Equitable Path Forward

2023 Annual Report

Issued April 2024

Enterprise

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Foreword

Dear Partners,

With over $400 million raised — well over our original target — Equitable Path Forward (EPF) has been affirmed by investors. And with more than $300 million invested (and a robust pipeline), our $3.5 billion racial equity initiative has been equally affirmed by our developer partners.

The results so far: 7,394 good homes in development or already available, an average 8% increase in staff, and every investment across our 75 partners remains in good standing. This despite a tumultuous 2023 when inflation and interest rates reached historical highs, exerting considerable pressure on real estate in general and affordable housing developers in particular.

The conclusion speaks for itself: Despite having to navigate hurdles exacerbated by deeply entrenched systems of inequity, developers of color are not only persevering but are growing their organizations, giving back to their communities, and expanding their overall impact. Typically without the traditional balance sheets comparable to those of their white counterparts, BIPOC developers often confront onerous and sometimes unreasonable underwriting scrutiny, structural barriers in the allocation of public funding and constrained access to developer fees and project revenues. They have shared with us that they are frequently forced into joint ventures or denied access to financing altogether. These historic barriers to growth capital and deal experience have historically hindered the ability of BIPOC developers to advance in the heavily capital-intensive and white-dominated real estate industry.

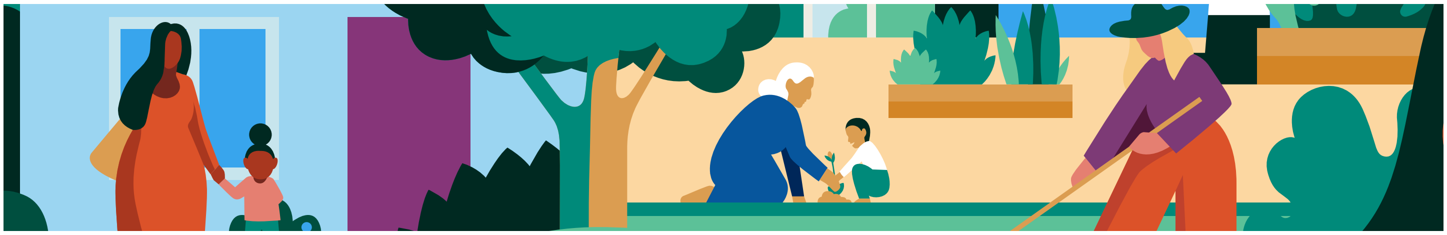
Even with these barriers, our partners have managed to build dynamic, innovative and community-centered housing organizations through persistence, expertise and creativity. We've seen the data that confirms the profound impact of providing skilled BIPOC developers with the resources necessary to sustain and expand their organizations. Moreover, our partners have echoed these findings in peer network exchanges, where they openly discuss challenges, strategies and successes with our team and one another. It's abundantly clear that the access to capital and other supports provided by EPF is helping to level the playing field and unlock the full potential of developers of color.

In our annual report, we are heartened to present these findings to you. It is because of your trust in Enterprise and ongoing support of these diverse and talented developers that Equitable Path Forward has achieved the level of impact it has. Thank you.

And there is more to come. Our first class of real estate analysts will be graduating this summer with all the skills and experience necessary to make an immediate impact. We will also continue to invest in developers of color while furthering the dialogue — all in service of advancing racial equity and dismantling the legacy of racism in housing.

Sincerely,

Lori Chatman
President, Capital Division
Enterprise Community Partners



Executive Summary

Equitable Path Forward (EPF) is a $3.5 billion, five-year nationwide effort designed to help dismantle the legacy of racism in housing by:

- **Filling the capital gap for developers of color created by decades of systemic racism.**
- **Strengthening the capacity of developers through advisory services.**
- **Creating new career pathways to diversify leadership in real estate.**

The increasingly difficult development environment presents distinct hurdles for affordable housing developers, especially BIPOC developers who continue to contend with the enduring legacy of systemic racism within the housing industry. Scarcer capital, coupled with higher access costs, hinders both project-level development and organizational expansion.

Through a powerful stack of capital tools including loans, investments, grants and non-financial support, EPF has accelerated and amplified access to capital for Black, Indigenous and People of Color (BIPOC) developers. From its inception in December 2020 through December 2023, EPF has supported 75 BIPOC developer partners with capital and/or advisory services, and added 16 new partners in 2023.

The combination of flexible capital and advisory services EPF offers has proved to be vital amid an environment of high interest rates, escalating costs and challenges in recruiting and retaining skilled and experienced staff. Since 2021, EPF has closed on or allocated $346 million of capital transactions with partners, unlocking access to additional resources and supporting their project execution and organizational growth.

BIPOC housing providers have gained access to advisory services on asset management, business strategy, financial analysis, information technology (IT), human resources (HR) and more. EPF has also brought participating developers together in a peer network where they share strategies, develop new ideas, and provide feedback that helps Enterprise further hone EPF's offerings.

EPF by the Numbers (2021-2023)

- $445M Total capital raised (inflow)
- $346M disbursed or allocated to partners
- 75 Developer partners
- 25 Nonprofit partners
- 29 Women-led partners
- 16 New partners in 2023
- 5 Partners accessing the Standby Guaranty Facility
- 61 advisory services engagements with partners

Units in Development (2021-2023)

- **Total Units:** 7,394
- **Under 30% AMI:** 1,606
- **31-50% AMI:** 1,050
- **50-80% AMI:** 3,023
- **81-120% AMI:** 1,218
- **Market Rate:** 497

Finally, the Real Estate Analyst Training (REAT) Program, which is now hosting its second class of participants, creates new pathways for BIPOC recent graduates interested in careers in the affordable housing and community development sectors through a two-year rotation through Enterprise departments.

Through ongoing communication with our partners, we have found that EPF is helping to expand their capacity to secure capital and financing from external sources while also supporting their efforts to augment their organizational infrastructure. This better positions them to compete for and execute development opportunities. As a result, nearly all development partners (95%) report that EPF has "somewhat" or "to a great extent" impacted their ability to meet the needs of the communities they serve.

> **"I'm grateful to EPF for the capital that you've provided to me. It's enabled us, over the past 18 months, to […] close on approximately 3,000 units."**
>
> –DAWANNA WILLIAMS,
> MANAGING PARTNER,
> DABAR DEVELOPMENT PARTNERS

95% of EPF partners
report that EPF has somewhat or to a great extent impacted their ability to meet the needs of the communities they serve.

The evaluation also captures the perspectives of our EPF partners regarding the lasting impact of systemic racism on contemporary sector-wide challenges, the significance of capital accessibility, and the invaluable role of advisory services in fostering organizational growth, sustainability and financial resilience. Although EPF plays a critical role in helping BIPOC developers weather a difficult development environment, it alone cannot fully address the challenges that BIPOC developers face. Sector-level challenges require sector-level solutions, and Enterprise will continue to marshal investment in BIPOC developers from across the community development system, now and in the future.

This report provides a snapshot of the progress made in 2023, explores impact to date, and considers lessons learned through ongoing program implementation.

EPF Implementation Progress

The following sections highlight EPF's progress in 2023 across key components of the initiative including capital utilization, portfolio quality, advisory services and the peer network. In each of these key areas, EPF's flexible support enables partners to continue to expand their work despite unfavorable market conditions.

Capital Utilization

Since its inception, EPF has raised $445 million from 29 investors and philanthropic donors, and committed $346 million to 75 partners, with an additional $215 million in underwriting (see charts 1 and 2[1]). This investment has contributed to the creation or preservation of 7,394 housing units. Highlights from EPF's capital utilization include:

- Developers have primarily accessed capital through Enterprise's syndication of Low-Income Housing Tax Credits (LIHTC) and loans originated by the Enterprise Community Loan Fund. Chart 2 highlights the types of capital accessed by EPF partners.
- Working capital in the amount of $12.3 million has been deployed. The most common uses of this capital are staffing and consultants ($5.7 million, or 46%) and balance sheet equity ($2.4 million, or 20%).
- Partners leveraged EPF capital to secure a total of $4.26 billion in development funding.
- By the end of 2023, five EPF partners utilized the Standby Guaranty Facility (SGF), which provides up to $1 million in credit enhancement. The SGF is a first-of-its-kind credit enhancement tool for those partners who do not meet traditional investor requirements. Seven more partners are in active underwriting to utilize the SGF in upcoming transactions. As a result of the SGF, these partners were able to provide meaningful project guarantees, which allowed them to retain larger shares of the development fee, thereby strengthening their balance sheets and increasing their future competitiveness and capacity.
- Just under half (46%) of partners report that they were previously rejected for capital products similar to those they can now access through EPF.

Chart 1: EPF Inflows Through the End of 2023

Values in Millions

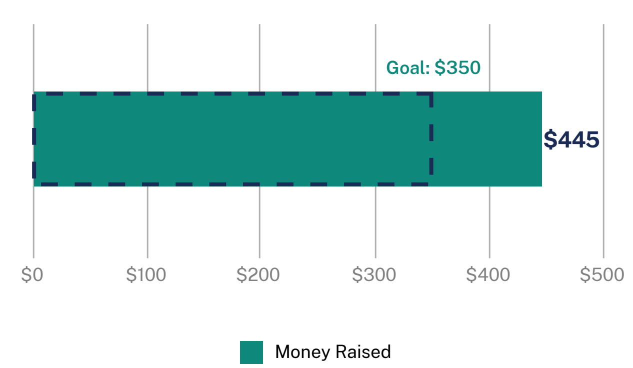
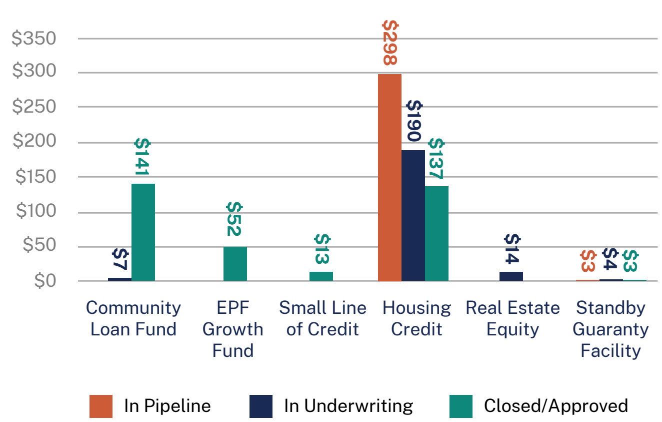


Chart 2: Pipeline by Product Type

Values in Millions



[1] Inflow values in Chart 1 are not directly comparable to capital access values in Chart 2; Chart 1 includes only inflows raised specifically for EPF, while Chart 2 includes all Enterprise capital accessed by EPF partners.

> **I'm so thankful to Enterprise for the Standby Guarantee Facility. I'm proud to say I'm just finishing the lease up on the 80-unit bond deal [project] where I was the sponsor and guarantor."**
>
> – JAMES MILLER,
> CEO, STATEWAY SERVICES

Portfolio Quality Assessment

Most loans and investments made through EPF are still in the early stages of their terms, and many have not yet reached repayment milestones. It is therefore too early to determine how portfolio quality will evolve in the context of the macroeconomic challenges that all developers currently face. Still, it is worth noting that as of the end of 2023, *there hasn't been a single instance of delinquency on any EPF loan, nor are any EPF loans at imminent risk of delinquency*.

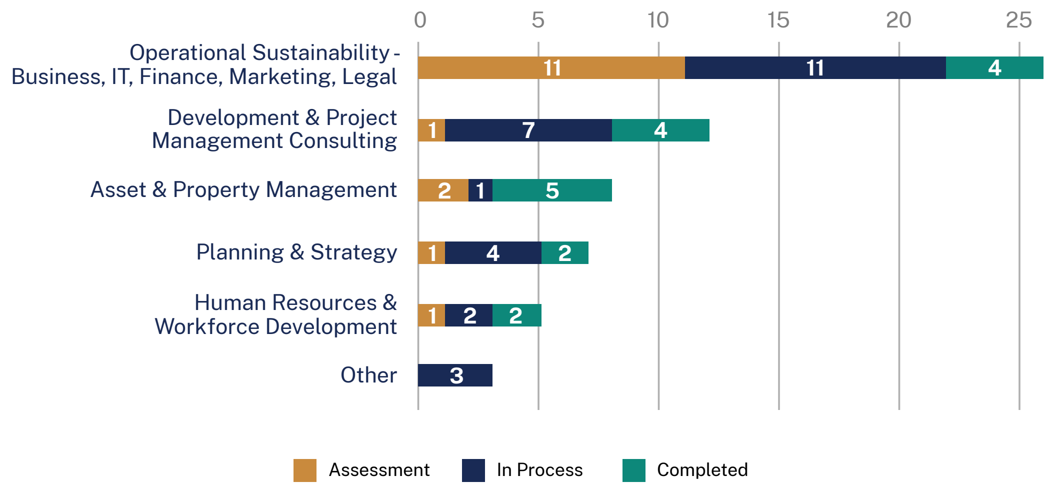
The high quality of the EPF portfolio reflects the talent, expertise and commitment of EPF partner developers. Their strength is bolstered by the advisory services provided alongside capital support, as well as the practice of investing capital and resources appropriate for the stage and size of each EPF partner organization.

Advisory Services

To enhance EPF capital support, Enterprise provides customized advisory services to meet the needs of participating EPF developers. By the close of 2023, the program had initiated 61 advisory service engagements with EPF partners. These services are facilitated by subject matter experts within Enterprise and, more commonly, by professional services and consulting firms contracted by EPF partners using flexible funding support from Enterprise. This approach enables EPF partners to access specialized support tailored to address the objectives, needs, concerns and challenges typically encountered by entrepreneurs striving to scale their business.

As of the end of 2023, 28 advisory service engagements were in process, another 16 are in the assessment stage, and 17 have been completed. Chart 3 summarizes the topics of focus for these advisory service engagements and differentiates the stages during which each topic was addressed.

Chart 3: Advisory Services by Topic and Stage



As shown in Chart 3 above, a significant portion of EPF advisory service engagements have focused on promoting operational sustainability and enhancing business operations through support with IT, finance, legal and marketing needs. Notably, many EPF developers have enlisted tax, audit and accounting firms using grant funding available through EPF advisory services. Presentation of an entity's financial position[2] influences how investors, lenders, and other stakeholders view its financial health and risk profile. By using EPF advisory services funding to procure financial services, partners have better positioned themselves to raise capital and navigate regulatory compliance.

The second-largest portion of advisory service engagements relate to development consulting and project management support. Several partners are leveraging development consultants to complement their teams and address specific project needs. One common role for consultants is supporting developers in structuring and finalizing transactions. Structuring and closing responsibilities often include assembling funding applications for submission to housing finance agencies; creating and updating proformas and models for analyzing the funding and underwriting standards of lenders or investors; negotiating financial commitments; and navigating local approval and due diligence processes for relevant funders, lenders or investors.

Advisory service engagements begin with an initial assessment of each organization's unique strengths, then services are tailored to complement them. Assistance can also be customized to tackle project-specific needs or challenges including facilitating connections to capital products and tools available through the Enterprise platform.

[2] Key forms of financial documentation for capital raising and regulatory compliance include audited, reviewed, and/or compiled financial statements; schedules of real estate owned; and schedules of contingent liabilities.

The intricacies of regulatory compliance, rising operating costs and the broader social and economic goals associated with affordable housing pose significant challenges for operators within this sector, whether they opt for self-management or enlist third-party assistance. These challenges drive demand for asset and property management advising, the third-largest category of advisory service engagements in EPF. Asset and property management is a unique skill set that requires a combination of financial acumen, regulatory expertise, community engagement and a commitment to navigating the legal and ethical considerations of landlord-tenant relationships.

Many partners have braided EPF support with other Enterprise programs: In addition to EPF products, 74% of partners who have completed at least one annual KPI survey reported having benefited from other Enterprise offerings, including other advisory services available through Enterprise Markets and national initiatives and referrals to additional funding opportunities. Several partners are also hoping to further leverage their relationship with Enterprise through opportunities such as Resilience Academies, the Renter Wealth Creation Fund, Enterprise Community Development's Let's Build Accelerator and other programs.

Peer Network

Building on the momentum from meetings held in February and November 2023, in January 2024, EPF partners, Enterprise leaders and key funders came together in New York City for the third meeting of the EPF Peer Network. This three-day event drew a strong turnout and featured a diverse program including a discussion with Enterprise President and CEO Shaun Donovan, who shared a sentiment that exemplifies the purpose of the EPF program: “In the long run, this can’t just be about 75 developers. This has to be about changing the system for who has access and how we finance housing units.”

The event facilitated conversations between EPF partners and lenders, investors and members of Enterprise’s Policy team, leading to productive discussion on topics ranging from organizational sustainability to the Inflation Reduction Act (IRA) and Qualified Allocation Plans (QAPs) for Low-Income Housing Tax Credits (LIHTC). Partners focused on addressing experience and capacity thresholds in QAPs, which can sometimes drive them into extractive joint ventures with larger developers, limiting their meaningful ownership and control over projects they sourced and initiated.

The discussion of underwriting experiences was another standout moment of the session. EPF developers highlighted the increased scrutiny they face within the broader housing finance delivery system, especially impacting organizations that are relatively new to the industry. This heightened scrutiny can manifest as unwarranted skepticism or present additional challenges that developers must navigate when seeking credit approval. Partners report that Enterprise’s involvement not only provides financial assistance but also lends credibility, helping developers demonstrate their creditworthiness to other funders and investors while dispelling unfounded and unjust concerns.

EPF developers are also beginning to forge formal partnerships within the network. A prime example of this is a Detroit-based nonprofit developer who sought EPF-funded advisory services from partner Richard J. Hosey III. Hosey is providing coaching and expertise in financial analysis and proforma modeling as a development consultant. This collaboration has been instrumental in advancing a mixed-use community hub.

In addition to these formal partnerships, EPF partners frequently engage in informal connections outside of program events. Partners emphasized the value of creating an intentional space where BIPOC developers can share experiences, align around shared goals, and offer mutual support to one another.

EPF Impact

Evaluation Approach

Enterprise is continuously evaluating the EPF initiative in order to track progress toward its goals, identify opportunities for continuous improvement, and measure its impact on partners' organizational capacity, development pipeline and production over time. The multi-pronged evaluation uses qualitative and quantitative data to ensure a holistic understanding of how partners are using EPF support, and the ways Enterprise can tailor its assistance to improve outcomes.

Major components of the evaluation's data collection include:

- **Output Tracking:** Enterprise tracks capital flows, advisory services and transactions deployed through the initiative as part of its key performance indicators (KPIs).
- **Relationship Management:** Enterprise holds regular meetings with partners to collect feedback on the efficacy and relevance of EPF support and to better understand the extent to which EPF is meeting partner needs. As part of this process, Enterprise conducted approximately 30 in-depth interviews with EPF partners in the summer and fall of 2023. These conversations supplement the information gathered through the annual KPI survey and provide a valuable way to collect program feedback, explore short-term impact and identify ongoing partner needs.
- **Annual KPI Survey:** Enterprise conducts an annual outcome survey of EPF partners to track program impact including changes in capital flows and capacity at the organizational level. The survey collects information related to annual real estate production, development costs, net assets, full-time staff and staff demographics. An initial survey is conducted during a partner's first year of engagement with EPF to gain baseline data on their capital flows and organizational size, followed by an annual survey thereafter.

The annual KPI survey implemented in 2023 assessed the impact on partners who had closed an EPF deal by the end of 2022. Of the 65 partners who met this criterion and received a survey, 28 responded. When added to previous survey data, change-over-time data was available for 33 EPF partners to support the analysis reflected in this report.

Impact Overview

The key findings of Enterprise's early EPF evaluation efforts consistently illustrate the program's impact. EPF partners affirm that the program is enhancing their ability to access capital and financing from external sources while helping them to strengthen their organizational infrastructure. As a result, they are better able to compete for and execute development opportunities, thereby fulfilling community needs and expanding their businesses. Ultimately, this contributes to the overarching goals of fostering community and generating individual wealth.

The evaluation results indicate that the expanded access to flexible, early-stage capital, along with the provision of advisory services, is foundational to the program's impact. Working in tandem, these dual components of the program better position partners to reach their goals and meet community needs. To this point, nearly half (46%) of the annual KPI survey respondents have accessed EPF capital products for which they were previously rejected by another lender or financial institution, reinforcing the fact that this capital is often not available elsewhere.[3] EPF's advisory services layer is another critical resource — many partners reported that it was essential to their growth even though they did not see it as a priority when they joined the program.

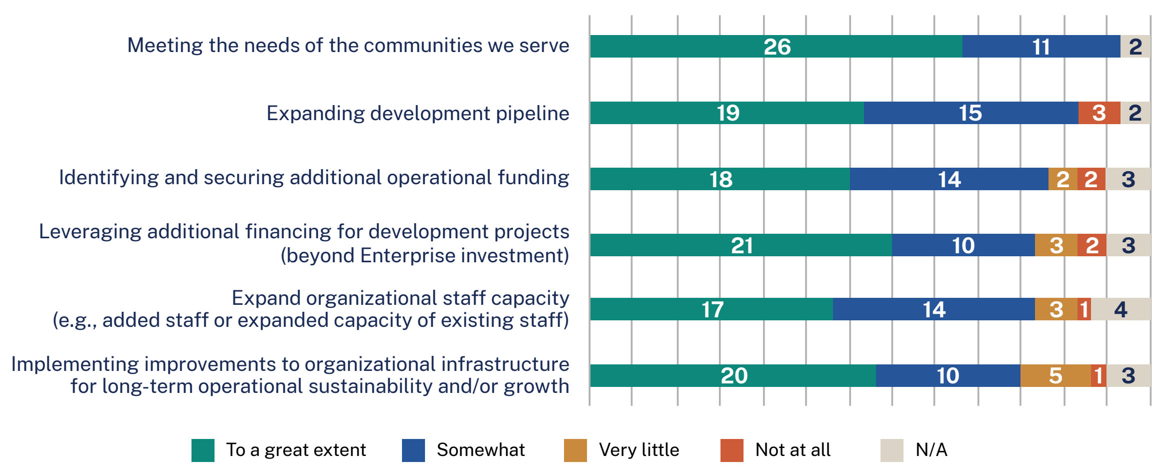
Key Impact Findings

While the full impact of the program has yet to be realized, the findings described in the following section demonstrate that both the capital products and advisory services are moving the needle for partners and achieving program goals. This section summarizes top areas of impact, as reported on the annual KPI survey, and then discusses the following key areas of impact in depth:

- Enhanced capacity to meet community needs.
- Strengthened capacity and staffing.
- Improved ability to compete as sole developers.

The annual KPI survey assesses the extent to which EPF is having an impact on developers' capacity to achieve six core goals. Chart 4 summarizes the findings, demonstrating EPF's consistent impact across all six goals. For each goal, a majority or near-majority of respondents indicated that EPF had significantly impacted their capacity. The remaining respondents reported some level of impact.

Chart 4: Partner-Reported Extent to Which EPF Funding and Advisory Services Have Impacted Capacity



[3] N = 39 for all survey results described in this section, as the most recent response from each respondent is included.

Enhanced Capacity to Meet Community Needs

Through both the provision of capital and advisory services, EPF is expanding partners' ability to meet the critical needs of low-income residents in their communities. Notably, 95% of EPF partners report that EPF has "somewhat" or "to a great extent" impacted their ability to meet the needs of the communities they serve.

EPF partners will create or preserve a projected 7,394 housing units with capital that has been provided through the initiative since its inception. More than one-fifth of these units will serve extremely low-income residents (< 30% AMI), and more than three-quarters will serve low-income residents (< 80% AMI). Many of these units are located in communities with residents who are majority BIPOC and who experience housing cost burden. More than one-third of the projects are also in communities with high (25-39%) or concentrated (40%+) poverty. Developers' projects supported with EPF capital have created an estimated 12,288 jobs including 4,478 jobs in 2023 alone.

Between 2021 and 2023, EPF partners closed on the production of 438 affordable units supported by Enterprise-syndicated Low-Income Housing Tax Credits (LIHTC). These units will generate an estimated average of $3,947 annually in increased discretionary income per household and an estimated $1.6 million in increased discretionary income for residents in total every year.[4]

Strengthened Capacity and Staffing

EPF partners have reported increases in the average number of full-time staff from 19.8 at baseline to 21.5 in their most recent reports. This key measure of organizational capacity is an important aspect of EPF's impact, as the capital support provided has helped some partners hire staff. EPF partners have also grown their average number of full-time BIPOC staff from 16.2 to 18.1. Despite this positive impact, they continue to face staffing struggles: During relationship management conversations, partners reported challenges with turnover, hiring qualified staff at affordable price points, building the capacity of existing and new staff to match organizational growth plans, and hiring staff based on unrealized revenue from deals. The continued support of EPF is important to help position partners to address these needs moving forward.

> **"I've been in affordable housing for about 12 years and started out really wanting to have an impact. That impact has always been my reason and my why. For me, it's not just about housing, it's about how we shift this industry where its more friendly to people who don't have access to generational wealth, and I fundamentally do believe that the next civil rights cause of this country is going to be affordable housing – who gets to live where, but most importantly, who gets to develop it."**

– ADENAH BAYOH,
MANAGING PARTNER, FOYA DEVELOPMENT

[4] Discretionary income is how much disposable income a family gains by living in an affordable housing unit. The discretionary income estimation is the difference between monthly rent in a LIHTC unit and market rate unit in the same area. LIHTC rent estimations come from underwriting information and are averaged across all LIHTC units.

Improved Ability to Compete as Sole Developers

In discussions with Enterprise staff, partners consistently affirm that EPF support has enhanced their competitiveness. For some, access to a flexible line of credit has alleviated strain on their balance sheet, reducing the need to tap cash reserves as frequently or significantly to secure projects. For others, EPF's line of credit enables them to effectively leverage capital and remain competitive with market-rate developers entering the affordable housing sector.

Respondents' net assets (among nonprofits) and total liquidity (among for-profits) have also increased over the course of the program, substantiating the increased strength of their balance sheets. The average net position of nonprofit partners increased from $7.9 million to $9.8 million (approximately 25%) over their time in the program, while the average liquidity of for-profit partners nearly doubled — from $694,000 to $1.2 million.

This growing financial strength positions EPF partners to compete as the sole developer of a project, rather than needing to share ownership interest and control, developer fees and cashflows with more established development groups. Similar to what is happening industrywide, the cohort of EPF partners experienced a decrease in the total number of deals closed per quarter amidst the challenging development environment. However, the share of deals that EPF partners have closed as sole developers held roughly constant at 53.5% at baseline and 54.8% in the most recent survey. This suggests that EPF partners are not losing ground, despite the relatively turbulent real estate market.

Partner Stories:

Developers Describe How They Have Benefited from EPF Support

In the first video, EPF partners from across the country share EPF's impact on their organizations and their work. In the second, the Second Chance Center of Colorado describes the catalytic impact of Enterprise capital on two projects.

Click the photos below to hear more.

EPF Key Performance Indicators

A key element of Enterprise's evaluation of the EPF initiative is to track progress toward a set of key performance indicators (KPIs). Enterprise collects this data through a combination of annual KPI survey responses and deal production information. The following tables present the results of this ongoing effort.

Table 1 presents initiative-level outputs to monitor how the EPF initiative as a whole has supported BIPOC-led developers and the production of affordable housing.

Table 1: EPF Initiative-level Outputs

Indicator	Metric	Initiative Year 1	Initiative Year 2	Initiative Year 3	Total
# and % of deals and grants closed with all BIPOC-led developers across Enterprise portfolio[5]	# Closed	99	210	246	555
	% of Enterprise Deals and Grants	23%	39%	41%	35%
$ and % of capital invested through all BIPOC-led developers across Enterprise portfolio	$ Capital Invested	$215M	$502M	$395M	$1.1B
	% of Enterprise Capital	11%	23%	19%	18%
$ of capital leveraged based on total development costs	$ Capital Leveraged	$1.0B	$1.3B	$2.0B	$4.3B

[5] Enterprise began tracking the deals of BIPOC-led developers in late 2021 by asking developers to self-report the race/ethnicity or their executive director and board in the underwriting process. As a result, the numbers reported here likely undercount the actual value. Enterprise expects the reliability of this data to improve as it normalizes reporting on developer leadership demographics.

In order to understand how the initiative supports partner growth, Enterprise is tracking changes in developers' real estate production and organizational size over time. As of now, 33 developers have provided at least two survey responses. The Baseline Average and Most Recent Survey Average columns in Table 2 present the average outputs of these 33 developers at baseline and on their most recent program surveys, while the Percent Change from Baseline column shows how organizational outputs have changed over their time in the program.[6]

Table 2: EPF Developer KPIs Since Entering the Initiative

Indicator	Metric	Baseline Average	Most Recent Survey Average	% Change from Baseline
Annual unit production / commercial space square footage (% increase in production)	% Change Residential	125	196	57%
	% Change Commercial	7,603	5,788	-24%
Average net assets (nonprofit) or total equity (for-profit)[7]	Net Assets	$ 7,889,282	$ 9,806,803	24%
	Total Equity	$ 693,608	$ 1,180,724	70%
# Sole vs. joint venture deals	Avg. # Sole	1.39	1.21	-13%
	Avg. # Joint Venture	1.21	1.00	-18%
	% Deals as Sole	53.5%	54.8%	2%
# of staff/racial composition of staff	# Staff	19.8	21.5	8%
	# BIPOC Staff	16.2	18.1	11%
	% BIPOC Staff (Average)	71%	77%	9%
Majority BIPOC board (≥ 51%)	# Majority BIPOC Board	Not measured	19	Not measured
	% Majority BIPOC Board	Not measured	49%	Not measured

[6] Please note that estimates in this table are not comparable to those produced in the Impact report released in April 2023, as Table 2 results for each year depend on the availability of survey data. In order to ensure that the same partners are included in the baseline and output analyses, trends over time should be evaluated using this table, not via comparison between the two reports.

[7] Tabulations exclude both baseline and program output results for one non-profit organization and two for-profit organizations that left the relevant question blank on the impact survey.

Enterprise is simultaneously monitoring how partners' real estate developments benefit communities. Table 3 presents a profile of the communities where EPF partners are implementing their projects, as well as the jobs and discretionary income created through partners' projects.

Table 3: EPF Community Outputs

Indicator	Metric	2021	2022	2023	Overall
Demographics of communities invested in (by race and ethnicity, income, poverty rate)	% of Projects in Majority BIPOC Communities	91%	76%	57%	71%
	% of Projects in Communities with Majority of Renters Housing Cost Burdened	45%	53%	43%	47%
	% of Projects in Communities with High or Concentrated Poverty Rate (>25%)	45%	24%	43%	37%
Jobs created (derived from economic model and based on total unit count)	Average	1,993	5,817	4,478	12,288
Discretionary income (derived from economic model and based on Enterprise-syndicated LIHTC units)	Total	$ 858,764	$ 540,291	$222,797	$1.6M
	Average	$ 4,122	$ 3,496	$4,642	$3,947
Income levels served through units produced	<30% AMI	110	353	1,143	1,606
	31-50% AMI	198	580	272	1,050
	51-80% AMI	193	1,916	914	3,023
	81-120% AMI	934	81	203	1,218
	>120% AMI	9	159	329	497

Real Estate Analyst Training Program

In addition to its support for developers, Enterprise is simultaneously expanding diversity in the affordable housing and community development industry through the Real Estate Analyst Training (REAT) program. The program was developed to create more pathways for emerging BIPOC professionals to take on leadership roles.

Through the two-year rotational program, a small cohort of analysts receive extensive training from Enterprise leaders and support from at least three different departments. Each analyst spends the first eight months with the chief credit officer of our CDFI (Enterprise Community Loan Fund). Once that initial introduction to housing finance and community development is completed, they have the option of rotating for eight months through Enterprise's Housing Credit Investment, Investor Relations, Asset Management and Real Estate Equity teams, or through Enterprise's development company.

Through REAT, each participant is able to:

- Engage with a senior executive mentor.
- Receive extensive internal and external network-building opportunities.
- Earn a certificate of completion from Grow America (formerly the National Development Council) by successfully completing a three-course program focused on housing and real estate development finance.
- Complete an intensive case-study analysis under the supervision of Tim Martin, the chief credit officer of Enterprise Community Loan Fund (ECLF).

"Managing the Real Estate Analyst Training program is personally very important to me," said Martin. "It provides me the opportunity to work with and develop the next generation of professionals of color in the housing and community development finance industries."

REAT Program Progress and Feedback

The second REAT program cohort began in 2023 and includes two real estate analysts: Webster Allen and Ruth Mungai.

Webster Allen:

Webster earned a bachelor's degree in architecture from James Madison University, and is currently working toward a master's degree in real estate development at the University of Maryland.

Ruth Mungai:

Ruth Mungai earned a bachelor's degree in international business from Oral Roberts University and a master's degree in public policy from Duke University.

For both Webster and Ruth, the initial months of participating in the REAT program have already provided opportunities to build skills, knowledge and experience.

"[The program] has been enriching in terms of being exposed to various real estate deals and departments. That has helped my professional growth tremendously," said Webster Allen. "I look forward to seeing more ventures that are making a positive impact."

Ruth Mungai has appreciated the peer connections offered by the REAT program. "I would encourage anyone who has the passion, time and resources to consider participating in this program," she said. "The highlight has been meeting people and hearing about their journey to affordable housing."

The inaugural 2022 cohort is now in its third and final rotation. Each member of this cohort —Hailey Monson, Trace Russ, and Richard Nguyen—is on track to successfully complete the program, and Enterprise has started reaching out to external contacts to connect them with employment opportunities based on their professional goals. The full impact of the REAT program will be seen in the years and decades to come as participants use the knowledge gained and connections made to advance their careers.

> **"One of the reasons I was attracted to this program was the practicality that would come with the experience. Considering the existing housing disparities that plague our nation, this opportunity enables me to actively contribute to addressing a major policy concern. Whether it is spreading financials or underwriting, every task serves as a constant reminder that the outcome of my efforts directly impacts someone's life, aiming to make it better."**
>
> –RUTH MUNGAI,
> REAT PROGRAM PARTICIPANT

What We Are Learning and Next Steps

Lessons Learned

Lessons learned through the ongoing evaluation of EPF offer valuable insights into both successes and areas for improvement, paving the way for ongoing optimization of impact. Enterprise will leverage these learnings to inform the evolving delivery of EPF while also sharing them with the broader real estate industry, regulators and policymakers. This endeavor aims to further promote investment in BIPOC developers.

These lessons, explored in more depth below, include:

1. EPF partners expanded their staffing, net assets, and unit production over the course of the program, providing clear indication of their growth potential and **capital readiness.**
2. EPF's flexible capital and advisory services have proven vital in the face of sector-level challenges in staffing, access to capital, rising interest rates and insurance costs, and the broader **development environment.**
3. Many EPF partners are committed to investing in communities that have experienced previous disinvestment, and this work requires public and/or philanthropic funding in addition to private capital to **achieve feasibility.**
4. Advisory service opportunities are rare and valuable in real estate development. Partners appreciate EPF's offerings and would value additional insights and guidance particularly on **sustainability, financial and organizational development topics.**

Lesson 1:

EPF partners expanded their staffing, net assets, and unit production over the course of the program, providing clear indication of their growth potential and capital readiness.

During their time in the program, EPF partners grew their organizational capacity — staffing increased from an average of 19.8 full-time staff at baseline to 21.5 on the most recent partner survey.[8] Program partners also increased the number of full-time BIPOC staff they employ from 16.2 to 18.1.

For-profit partners had a 70% increase in total equity while nonprofit partners had a 24% increase in net assets. Program partners are projected to create or preserve 7,394 housing units with capital that has been provided through EPF since its inception.

Across the board, program partners steadily strengthened their infrastructure and report that the flexible capital and advisory services accessed through EPF have been vital to this success. Eighty-seven percent of partners reported that EPF strengthened their development pipeline, and 95% reported their ability to meet the needs of the communities they serve was improved through the program. Staffing, equity position and development pipeline are crucial elements contributing to growth potential and capital-readiness, and partners report notable improvements in all three areas.

Lesson 2:

EPF has proved vital in the face of sector-level challenges to staffing, access to capital, and the broader development environment.

Program partners have utilized EPF resources to mitigate sector-wide challenges affecting the real estate development field. Throughout the year, Enterprise received feedback from partners and industry stakeholders highlighting two core challenges they face: access to capital and the recruitment of qualified staff.

Market dynamics make it challenging for partners to hire staff at rates they can afford, retain qualified staff, and build the capacity of new and existing staff to meet organizational growth plans. Program partners have also faced obstacles to capital access at every stage of development, from constraints in construction financing to a lack of discretionary capital to support organizational development.

Partners often employ EPF capital support to cover predevelopment costs, either by using lines of credit to cover costs directly or by leveraging lines of credit to secure external support. In a market where predevelopment costs are rising, and the ability to fund them is vital to deals reaching fruition, EPF capital allows partners to cover some early-stage costs without placing their organization in a precarious financial position. Several partners requested increased predevelopment loans to better meet their financial requirements.

A number of partners emphasized that growth requires both capital and staffing, making EPF's role particularly vital. The capital tools for growth are available — though competitive and restrictive — but there are few tools in the industry to specifically address operational and organizational development when only project-specific resources are available.

[8] This comparison includes only partners with at least two completed surveys and compares each partner's most recent survey to its first (baseline) survey.

Lesson 3:

Many EPF partners are committed to investing in communities that have experienced previous disinvestment, and this work often requires public and philanthropic funding to achieve feasibility.

Because many EPF partners work in communities that have experienced disinvestment, they often take on projects requiring significant investment from public or philanthropic funding sources (e.g., recoverable grants or subordinate loans) in order to achieve feasibility. This challenge is sometimes compounded by a lack of access to market-ready property acquisition and preservation deals, leading some EPF partners to pursue more challenging opportunities. Even at 10% of a capital stack, these soft sources unlock substantial, additional leverage from the for-profit financial system, but sector-wide demand for them far outstrips available supply.

EPF partners' work is driving investment where it is most needed, but is impeded by the lack of public and nonprofit capital to absorb financial risk. Given this capital shortage, partners generally see EPF capital products in very favorable terms — particularly the flexible lines of credit which can help unlock some of those critical soft sources. These resources have been essential to helping partners not only grow, but also sustain their current activities and staffing levels.

Lesson 4:

Advisory services opportunities are rare and valuable in real estate development. Partners appreciate EPF's offerings and would value additional technical guidance and support, particularly on sustainability, financial and organizational development topics.

Partners consistently shared that EPF's advisory services and Enterprise's broad expertise in the housing sector present unique opportunities to build technical and operational knowledge and expertise. Priorities for future advisory services fell into three main areas:

1. **Project-level financial topics** including financial modeling; underwriting standards; LIHTC underwriting and financing; Fannie Mae, Freddie Mac and HUD permanent financing; New Market Tax Credits; and asset management. Several partners have expressed interest in Enterprise providing comprehensive training that combines the financial and tax credit expertise from its Capital Division with the property and asset management proficiency of Enterprise Community Development, while others would like EPF assistance with sourcing guidance from external providers.
2. **Organizational structure and infrastructure** including leadership, policies and procedures, task allocation, succession planning, project management and IT.
3. **Environmental sustainability in housing developments** including energy-efficient and resilient housing, adapting to net-zero regulations, solar power, decarbonization and an inventory of local resources and opportunities partners can access.

Above all, EPF partners continue to express the need for ongoing, flexible advisory support to address crucial needs related to their organization's sustainability, growth and ability to engage in development activities. Partners also appreciate that accessing advisory services is not a prerequisite for capital support.

Looking Forward

In the coming year of the initiative, Enterprise will leverage the lessons learned through the implementation and evaluation of EPF to continue providing both capital and non-capital supports to EPF partners while also continuing to raise philanthropic capital to reach new partners and expand the REAT program. This knowledge is informing how Enterprise "goes to market" across the entire portfolio, and Enterprise staff have observed an increasing need for investment banking-style advisory services to accompany entity-level growth capital.

EPF will enter a new stage of the program over the next two years as the first loans and lines of credit reach maturity. This presents important opportunities for Enterprise to:

- Utilize longitudinal program data to assemble more meaningful information on the creditworthiness of EPF borrowers via traditional measures including rates of repayment or delinquency.
- Work to find ways to share this data and collaborate with peer CDFIs engaged in similar actions, with a focus on shaping the efforts of the larger community development finance ecosystem.
- Develop a strategy for reallocating predevelopment capital that has been secured in the last three years in order to sustain the work and momentum of existing partners while considering opportunities to support new BIPOC partners.
- Ground the ongoing implementation of EPF and broader field-building efforts in consideration of the perspective and priorities of EPF partners.

As BIPOC developers navigate the complexities of the development environment and strive to achieve their organizational goals, this evaluation underscores the profound impact of adopting a comprehensive, multi-pronged and flexible approach to assessing developers. Such support is indispensable to the work of dismantling the enduring legacy of systemic racism in housing. However, EPF recognizes that it cannot single-handedly address all the challenges confronting BIPOC developers.

Less than 1% of real estate developers in the United States are Black or Latino.[9] Seniority and experience requirements are explicitly written into many LIHTC Qualified Allocation Plans — several partners cited needed changes to the QAP process during this year's Peer Network meeting, and Enterprise's policy team and market leaders have been working across the country to inform equitable QAP design. For example, Enterprise advocated for more nuanced approaches to evaluating developer experience and capacity in the latest update of the National Council of State Housing Agencies (NCSHA) Recommended Practices in Housing Credit Administration. These guidelines, which often inform state QAPs, play a pivotal role in shaping the landscape of affordable housing development.

As this report illustrates, EPF developers are facing these challenges head-on. In active support, Enterprise and its partners are committed to advancing efforts to engage more organizations and drive greater investment in BIPOC developers across the real estate industry.

> **“In the long run, this can't just be about 75 developers. This has to be about changing the system for who has access and how we finance housing units.”**
>
> – SHAUN DONOVAN,
> CEO AND PRESIDENT,
> ENTERPRISE COMMUNITY PARTNERS

[9] Peter Eberhardt et al., “Breaking the Glass Bottleneck – Grove Impact Reports,” March 2023, https://reports.groveimpact.org/breaking-the-glass-bottleneck/.

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $72 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at enterprisecommunity.org.