



**Urban Land
Institute**

Colorado

EQUITABLE ACCESS TO CAPITAL: REAL ESTATE DEVELOPMENT BY ALL, FOR ALL



**FEBRUARY 16,
2022
3:15-5 PM**

Welcome!

A few logistics before we get started...

Audience will be muted throughout the session



Submit questions and comments through the chat box



This is being recorded and will be available after the event



Upcoming Programs & Opportunities

From ULI Colorado

- **Feb 23:** Celebrating Colorado Springs' 150th Anniversary: Past, Present, & Future of Colorado Springs Land Use
- **Feb 24:** DeTour: Expansion of the Colorado Convention Center
- **March 3:** New Member Coffee
- **March 3:** Deadline for Partnership Forum Applications
- **March 10:** Read, Listen, Watch: Reparations

See upcoming local opportunities on ULI Colorado website here: <https://colorado.uli.org/events/>

Check out past webinars, reports, and more on Knowledge Finder here:
<https://knowledge.uli.org/>

ULI Colorado's 2022 Annual Sponsors

Summit



Alpine



Montane



Foothills



The Agenda for Today

Equitable Access to Capital: Real Estate Development by All, for All

- 3:15-3:20pm: ULI Colorado welcome
- 3:20-3:30pm: Keynote Address by **Dana Peterson**, author of the Citi report, “Closing the Racial Inequality Gaps” and Chief Economist of The Conference Board
- 3:30-4:30pm: Panel featuring -
 - **Jennie Rogers**, VP & Market Leader, Denver, Enterprise Community Partners
 - **James Johnson**, Community Investment Trust Manager, Solid Rock Community Development Corporation
 - **Solomon Muwanga**, VP, Commercial Lender, MidWestOne Bank
 - **Justin Gilmore**, Project Manager, Gilmore Construction Corporation
- 4:30-5pm: Q&A with the audience moderated by **Mark Marshall**, Vice President of Real Estate, Rocky Mountain Communities



DANA PETERSON
CHIEF ECONOMIST
THE CONFERENCE BOARD

CO-AUTHOR OF THE CITI
REPORT, "CLOSING THE RACIAL
INEQUALITY GAPS"

DISRUPTING
THE WEALTH GAP

Every SATURDAY in OCTOBER

10:00AM - 11:00AM ET



EQUITABLE PATH FORWARD

**A \$3.5 BILLION INITIATIVE TO COUNTER
RACIAL INEQUITIES IN HOUSING**



THE CHALLENGE
RACIAL INEQUITIES
IN REAL ESTATE
PERPETUATE RACIAL
DISPARITIES IN
COMMUNITIES

THE CHALLENGE

RACIAL WEALTH GAP AND UNDER-REPRESENTATION

Inequities in Communities

- Black households comprise nearly **50%** of HUD assisted housing, yet only **13%** of the nation's population
- **21%** of Black Americans, **25%** of Indigenous peoples, and **18%** of Hispanic Americans are under the poverty line, compared to **10%** of whites (all pre-COVID)
- The median white household has over **8x** the net worth of the median Black household and over **5x** that of the median Hispanic household



Inequities in Real Estate

- **2%** of real estate management firms are minority-owned
- **1%** of total Assets Under Management are controlled by minority-owned firms
- **Only 16%** of community development corporations (CDCs), who explicitly serve low-income communities of color, are minority-led

THE CHALLENGE

WELL-DOCUMENTED URGENT, UNMET NEEDS

The New York Times

*To Help Black Developers,
Programs Start With Access
to Capital*

‘Several banks have announced initiatives totaling billions of dollars that are aimed at addressing racial inequalities, but observers say the programs need to be carefully tailored.’

The Washington Post

*The “Whitewashing”
of Black Wall Street*

A century after Tulsa massacre, Black entrepreneurs in the city’s Greenwood district feel threatened with erasure yet again, amid demands for reparations.

BISNOW

*Access To Capital Remains
Biggest Barrier For Black
CRE Investors*

By far the hardest task for diverse talent is figuring out how to access capital.

OUR PLAN **REBALANCE POWER** **AND PROFIT IN THE** **REAL ESTATE SECTOR**

**CAPITAL IS POWER, AND POWER SHAPES
COMMUNITIES**

HOW WE'LL GET THERE

OUR STRATEGY

- 1. Fill the capital gap in housing created by decades of systemic racism by investing directly in diverse developers**
- 2. Strengthen BIPOC and historically marginalized housing providers through advisory services and other support**
- 3. Create new career pathways in real estate that will diversify leadership in the industry**

* In recognition of the Equal Credit Opportunity Act, EPF will support developers, without regard to race, who have traditionally been denied access to capital and who devote significant effort to supporting disadvantaged communities.

OUR STRATEGY

A THREE-PRONGED APPROACH

EQUITABLE PATH FORWARD



\$350 million Growth Fund

to provide debt, equity, grants and innovative credit enhancement that together will attract an additional **\$3.1 billion of capital**

- **\$100mm** in CDFI entity-level working capital as well as project lending
- **\$50mm** in grants to build developer balance sheet strength
- **\$50mm** in credit enhancements through a Standby Guarantee Facility
- **\$150mm** in project-level equity from Enterprise’s business lines



\$15 million Developer Advisory Services

program for cultivation of local development organizations and small businesses

- **Comprehensive consulting**, networking facilitation, business services and evaluation support
- **Local, state and federal policy** development and advocacy
- **Partnerships** with MDIs and BIPOC-led CDFIs to build out a national network



\$10 million Leadership Program

two-year leadership program – modeled after the distinguished rotational programs at major industrial and financial firms

- **Original leadership program**, to include experience in different business lines, mentorships and job placement opportunities
- **Partnerships** with HBCUs and other institutions to advance a pipeline of future leaders

EQUITABLE PATH FORWARD



**DEVELOPER
ADVISORY
SERVICES**
**THE FULL
ENTERPRISE
PLATFORM**

BIPOC DEVELOPER SUPPORT PROGRAM

DEVELOPMENT CONSULTING SERVICES



PEER SHARING & POWER BUILDING



OUR PARTNERS **DEVELOPERS AND** **INVESTORS**

SELECTION CRITERIA

DEVELOPERS CHOSEN BASED ON CREDIBILITY, NEED AND POTENTIAL

Partner Selection Characteristics

- BIPOC-led (>50 percent of board members OR CEO/ED/Managing Partner self-identified BIPOC)*
- Completed ≥ 3 successful RE projects
- Proven track record with Enterprise (at least one transaction or strong recommendation from internal business lead)
- Track record of engagement with target community
- Experience with requirements of private and public financing
- Adequate staffing and organizational capacity for growth
- Challenged by traditional liquidity or guarantee requirements

Sample Profile: XYZ Development, LLC

- 20 years development experience
- Atlanta market
- Track record of affordable housing development, including 370 rental units and 11 single family homes
- Partners with for-profit developers to “compete” effectively for LIHTC allocations
- Partnerships favor for-profit partner for fee splits, economics
- Active pipeline of \$90mm, 450 units
- Needs balance sheet capital to begin guaranteeing its own financing, fill gaps in predevelopment and retain quality staff

*In recognition of the Equal Credit Opportunity Act, EPF will support developers, without regard to race, who have traditionally been denied access to capital and who devote significant effort to supporting disadvantaged communities.



JOIN US

 Enterprise[™]



Solid Rock

COMMUNITY DEVELOPMENT CORPORATION

“Investing in Southeast communities”



Southeast Community Investment Trust



What is a Community Investment Trust

The Community Investment Trust is a financial inclusion tool that address's asset poverty in low-income neighborhoods thru communal ownership.

Key Highlights

- Low barrier to investing starting \$10-100
- Community investor required curriculum of financial action and literacy
- Community investors investment protected by LC(Letter of Credit)
 - SEC compliant investor portal

Financial Returns for Individual Investors Since CIT Launch (2017)

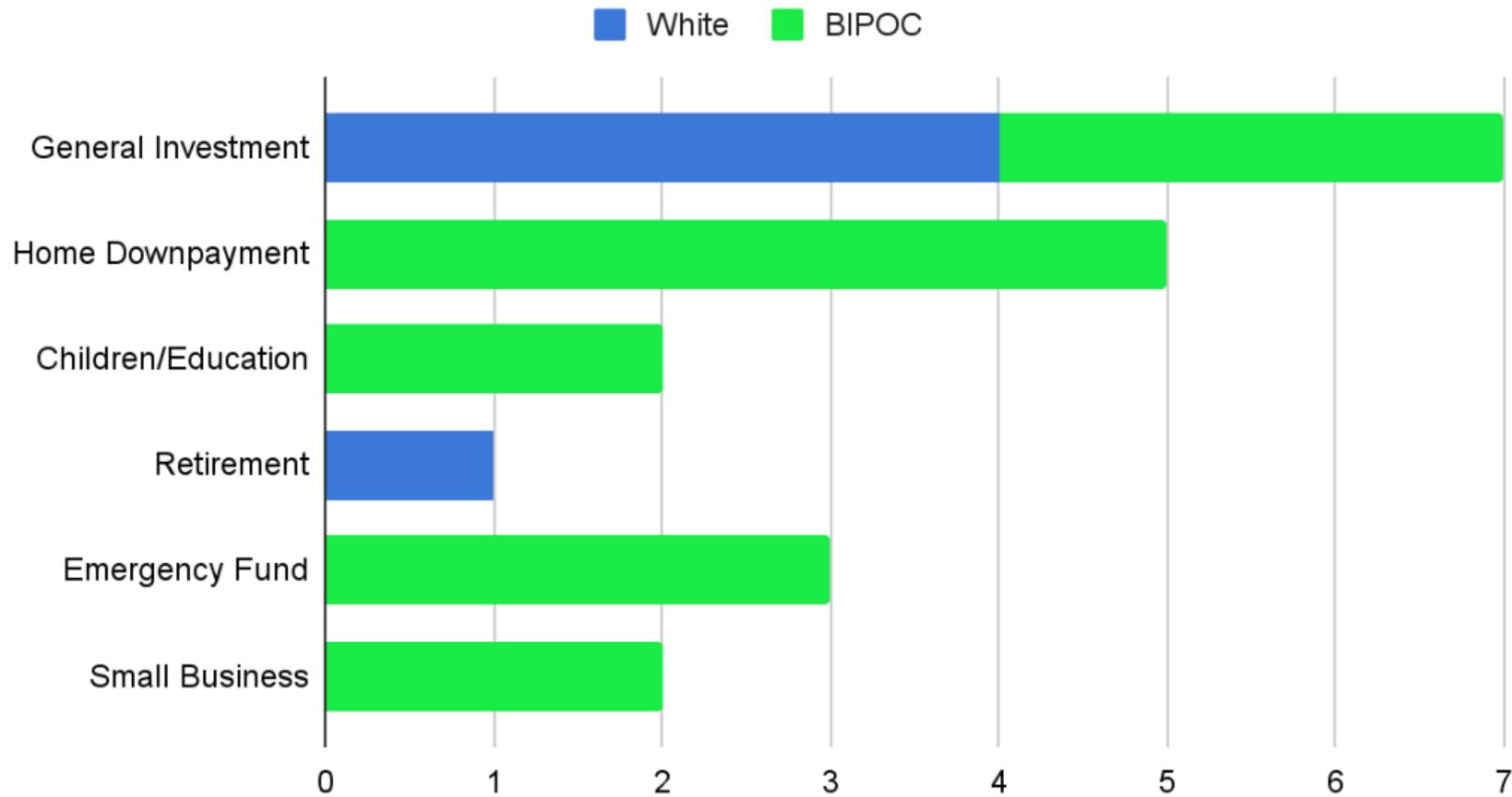
(Investment Range from \$10 (min) to \$100 (max) monthly)

	2017	2018	2019	2020	2021
Dividend %	9.60%	8.90%	8.88%	8.95%	--
Share Price	\$10	\$10	\$14.57	\$15.86	\$17.05
% Return on Investment	--	9.6%	54.6%	15.68%	16.45%
Dividend Amount Dispersed in Year (\$10-\$100/mo)		\$1.92 - \$19.20	\$12.46 - \$124.60	\$28.76 - \$287.68	\$34.94 - \$349.49
\$ Total Return on Investment by Year's End (\$10-\$100/mo)	—	\$1.92 - \$19.20	\$76.44 - \$764.40	\$121.41 - \$1,214.10	\$160.74 - \$1607.40
Total # Months Investing at Year's End	2	14	26	35*	47
Value of Shares (\$10-\$100/mo) at Year's End	\$20 - \$200	\$140 - \$1,400	\$323.98 - \$3,239.80	\$442.65 - \$4,426.65	\$595.80 - \$5,958.80

**CIT investment was automatically paused in response to the COVID-19 pandemic from April-June 2021, resulting in a total of 9 months investment (rather than 12 months).*

- Of 20 interview participants, 9 discussed that they receive much higher returns from the CIT than from a bank (7 of 9 from immigrant/refugee communities). 6 participants expressed particular excitement in receiving their annual dividend, all of whom were from immigrant/refugee communities. No participants expressed dissatisfaction with returns or investment performance.
- Motivation for CIT investment varied across interview participant groups; the majority of white participants (4 of 5) cited community connection and involvement as their primary motivation, while the majority of BIPOC (6 of 7) and immigrant & refugee participants (7 of 8) cited financial returns and/or the opportunity to invest as their primary motivation. The remaining participants (3 of 20) reported gaining financial knowledge as their primary motivation (figure 2).

Figure 4: Participants' Goals for Use of CIT Investment





Aerial View of subject property



West Side Mall

COLORADO CHRISTIAN FELLOWSHIP





Tenant Mix

Current Tenants

- Faith Based Organizations
- Hair Salon
- Youth Center

Combined revenue from tenant's total \$200k/yr

Potential Tenants

- Early Childhood Development Center
- Harrison Credit Union Satellite Office
- Plumbing Apprenticeship

Focus Groups and Marketing



Majority of attendee's where woman

Expressed desire to frequent local retail and dining

Feedback on Marketing Materials

How to change language in curriculum so it is more accessible

Leadership Pikes Peak Project team creating outreach plan

Videographer for testimonials and introduction videos for social media

Survey's conducted at community events

IN TOUCH HERE

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Take control of your financial future

The CIT is a proven and safe model to give individuals the financial tools and opportunities to take control of their future.

-  Financial planning and money management classes designed to give participants the tools and support to set goals and plan their financial future
-  Low-risk investment opportunities that grow in value to let your money work for you with yearly pay outs as your investment grows
-  Use the CIT to create an emergency savings fund or as a way to build personal credit and reach your long-term financial goals. Just like your bank account, your investment is always available

Our Community Our Neighborhood Lets own it.

Colorado Springs is one of the fastest growing cities in the USA. We should all have a chance to benefit from the economic prosperity of our community. The CIT is a low-risk investment opportunity created by and for residents of the Southeast Colorado Springs to ensure every resident can reap the rewards of our community.



Community Investment Trust

Your path from owing
to owning

Fundraising

SRCDC has secured funding \$1mk in total funding

- Dakota Foundation - \$20k in operations/ \$100k for impact investment
- PPCF- \$10k in operations
- CALM Foundation- \$10k in operations/\$50k in impact investment
- CSHF - \$50k- for operations and education
- CHF- \$750K
- Additional Impact Investors have expressed interest and will have more concrete level of commitment once property is contracted
- Community Development Division- Half of closing cost (\$437k)



What's Next ?

- Conduct due diligence on property
- Purchase property
- Locate SEC Attorney for entity formation
- Contract with Mercy Corps for Education licensing (programming)
- Create fundraising and financing structure

Questions?

James Johnson

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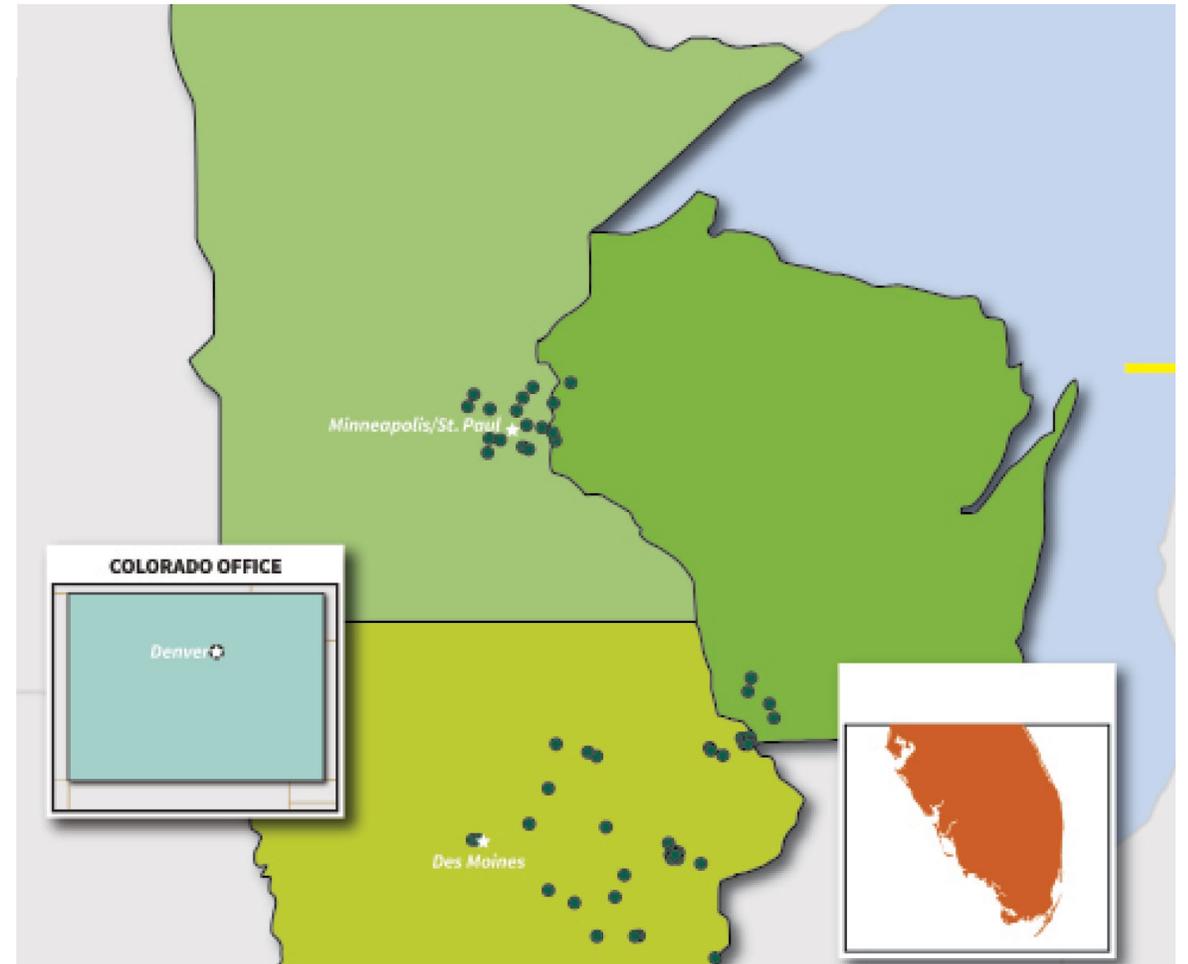


Equitable Access to Capital – Commercial Real Estate Conventional Bank Financing Basics & Challenges





MidWestOne
Bank®



The Five C's of Underwriting

- **Character and Experience** —reflected by the applicant's credit history and experience in the relevant industry or asset class.
- **Capacity**—the applicant's debt-to-income ratio (cash flow) or ability to repay the loan.
- **Capital**—the amount of money an applicant has and Equity (skin in the game)
- **Collateral**—an asset that can back or act as security for the loan.
- Finally, **Conditions**— generally this considers the purpose of the loan, the amount involved, prevailing interest rates and other economic.

Challenges faced by BIPOC Investors/Community

- **Lack of Capital** – Cash equity or skin in the game. No generational/ outside/additional familial income support
- **A generally lack of Capacity-** i.e., existing outside cashflow streams to support a new or additional project
- **Prior project/ real estate development experience.** With not a lot of mentors in real estate development it can be difficult to get a toehold in the industry and qualify for bank financing



Opportunities



- **Educational Opportunities and Technical Training**
- **Financial Infrastructure**
 - Alternative funding sources specifically for BIPOC Community i.e., CDFI (Community Development Financial Institution).
 - Partnership with other Nonprofits and/or investment pools of BIPOC individuals.
- **Encouraging and Prioritizing BIPOC owner/ investors in infill or inner-city real estate community projects/areas that are experiencing rejuvenation/ gentrification.**
- **Mentorship Opportunities** – highly recommend utilizing these and would like to highlight some of this work being done by ULI through the highly successful REDI (Real Estate Diversity Initiative), which is a real estate development training and mentorship program for women and people of color. This program is now in its 13th year. The curriculum covers the spectrum of the real estate development process, including financial pro forma instruction. Throughout the program, participants work in small teams with mentors to create a development plan and pro forma for a real local site, which they will present to a “Shark Tank” at the end of the program. Graduates receive a free ULI membership upon successful completion of the program. For more information and to apply in May, visit: <https://colorado.uli.org/real-estate-diversity-initiative/>



GILMORE

A Higher Standard

**EQUITABLE
ACCESS TO
CAPITAL: THE
SMALL BUSINESS
PROSPECTIVE**

Equitable Access Being Driven by DEI Initiative

Acknowledgement of social inequities has led to organizations to realize the playing field is not level.

Diversity

The presence of differences within a given setting. In the workplace, that can mean differences in race, ethnicity, gender, gender identity, sexual orientation, age and socioeconomic class

Equitable

The act of ensuring that processes and programs are impartial, fair and provide equal possible outcomes for every individual.

Inclusion

The practice of ensuring that people feel a sense of belonging in the workplace. This means that every employee feels comfortable and supported by the organization when it comes to being their authentic selves.

AT A GLANCE

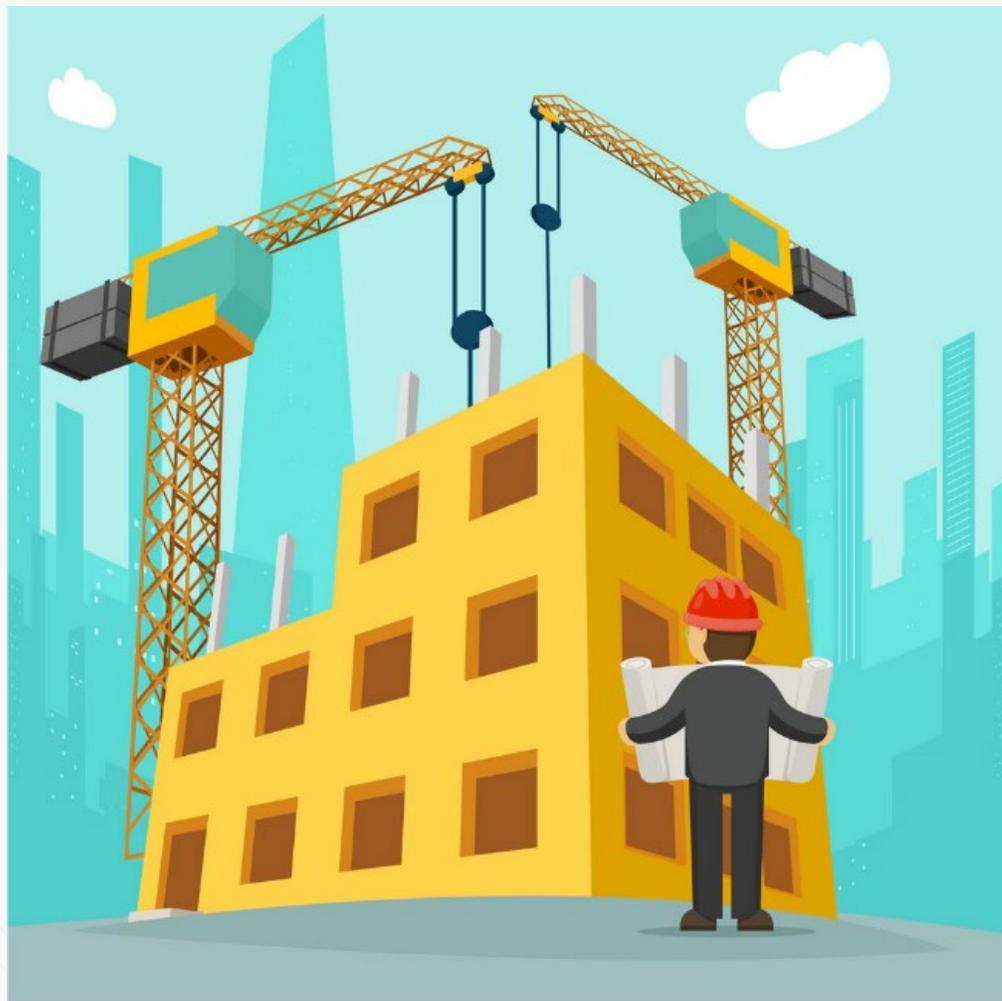
92% of firms have a **DEI program** or initiatives to improve DEI

58% of **FTEs in CRE globally** are men, while **42%** of FTEs are women

26% of **Asia-Pacific board** of director members are women. In **Europe and North America**, this figure drops to **14%** and **21%**, respectively

31% of **North America** employees are **POC professionals**. That decreases to **15%** at the **executive management level**

72% of firms see **extending parental leave beyond legal requirements** as a **leading practice for driving an inclusive corporate culture**



The Dream

Develop the communities that we live in.

Provide entrepreneurial opportunities in our communities

Help solve the housing crisis. Including affordable, low-income, workforce, and transition housing.

Inspiring to build communities that create generational wealth



The Reality

Be humble and work within your capabilities

Develop network

Grow assets/liabilities without high-risk ventures

Develop solid resume

Looking for An Opportunity

- Traditional ways to access capital

- Family/Friends
- Savings/Assets

- Government Assistance

- Local Government / Agencies
- Federal Set Aside/Grants

- Institutional Access to Capital

- Financial Institution
- Non-profits





Our commitment is to provide quality work that exceeds the client's and stake holder's expectations that create long term relationships and to create the best possible experience.

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ESTABLISHED

A Colorado contractor since 1997
A Colorado developer since 2017

Q&A

Moderated by Mark Marshall,
Vice President of Real
Estate, Rocky Mountain
Communities

Co-Chair of the Diversity,
Equity & Inclusion
Committee