.9%** in the year to Q4 2025 alone (Eurostat via Euneews, Apr 2026).
- A two-bedroom flat in a Portuguese secondary city at €1,100/month needs about €3,100/month gross household income to stay under a 35% rent-to-income ratio. At our €880 it suits a household on about €2,500.
- People who live in a city rarely own any of its housing. Rising rents flow to whoever already owns the buildings.

3. Thesis: why below-market rent can still pay ~3%

Buying at market and renting 20% below pays holders about 1.6% in Portuguese secondary cities and under 1% in Lisbon. We reach the target by lowering the cost basis with four levers:

Lever	Worth (yield, approx.)
CIA contract with IHRU: no purchase tax (IMT) or stamp duty, IMI exempt 8 years, AIMI exempt	+0.8pp
Buy a whole building ~15% below market	+0.6pp
Impact tranche: 25% of capital from foundations, municipality, EU or impact funds at 0% return, taking first loss	+0.8pp
Building-scale company (€3–5M) so fixed costs stay $\leq 0.6\%$ of capital	One company per flat would yield <i>negative</i>

Plus the RSAA regime: rent $\leq 80\%$ of median makes rental income **exempt from corporate tax**.

Structure (PT secondary city, RSAA)	Holder yield
One company per building, with CIA	2.0%
+ bought 15% below market	2.4%
+ 25% impact tranche	3.25% (if RSAA and CIA stack; unconfirmed)
Stress: 8% vacancy, +0.5pp maintenance	2.2%

Bank debt at ~5% *lowers* holder yield (homes earn ~2.2–2.9% on cost). Debt only if concessional ($\leq 2.5\%$).

4. Why bonds, and why one company per building

We compared three mechanisms:

	Holder yield	Verdict
Fractional ownership (tokenised shares of one pooled company)	~3.7%	Best economics, but a pooled vehicle raising from the public is likely an investment fund (AIF) needing a licensed manager. Phase 2.
DAO / community land trust	0–1.5%	A DAO cannot hold Portuguese property. Its permanent-affordability idea is achieved via the CIA contract (up to 25 years). Not used.
On-chain financing (tokenised participating bonds per building)	~3% target (3.25% modelled)	Regulator-accepted path (Reental, Spain, CNMV Dec 2025); fits EU crowdfunding. Launch.

Skipping pooling at launch costs ~0.45pp. That is the price of avoiding the fund-licensing question until the model is proven.

5. How it works

1. **Join and verify** on the licensed crowdfunding platform: KYC and the EU appropriateness test. Non-sophisticated investors putting in more than €1,000 or 5% of net worth see a risk warning, then a 4-day reflection period.
2. **Invest**: buy LAR bonds at €100 each for a named building, paying in EUR (or EURC).
3. **Acquire**: the building company buys the building after independent valuation and title check. Bonds are issued only once title is in the company. Mortgage registered in favour of bondholders' representative.
4. **Rent**: leases registered under RSAA; homes let to eligible households at capped rent.
5. **Pay out**: quarterly, the base coupon plus the profit share, in EURC or by SEPA, with a building-level report.
6. **Exit**: sell to another verified investor on the platform's bulletin board, hold to maturity, or opt in to the exchange into the Phase 2 pooled vehicle (§6a). No other redemption promise at launch.

6. The token

Item	Value
Name / ticker	Lar Commons / LAR, one series per building (e.g. LAR-COI-01)
Legal nature	Participating bond of a Portuguese building company, registered on DLT (DL 171/2026)
Nominal	€100
Coupon	1.25% fixed + share of remaining distributable rent cash; target total ~3%
Security	Mortgage over the building, held by the bondholders' representative (<i>representante comum</i>)
Term	10 years (indicative)
Exchange clause	If offered, opt-in conversion into a future pooled vehicle at an independently valued price, subject to offer documentation; decliners keep the bond or are repaid at face value (§6a)
Standard / network	ERC-3643 permissioned token; Base preferred (EURC native); final chain set by the platform
Supply	Fixed per building raise. No pre-mine, no free team tokens
Payments	Quarterly, EURC or SEPA, after withholding tax
Transfers	Only between verified wallets; US and UK persons excluded
Lost keys	Recoverable after identity re-verification

6a. Exchange clause (written into the bond terms from day one)

When 3–5 buildings are running, the plan is to pool them into one larger vehicle (a SIGI or licensed fund) with better economics (~+0.45pp) and better liquidity. Without a clause now, every holder would have to agree individually later. The bond terms therefore include:

- **Offer:** the issuer may offer every holder of a series an exchange of their bonds into units of the pooled vehicle. The exchange is itself a new securities offer and is **subject to applicable offer documentation**.
- **Price:** set by an **independent valuation** of the building and of the pooled vehicle, both published before holders decide.

- **Opt-in:** each holder chooses. Nobody is converted without consent.
- **Decliners:** if an exchange offer is launched, holders who decline keep their bond on its existing terms to maturity, or are repaid early at face value (€100), at their choice. This is not a standing right to demand repayment; it applies only when an exchange offer is made.
- **Impact bond:** converts into a **junior unit class** of the pooled vehicle, so it stays first-loss.
- **Process:** a bondholders' meeting convened by the bondholders' representative (*representante comum*), with at least **30 days** for holders to decide, counted from publication of both valuations (pending lawyer confirmation).

Repayment at face value protects holders if values fall, but it is a cost to the pooled vehicle: if the valuation comes in below €100, holders will rationally choose repayment, and the pooled vehicle needs cash to fund it. The exchange is only offered when that cash is in place.

7. Capital stack and pilot

Pilot building	
Community bonds (senior)	€3M, 75%
Impact bond (subordinated, 0%, first loss)	€1M, 25%
Sponsor co-investment	5%, alongside community, same terms
Homes	~15–18 two-bedroom flats in one building
City	Coimbra, Leiria or Setúbal
Example unit	Market value €220k, market rent €1,100, LAR rent €880

Why not Lisbon first: capped rent there yields under 1%.

8. Acquisition policy

- Whole buildings, existing or vacant/renovation stock, bought ~15% below market. Renovating vacant homes adds supply and qualifies for CIA (6% VAT on works).
- Purchase completes only after the municipal assembly has voted the CIA benefits; the CPCV is conditional on that vote, so no money is committed before it.

- Independent valuation, survey and title review; price $\leq$ valuation.
- Purchase contract (CPCV) conditional on funding. Bonds issued only after title transfer.
- Debt only if concessional ($\leq 2.5\%$).

9. Rental policy

- Rent $\leq 80\%$ of the INE municipal median per m² (RSAA), at least 20% below market.
- Rent kept at 15–35% of household income; eligibility criteria and income bands published per building (to be confirmed by counsel).
- Leases of at least 3 years (RSAA minimum). Annual increases capped at the NRAU coefficient.
- Lottery among eligible applicants when oversubscribed.
- CIA and RSAA restrict selling or re-letting at market rent during the contract. Good for the mission; disclosed as a liquidity constraint.

10. Payouts

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Rent collected
- vacancy and arrears
- maintenance, insurance, property management
- company costs: audit, valuation, platform, custody, admin
- reserve top-up
= Distributable rent cash
  1) 1.25% base coupon to community bonds
  2) remainder shared: community bonds, then sponsor promote above 3%
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Hard rule: payouts never come from new investor money. RealT, a US tokenised-rental platform, kept paying holders while homes were vacant or never owned; Detroit sued in July 2025 and it was liquidated in July 2026.

11. Fees and sponsor economics

- Sponsor (Pedro's operating company) manages the property for a cost-based fee, disclosed as a related-party service, and co-invests 5%.
- Sponsor earns **20% of distributable cash above a 3% payout** to holders. Below 3%, no promote.
- Third-party costs: platform 3–7% of raise; tokenization setup €10–50k; legal setup €30–80k, then €2–5k per building company.

12. Governance and transparency

- Bond terms fix the rent rule, the CIA/RSAA commitments, the payout waterfall and the opt-in exchange clause. The bondholders' representative acts for holders on default and runs any exchange offer.
- Holders and tenants receive free, non-transferable voting points for social parameters (tenant criteria, next city). Never sold.
- Annual audit and independent valuation per building; occupancy and CIA/RSAA compliance checked by an outside auditor, not self-reported.
- Public register per building: price paid, valuation, rent, occupancy, costs, every payout with transaction hashes.

13. Risks

- **Return:** ~3% is a target. Stress case 2.2%. Profit share can be zero.
- **Base coupon:** 1.25%, sized to be payable even in the worst modelled case (1.45%), but not guaranteed if losses exceed it.
- **Tax stacking:** if RSAA and CIA cannot be combined, the target falls to ~2.4–2.9%.
- **Tax dependency:** losing RSAA or CIA status cuts yield sharply. Breaking CIA rules within 10 years triggers a **100% clawback** of the tax benefits received (~€0.3M of purchase-tax relief on a €4M building, plus property tax). Bond terms make a clawback a sponsor-default event, not a holder loss, where the law allows. Whether RSAA and CIA can be combined is not yet confirmed.
- **Municipal approval:** CIA tax breaks need a vote of the municipal assembly in the pilot city. Without it, the CIA lever (~0.8pp) is lost.
- **Single building:** each series depends on one building in one city.
- **Liquidity:** no redemption at launch; resale depends on a buyer on the bulletin board; CIA limits asset sales for its term.
- **Exchange:** the pooled vehicle may never be created; if it is, its units carry different risks (fund structure, manager, wider portfolio).
- **Tenant law:** evictions can take months to over a year.
- **Regulatory:** rules on crowdfunding, DLT securities and rent regulation can change.
- **Technology:** contract bugs, outages, key loss, stablecoin de-peg.
- **Sponsor:** early-stage, related-party property manager.
- **Holder tax:** withholding 28% (PT residents) or 25%/treaty rate (non-residents).

14. Roadmap

Phase	Scope
0	Counsel opinion, building company, ECSP and tokenization partner, impact anchor, waitlist
1 Pilot	One building, €4M, first quarterly payout
2	3–5 buildings (€15–25M), then opt-in exchange into a pooled SIGI or fund with a licensed manager (~+0.45pp)
3	Rehab of vacant stock and new build on leased public land under CIA

Live progress: the project status page.

15. Team

Sponsor: Pedro Correia. Portuguese counsel, statutory auditor, independent valuer, bondholders' representative, crowdfunding platform, tokenization provider and impact anchor are being selected; each will be named on the Team page once appointed.

16. Legal notice

Information only. Not an offer to sell or a solicitation to buy any security in any jurisdiction. Any offer will be made only through a licensed EU crowdfunding service provider and its KIIS, to eligible persons. Not available to persons in the United States or the United Kingdom. Target returns are not guaranteed; you can lose money. Contact: housing@pedrocorreia.org.