CAPITAL IMPACT PARTNERS

# **Empowering Developers and Communities of Color** in Washington, D.C.

**Convening | March 20, 2019**

Capital Impact Partners and the Coalition for Nonprofit Housing and Economic Development hosted a day-long Convening of local leaders in Washington, D.C. to **facilitate the participation of minority real estate developers in the region's continued expansion.**

# Background

In 2017, Capital Impact Partners launched an Equitable Development Initiative (EDI) in Detroit to facilitate the participation of minority real estate developers in the city's revitalization efforts. Encouraged by the success of the program, the organization decided to expand it to another emerging market, and Washington, D.C. was a natural fit. Not only does the region host Capital Impact's headquarters, it also has one of the fastest growing real estate markets in the country. And as in Detroit, systemic inequalities have kept local minority developers from accessing many of the biggest development opportunities.

In March 2019, Capital Impact and the Coalition for Nonprofit Housing and Economic Development hosted a Convening at the Kaiser Permanente Center for Total Health in Washington, D.C. as part of an exploration process for how to bring its EDI program to the nation's capital. The event brought together local minority developers, policymakers, and representatives of financial institutions to discuss ways to increase opportunities for minority real estate developers in the region's booming development landscape.

Panelists and attendees approached the day with cautious optimism. Minority developers face many challenges in D.C. and its surrounding communities, particularly in growing their businesses and accessing capital for bigger projects. But, there is a growing community of individuals and organizations determined to address those challenges and create pathways for success. Attendees looked to learn from those who have already established themselves in the industry—like panelist Jair Lynch. Others sought a chance to discuss the nuts and bolts of project finance, affordable housing, and raising corporate capital. The Convening successfully initiated many of those conversations. It also offered a rare opportunity in D.C.'s competitive real estate market: the chance to look for common ground and find a way to help each other.

## Hosts

Capital Impact Partners

Coalition for Nonprofit Housing and Economic Development

## Discussions

**Building a Business as a Minority Developer in Washington, D.C.**

Moderator: Ellis Carr
President and CEO,
Capital Impact Partners

Jair Lynch
President and CEO
Jair Lynch Real Estate Partners

**Developing Inclusive Communities – State of the Field**

Moderator: John Green
Founder, Black Star Real Estate Partners

Diarra McKinney
Founder and CEO,
Rosewood Strategies

Gina Merritt
Principal, Northern Real Estate Urban Ventures

Emeka Moneme
Senior Vice President and Managing Director,
Capital, The Menkiti Group

**Total Health Approach: Impact of the Built Environment on Health Outcomes**

Dr. George Levanthal, PhD

Kaiser Permanente,
Director of Community Health for Washington, D.C. and Suburban Maryland

**Navigating Washington, D.C.'s Programs and Regulations and Access to Finance**

**Session 1 Navigating District Programs and Regulations**

Moderator: Peter Tatian
Senior Fellow, Urban Institute

Ana Van Balen
Affordable Housing Preservation Officer,
DHCD, Christopher Miller, Senior Director for Housing Investments, DC HFA

**Session 2 Capital Solutions for Developers**

Moderator: Diane Borradaile
Chief Lending Officer,
Capital Impact Partners

Ramon Jacobson
Executive Director,
Local Initiatives Support Corporation (LISC)

Holly Denniston-Chase
Deputy Director, Mid-Atlantic Region, Low Income Investment Fund (LIIF)

Marc Batchelor, City First Bank

# **A Seat at the Table:** The Power of Inclusive Opportunity

As the Convening began, the themes of collaboration and inclusiveness quickly emerged. In his opening remarks, Capital Impact's President and CEO Ellis Carr discussed the importance of tapping into the experiences of those who had found success to build capacity for the entire community. This idea of using the collective knowledge base to help surmount individual barriers was echoed throughout the day.

> "It's about bringing diverse voices [to] the table with the right experience."
>
> **Ellis Carr**

Some participants noted that the theme of inclusiveness can be seen as radical within the real estate industry, where strong personalities and the value of an individual brand can get in the way of forging partnerships. At the same time, that competitive culture also makes collaboration a powerful tool. One veteran developer in attendance noted, looking around the room, that the collective talent, experience, and access to capital would rival many of the biggest real estate players in town. In an industry that can be winner-take-all, cooperation can be a game changer.

Echoing this sentiment in her remarks, Olive Idehen, founder of Callive, Inc. and Vice Chair of the Coalition for Nonprofit Housing and Economic Development (CNHED), noted that the EDI is about more than simply helping individuals succeed. Idehen emphasized that CNHED works to foster a just and equitable distribution of resources, particularly to communities that are often shunted aside by economic development. She proposed that increasing diversity among developers in the city and surrounding areas will help incorporate people at all levels who are otherwise excluded from economic opportunities.

The developers in attendance agreed, and they discussed ways to spread the wealth throughout the day. In his keynote address to the gathering, Todd Lee, the Executive Director and CEO of the District of Columbia Housing Finance Agency, also emphasized how equitable opportunities can benefit the broader community. Drawing a comparison to professional basketball, Lee noted that without the innovation and talent that flooded the sport as a result of integration, "there would be no modern-day crossover."

Carr, Idehen, and Lee set the tone for in-depth discussions around capital, inclusion, and equity that occurred in panels, Q & A sessions, and group breakout sessions over the course of the Convening.

# **State of the Field:** Perspectives from Minority Developers

The central goal of this initiative is to empower local minority developers to take a leading role in the region's growth. D.C. is a richly diverse city with a long history of minority-owned businesses with strong ties to the surrounding community. So, in assembling this Convening, it made sense to focus on developers who are already working to create inclusive communities that benefit all residents.

The Convening assembled a panel of up and coming minority developers who represent the immense potential in the industry.


Diarra McKinney, Gina Merritt, Emeka Moneme, and moderator John Green lead a conversation about the challenges and opportunities for developers of color in Washington, D.C.

Diarra McKinney, the founder and CEO of Rosewood Strategies, returned to his native D.C. with a Harvard MBA and a Yale law degree to build a thriving real estate development practice focused on urban infill development.

Gina Merritt, the principal of Northern Real Estate Urban Ventures, is a Howard University and UVA-Darden graduate who has successfully navigated the extremes of D.C.'s recent real estate cycles, whose expertise lies in large real estate projects with complex financing and ownership structures.

And Emeka Moneme, Senior Vice President and Managing Director of Capital at The Menkiti Group, brings the perspective of considerable public-sector and nonprofit experience to his current role, including leadership positions at the Federal City Council, Washington Metropolitan Transit Authority (WMATA), and the District Department of Transportation (DDOT).

As the panelists spoke with moderator John Green, founder of Black Star Real Estate Partners, about the course of their careers, a unifying theme emerged. All three described a genuine desire to help shape their community through their work and an ambition to build lasting careers in development.

### "It Chose Me": Bringing Passion and Purpose to the Field

Green began by asking the panelists how they chose real estate development as a career. McKinney described real estate as an alternative to the corporate track he found himself on after business school. He began his career in finance, but the fit was off. Long interested in the build environment and the ways that it has influenced and shaped his life, McKinney returned to D.C. and found himself imagining futures for the vacant buildings that once filled neighborhoods like Logan Circle and Shaw.

"I started to see something I could be a part of." He joined a local real estate firm and never considered returning to a traditional corporate office.

Moneme has a similar passion for the community. His background working on public infrastructure and transportation initiatives contribute to a holistic view of development. He views real estate as an opportunity not just to build or renovate individual buildings but also to serve the entire community.

Merritt told the audience that she used to dream about bulldozers as a kid. She applied for her first real estate job believing the company was in the construction business. She realized her mistake during the interview but, showing a flash of adaptability that would serve her well throughout her career, she convinced them to hire her anyway. On her first day of work, there was a bulldozer on site. "It chose me," Merritt now says of her development career.

**Closed Doors and Glass Ceilings: Maneuvering Around Obstacles**

Despite auspicious beginnings, Merritt has had an uphill battle as a black woman in an industry dominated by white men. Real estate is a relationship business, and Merritt is aware of the ways that conscious and unconscious biases have impacted her career. She is also a parent. She spoke proudly at the Convening of what she has accomplished as a mother while noting that balancing the demands of parenting with a career in such a competitive field has been challenging.

One way that bias has manifested in Merritt's career is in a dearth of leadership opportunities. She has found that she is often relegated to a consulting role even when she has the experience and ambition to manage a project. As Merritt described her frustration, McKinney and Moneme nodded in agreement. Many developers and investors see value in a diverse team, Moneme said, and will bring on minority developers to consult with projects. Getting taken seriously as a principal has been a harder sell.

McKinney still considers consulting valuable to his growth, however. He considers it an important revenue stream for his business even as he seeks out deals on which he can serve as principal. Consulting has also been a network-builder for McKinney, which he knows will pay dividends as his career progresses.

Moneme and Merritt are optimistic as well, despite these challenges. As Capital Impact develops its initiative, tapping into that optimism and the experiences of these developers will be an important part of the process.

**Paying it Forward: A Community-centered Approach to Development**

The panel really came alive as the conversation turned away from the difficulties these developers had faced and focused instead on how they approach development within the community.

Moneme likes to think about development at a neighborhood level rather than simply looking at the individual project. He spoke directly about gentrification and displacement, two forces that often work together to erase a neighborhood's existing character while pushing long-term residents out. Moneme discussed how Menkiti looks for ways to enhance what is already happening in a neighborhood, pointing to his experience in Brookland. "We're looking for the intrinsic value of the DNA of the community."

Illustrating Ellis Carr's comments to the group earlier in the day, Merritt spoke at length about the ways she believes minority developers can serve the existing community, through both affordable housing and opportunities for small businesses, many of which are minority-owned. She emphasized her long-time experience building connections to the people who live and work in the neighborhoods around her projects and how invaluable that is for creating buy-in.

Merritt noted that most developments in D.C. are so expensive to build that it can be impossible to get small, local businesses into retail spaces that must garner high rents to justify the cost of the project. So, Merritt looks to address this problem in the underwriting phase, structuring deals so that retail spaces are underwritten at lower rents. "If you don't do this, it won't happen," she said, emphasizing the importance of factoring community needs in at every stage of a project.

McKinney also addressed the difficulties of incorporating opportunities for small businesses, noting that investors like to see larger, more established businesses in retail and office spaces because they can be more reliable. He has had success, however, by putting in extra effort to help entrepreneurs develop their businesses in ways that make them more appealing tenants. In a Georgia Avenue development, McKinney worked with a local salsa dance instructor with a very devoted client base to create a sustainable business plan that helped her secure rental space. The work is worth it, he said, when you see how the community benefits.

### Looking to the Future

As the panel drew to a close, Green asked Moneme, Merritt, and McKinney where they would like to take their careers in the future. Moneme talked about taking Menkiti's neighborhood investment model and replicating it—not just in D.C. but in other cities in the region. He views it as an opportunity not only for his own advancement but also to help grow an asset class within these communities.

Merritt is also interested in using her development work to benefit the community. Specifically, Merritt discussed how real estate projects are often approved on the belief that they will create jobs but then offer only temporary employment to some workers. She is exploring how to structure developments so that the positive economic benefits are long term and rebound not just to investors but to the community as a whole.

McKinney's vision is similarly ambitious. He wants to continue to innovate with his projects, exploring co-living as an alternative solution to the perpetual issue of affordable housing in D.C.'s increasingly expensive housing market. Returning to the visions he once had for the city's vacant properties, he also wants to experiment with architecture to challenge notions of how affordable housing is supposed to look.

McKinney also brought the conversation back to the nuts and bolts of running a business. He wants to raise dedicated capital for his business, and he wants to grow his balance sheet. Merritt and Moneme nodded in agreement, reminding the audience that access to capital is central to achieving their goals.

# **Forging a Path:** A Conversation with Jair Lynch

As the President and CEO of an investment and development company with nearly 4.3 million square feet of completed projects totaling over $1 billion in the D.C. region, Jair Lynch represents the kind of success that Merritt, McKinney, and Moneme are working towards. A Washington native and former Olympic gymnast, Lynch has passion for his community that was evident in his Q & A session with Ellis Carr at the Convening.

Lynch returned to D.C. in 1998 after several years working in Silicon Valley. He was drawn to the opportunity to help rebuild a city that had seen many of its historically black neighborhoods damaged by riots and economic neglect and that still bears the literal scars from the Metro installation in the 1980s. But Lynch knew that cities can reinvent themselves as he had seen San Francisco do after the devastating 1989 earthquake. He wanted to help lead that kind of reinvention in D.C.

> "Give yourself room to be strategic."
>
> Jair Lynch

**Doing it all, then letting it go**

Lynch started his own business in part because of the barriers he encountered at large real estate firms, which had little interest in his Silicon Valley experience. Instead, he struck out on his own, working out of his home and building Jair Lynch Real Estate Partners from the ground up.

As his fledgling business began to take shape, he encountered many of the same obstacles faced by Merritt and McKinney, who also started out on their own with limited resources. Lynch spoke of how much effort goes into the early years at a fledgling business when everything from marketing to writing proposals to taking out the trash fell on him.

As his business grew, Lynch learned that he would have to sacrifice control in order to grow. He had to delegate even some of the tasks he enjoyed in order to focus on his business strategy. Delegation meant building out his staff—a process that taught him other valuable lessons. Trust was important, Lynch learned, but so was making sure he found the right person for the job. He had to evolve beyond simply hiring people he was comfortable with and think instead about the knowledge and experience his company needed.

**"Unequal Balance Sheets Mean Something"**

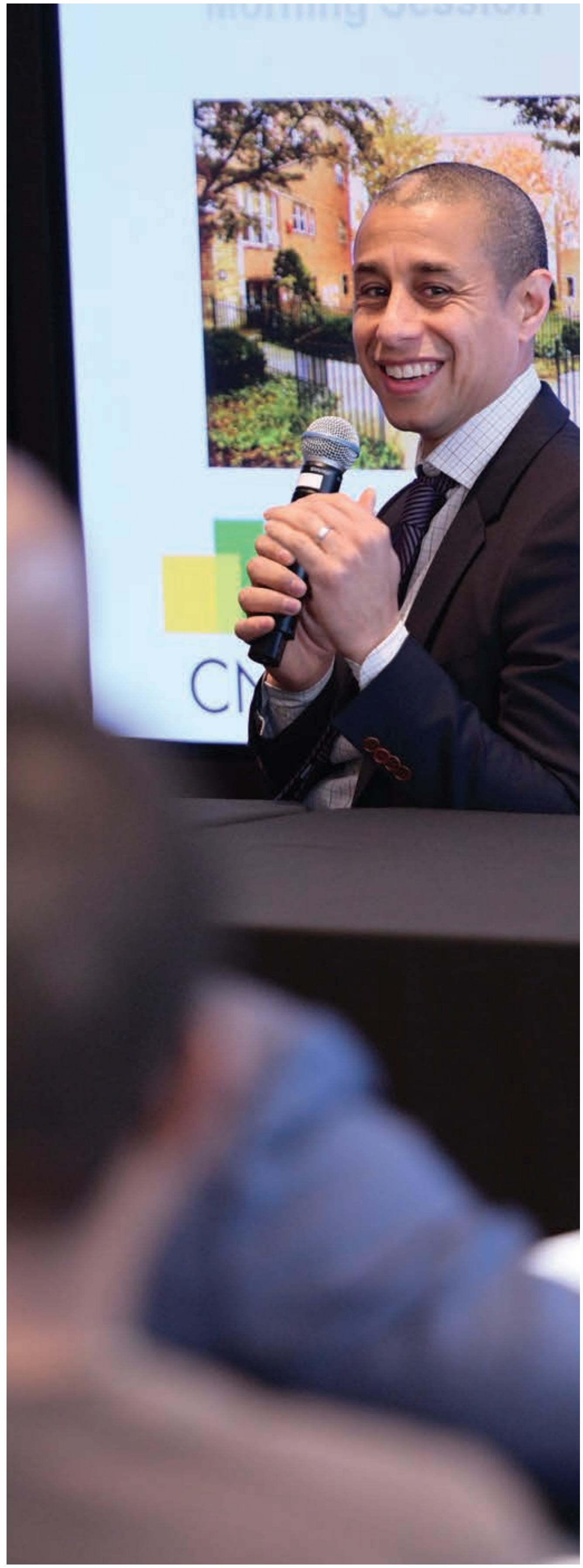
As Lynch began looking for bigger projects and new challenges, he ran into an obstacle shared by many of the minority developers attending the Convening. Even when he was the one initiating deals and coming to the table with ideas and innovation, he still felt that he was being talked down to. This was when he learned a hard truth about real estate development: "Unequal balance sheets mean something."

Lynch realized that if he wanted to move up in the business, he would need to prioritize his balance sheet over other markers of success like impressive office space or a large staff. Instead, he left no stone unturned in his hunt for corporate financing—funding for local and minority-owned businesses, federal programs, and ultimately private equity.

In an industry that can be hostile to new entrants, especially people of color, Lynch fought to be taken seriously, and he succeeded. His story is instructive not only for minority developers but also for organizations like Capital Impact seeking to work with them in the D.C. market.

**"You need to do that for your own business, too."**

Carr ended the Q & A by asking what advice Lynch has for minority developers looking to follow in his footsteps. His answer: to bring the same intensity to their own businesses that they do to their projects. "Think of the way you cushion a project in the budget. You need to do that for your own business, too." This advice got a seal of approval from Capital Impact's own Chief Risk Officer, Carolyn Bauer. Raising both fists in the air, Rocky-style, Bauer shouted "Yes!" The room laughed, but this sentiment resonated. Many of the developers in attendance had come to the Convening specifically because they are hoping to make this kind of investment in their businesses. For these attendees, Lynch's words offered both encouragement and inspiration.



# **A Community Conversation:**
# Obstacles and Opportunities

A central goal of the Convening was to facilitate spontaneous discussion between stakeholders. To encourage these conversations, organizers divided participants into small groups to discuss one of three different aspects of conducting real estate development in D.C.: (1) capacity, (2) capital, and (3) ecosystem. Groups were instructed to work together to identify both the challenges and opportunities for developers with regards to each topic area.

The groups were each a mix of experienced and inexperienced developers, investors from both traditional and non-traditional institutions, and representatives from nonprofits focused on affordable housing and small businesses. The resulting conversations were varied and collaborative.

### Building Capacity Through Cooperation

Within the groups discussing capacity issues, developers discussed a host of challenges they face in positioning themselves and their businesses. Among the key obstacles was a lack of resources, including not only time and money but also industry contacts and financial expertise. Reflecting on some of the knowledge shared earlier in the day, groups identified building a team and cultivating partnerships and mentorships as possible ways to address resource gaps.

Developers new to the industry discussed the Certified Business Enterprise (CBE) process, a D.C. government program that connects small and local businesses with government contracting opportunities. Though the process can be burdensome, veteran developers encouraged them to stick with it; the knowledge gained on even small government projects can be leveraged into larger opportunities later.

In one group, the conversation was dominated by a young entrepreneur who is transitioning into real estate development after working in property management. He noted that he has struggled to identify a clear pathway for advancement in the field. An older developer in the same group said that even with more than a decade of experience, he often felt the same way: "I feel like a complete newbie."

Reflecting on the nature of the real estate business, he lamented how the competitive and often ego-driven business can isolate developers from each other. But looking around the room, the veteran developer was struck by how much experience, knowledge, and talent had been assembled. He speculated about what opportunities might arise if minority developers pooled their resources and abilities.

### Creative Capital

Within the groups assigned the topic of capital, a lively dialogue quickly developed between developers and investors that was a microcosm of the larger conversation represented by the Convening as a whole. As developers discussed the challenges they face in both financing projects and raising corporate capital, the conversation recalled some of the advice offered by Lynch and McKinney, both of whom emphasized creativity and persistence when it comes to capital.

One of the creative suggestions for raising capital included new online platforms that crowdfund specifically for real estate projects. Pooling funds with other developers and creating development consortiums were also discussed, furthering the day's theme of cooperation.

More traditional solutions to capital issues were also suggested. Established developers preached the importance of building a balance sheet over time, using past successes to establish a track record that you can exploit for future funding.

## Navigating the Ecosystem

The groups discussing ecosystem had the broadest topic area to cover. They reviewed the challenges posed by the complexity of the regulatory environment, particularly the financial and time costs associated with the licensing process. They also addressed community involvement and how its absence can seriously hinder project success.

The overarching theme of this discussion centered on knowledge development at every level. Developers need enough knowledge (either their own or within their team) to maneuver through the maze of government agencies and regulations governing real estate development. But they must also know how to disperse knowledge to the communities in which they work, informing and consulting with the individuals who will be impacted by their projects in order to cultivate community buy-in.

# **Knowledge is Power:**
# Navigating Policy, Regulation, and Finance

## The Policy and Regulatory Landscape

To offer some perspective on how policy and regulation shape real estate development in the D.C. area, Peter Tatian of the Urban Institute kicked off the afternoon by offering an overview of the city's history of demographic changes, affordable housing challenges, and how gentrification and displacement threaten many of D.C.'s oldest minority communities.

Some of Tatian's statistics were eye-opening. Speaking about the recently gentrified Columbia Heights / Mt. Pleasant neighborhood, he outlined how the population size didn't change much from 2000 to 2010, but it lost nearly 7,000 black residents and saw significant declines in the Latino population as well. These kinds of demographic shifts—making a place once nicknamed "Chocolate City" whiter and more homogenous—are a major concern for those who care about economic equity and opportunity in D.C.

Affordability is an obstacle, though. D.C.'s economic renaissance has driven up housing costs, and after two centuries of racist laws and housing policies, minority communities have been hardest hit. According to Tatian, 33 percent of all D.C. households pay more than 30 percent of their income to housing, and renters are hit harder than homeowners. D.C. also faces a major housing shortage, particularly for family housing.

Joining Tatian on the panel was Ana Van Balen, the Affordable Housing Preservation Officer for D.C.'s Department of Housing and Community Development (DHCD). She cited Mayor Muriel Bowser's 2019 State of the District speech, in which the mounting housing shortfall was a featured issue. Van Balen outlined how the city is currently tackling the problem with a goal of creating 240,000 new housing units by 2025, including at least 12,000 units within the city that qualify as affordable housing.

She also discussed several strategies the city is employing to help preserve existing affordable housing. Van Balen acknowledged that even these ambitious plans will not be enough to address housing shortages or skyrocketing costs.

For developers, these problems present both a challenge and an opportunity. To address housing costs and shortages, the city is introducing innovative programming. Many of these programs emanate from the D.C. Housing Finance Agency (DCHFA), which serves as the city's housing bank, specifically for affordable housing.

Christopher Miller, DCHFA's Senior Director for Housing Investments, discussed several of the agency's current initiatives, including a risk share program designed to facilitate faster turnaround when financing multifamily projects and the Housing Investment Platform, a lab to innovate around housing challenges. The latter particularly sparked the interest of some of the developers in the audience, who sought Miller out as the Convening concluded to get details on how to present projects to the lab.

## The Role of CDFIs

As a community development financial institution (CDFI), Capital Impact Partners is part of a larger group of private financial institutions focused on responsible, affordable lending in low-income and low-resourced communities. The Convening brought together several of these institutions serving the greater D.C. area to discuss the role they play in helping minority developers finance projects that address the needs of these communities.

Diane Borradaile, the Chief Lending Officer for Capital Impact, discussed the role of CDFIs within the broader development landscape: "While [what we do] is not called technical assistance, we very much provide technical assistance." This makes CDFIs a natural fit for minority developers looking to invest in minority neighborhoods, where traditional financing can be hard to come by.

This doesn't mean that CDFIs are limited to small projects, however. As Borradaile notes, they sometimes partner with traditional banks and other CDFIs to finance larger projects where the goals match those of the organization.

Ramon Jacobson of LISC also discussed how CDFIs can serve as a bridge over the gap between what traditional banks are willing to offer and what developers doing social projects need.

To help define the kinds of projects CDFIs are interested in financing, Holly Denniston-Chase of LIIF emphasized the growing importance of serving multiple needs. She offered the example of a development that combined affordable housing with other services sorely lacking in many D.C. neighborhoods: childhood development and healthy food. The goal is responsible development that truly serves the community.

Though CDFIs operate much like traditional banks in terms of the technical details of their financing, their approach is different because they are looking beyond profitability. According to Marc Batchelor of City First Bank, this difference can make CDFIs more willing to collaborate with one another than traditional banks, in order to bring a needed service or resource to a community.

## Seeds of Connection

As the Convening came to a close, participants reflected on some of the themes of the day. There was a recognition of real challenges facing minority developers in D.C. with access to capital chief among them. There was also a great deal of optimism. The young developer who had discussed his struggles with building a network in the group exercise found himself in conversations with a number of new contacts. Several developers in attendance sought out follow-up conversations with members of the panel on CDFIs to discuss financing opportunities. These connections will serve as some of the seeds for Capital Impact's EDI program in D.C.

A few weeks after the Convening, Diarra McKinney reflected on the power of the event. It was the first time he could remember being at a D.C. real estate event where he really felt that the people in the room wanted to be helpful to each other and see one another succeed. He looks forward to seeing how Capital Impact harnesses that spirit moving forward. As McKinney puts it: "It's the power of the community that creates the economic value."

# **Case Study:**
# Empowering Minority Developers in Detroit

Capital Impact's Detroit Equitable Development Initiative (EDI) was launched in 2017. It is an effort to ensure that Detroit's pool of real estate developers truly reflects the city's diversity as well as to facilitate the participation of minority real estate developers in the city's revitalization efforts. The program combines local knowledge, partnerships, and project financing to support minority developers in Detroit.

## Program Overview

The program grew out of Capital Impact's previous work in Detroit. The organization found that, although it had been able to support a number of worthwhile projects, too few of the developers creating these projects reflected Detroit's largely African-American population, and many were not local. Capital Impact set out to identify the challenges facing minority developers in Detroit and design a program that would work to address these obstacles, creating pathways for participation. Capital Impact engaged with JPMorgan Chase with whom it had previously launched the Detroit Neighborhoods Fund to sign on as a program sponsor.

## EDI Program Goals

- Provide a holistic solution to build capacity, increased access to opportunities, and reducing wealth disparities for communities of color. In doing so, the program would help ensure that Detroit's continued economic growth would be inclusive for both developers and residents.
- Support the development of three to five projects of minority developers from Detroit with limited experience and potentially were undercapitalized. This asset building strategy relied on two types of support: 1) technical assistance and 2) flexible capital solutions. Target projects were originally defined as smaller in size (six to 20 units), approximately $2 million in costs, and located in one of Capital Impact's target investment areas.
- Create multiple financing and capacity building tools and customize them based on each participant's experience and needs to ensure long-term career growth.
- Replicate the program in Detroit and other metropolitan cities.

### Selection Criteria

Capital Impact performed outreach through its existing network of developers, trade associations, fellow community development financial institutions, and organizations like the Urban Land Institute to ensure a broad pool of applicants. EDI participants were selected based on how well they met the following program criteria:

- Identifying as racial or ethnic minorities
- Actively working to further careers in real estate development in the Detroit area
- Living in metro Detroit and having a strong connection to the city
- Having some real estate development experience
- Demonstrating a commitment to Detroit's revitalization
- Being underway on a multifamily / mixed-use project in Detroit, OR having intent to respond to requests for proposals (RFP) for Detroit real estate development opportunities

For candidates already engaged in an existing development project, Capital Impact looked for projects with a multifamily rental component that served Detroit's affordable housing goals, including having at least 20 percent of units designated to serve households earning less than 80 percent of the Area Median Income for Wayne County.

Through the first two cohorts, the program has screened more than 200 applications and has worked with 47 participants (28 in 2017 and 19 in 2019).

### Program Components

The pilot program ran for two years with a significant focus on four months of intensive training, during which participants attend classes as well as additional networking and mentorship events. The program has three primary components designed to address the needs of participants:

**Training.** Participants must attend up to five hours of in-class training each week for the duration of the program. Classes cover a wide range of topics from formal training on mixed-use real estate development to workshops with local development experts and city leaders. This aspect of the program offers participants an in-depth study of the more technical aspects of development, including obtaining project capital from lenders and equity investors, navigating tax incentives, building a strong portfolio, working with architects, and writing RFPs. It also covers many of the softer skills that successful developers possess, such as developing strong networks and working with community residents.

**Mentorship.** A central feature of the EDI is the development of close mentorship relationships. Each program participant works with a strong project resource team consisting of a trainer, a CDFI representative, a local developer, and an architect. Additionally, program participants work in groups of three or four with a local developer advisor. These experts provide project-specific guidance to participants and can become a core part of their networks as they transition out of the program.

**Financing.** Connecting participants with sources of capital is a primary goal of the EDI, and it is one of the reasons why the program's criteria focuses on candidates with projects already in development. Capital Impact seeks to support two to three participants from each cohort with financing, but the program also helps participants leverage the knowledge they gain in the EDI to strengthen their financing applications with other institutions. The program also hosts a lender open house towards the end to help participants make contact with additional sources of funding.

**Community Partnerships**

In order to develop its programming, the Detroit EDI works closely with a group of partners, including community-based organizations, nonprofits, and for-profit companies. During its pilot phase, the program has worked with more than 50 partner organizations, including the National Development Council, Woodborn Partners, 313 Creative, Hosey Development, Ethos Development Partners, Develop Detroit, and the Roxbury Group.

These partners are vital to the program's health. They keep the program grounded in the needs of the community and become part of the network participants will leverage to build their businesses. Individuals from partnership organizations serve as mentors, participate in program workshops, and attend networking events.

In addition to these community partners, the Detroit EDI has also engaged public partners to help the program and its participants navigate the area's regulatory and policy framework governing real estate development. The Michigan Economic Development Corporation, the Detroit Economic Growth Corporation, and the City of Detroit have contributed significantly to ensuring that the program is grounded in the realities of Detroit's current-day real estate development challenges and opportunities.

**Program Evolution: How the Program Learns From Its Participants**

Through the first two cohorts, the Detroit EDI has found ways to refine and focus the program to better achieve its goals. In its first year, the program focused heavily on the financial aspects of real estate development, seeking to increase participants' technical knowledge of the financing process and to connect them with funding sources.

This remains a central aspect of the program in 2019, but the members of the 2018 cohort helped to identify other key areas of focus. Soft skills like marketing and people management have emerged as key interests for participants looking to build their companies. The program has also identified business strategy as a topic that needs to be addressed through the program, as developers at this stage in their careers inevitably need to make choices about where to concentrate their time and capital.

Capital Impact turned to some of its partners to help evolve the program curriculum for its second cohort. Woodborn Partners, 313 Creative, and the National Development Council worked with the EDI to update the training curriculum.

### Early Successes

The 2018 cohort produced a number of successes indicating that the program is already achieving a number of its short-term objectives.

One participant who saw transformational benefits from the program was former NFL player Ron Bartell, whose mixed-use, mixed-income development along Detroit's Avenue of Fashion secured predevelopment financing from Capital Impact following Bartell's completion of the program.

Capital Impact also closed a $175k predevelopment loan to Merrill Development, LLC. This entity is 100% owned by EDI participant Sauda Ahmad-Green. The development will be the second phase of a mixed-income housing project in a largely residential Detroit neighborhood near Henry Ford Health Systems (HFHS), one of the region's largest hospitals and employers.

Capital Impact is also engaged with both of these individuals on other financing strategies to ensure their projects are successfully completed.

Beyond financing, the program is helping individuals with experience in other aspects of real estate make the jump to development. Several members of both cohorts joined after spending years in contracting and gained many of the skills and contacts they will need to shift into the development side.

Finally, one promising outcome of the Detroit EDI is that it has created a community of minority developers who are interested in working together and helping one another succeed. After completing the program, Alisha Moss founded an organization called Real Estate Association of Developers (READ), which meets monthly to host speakers and provide networking opportunities to local developers. A recent meeting was addressed by Antoine M. Thomson, the Executive Director of the National Association of Real Estate Brokers.

### Lessons for the D.C. Program

As Capital Impact moves forward with its EDI program in D.C., there are key take-aways from their experience in Detroit that can inform the process. Though the city's real estate markets are unique, the developers attending the Convening in D.C. identified many of the same challenges experienced by program participants in Detroit: difficulties in gaining the right kinds of experience, obtaining access to capital, building a network that can be leveraged, and dealing with bias and tokenism within the industry.

Drawing on the successes and lessons of the Detroit EDI, Capital Impact hopes to see similar improvements in the participation of minority developers in D.C.'s real estate development market. The Convening was the first step of many, but the program is already moving in the right direction.

BUILDING COMMUNITIES OF OPPORTUNITY
**TO BREAK BARRIERS TO SUCCESS**

# Equitable Development Supports our Larger Vision

Capital Impact Partners champions social and economic justice for underserved communities, transforming them into communities of opportunity that foster good health, economic opportunity, and interconnectedness. Through mission-driven lending, incubating social impact programs, impact investing, and policy reform, we partner with local communities to help create equitable access to health care and education, healthy foods, affordable housing, and dignified aging for those most in need.

**2.7 MILLION**
**PATIENTS**
receiving health care at 541 community health centers

**265,000**
**STUDENTS**
in 259 high-quality charter schools

**1.1 MILLION**
**PEOPLE**
with access to healthy food from 88 local retailers

**15,000**
**ELDERS**
aging with dignity in 190 communities

**38,000**
**AFFORDABLE HOUSING**
units in 250 communities

**870,000**
**COOPERATIVE CUSTOMERS**
served by 221 Co-op businesses

WE HAVE DEPLOYED MORE THAN **$2.7 BILLION** TO SERVE NEARLY **5 MILLION PEOPLE** AND CREATE MORE THAN **37,000 JOBS** NATIONWIDE IN SECTORS CRITICAL TO EQUITABLE COMMUNITIES.

CAPITAL IMPACT
PARTNERS