



TESTIMONY BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE'S SUBCOMMITTEE  
THE SELECT COMMITTEE ON ECONOMIC DISPARITY AND FAIRNESS IN GROWTH

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April 12, 2022

Chair Himes and members of the select committee:

My name is Sakuri Fears and I'm a Senior Program Officer with the Local Initiatives Support Corporation's (LISC) Milwaukee office. LISC is a national non-profit housing and community development organization and certified Community Development Financial Institution (CDFI) dedicated to working with residents and partners to forge resilient and inclusive communities of opportunity across America – great places to live, work, visit, do business and raise families. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations, nonprofits, and small businesses with loans, grants, and equity investments, as well as technical and management assistance. Our organization has a nationwide footprint with offices in 38 cities throughout the country, and a rural network encompassing over 130 partners serving 46 different states. LISC invests approximately \$2 billion each year in these communities and our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy communities.

LISC greatly appreciates the goals and objectives of the Select Committee on Economic Disparity and Fairness in Growth. The formation of this committee sends a strong signal of acknowledgment of systemic inequality across the United States, and demonstrates Congress's willingness to advance equity and promote equal opportunity to communities around the country. This is a critical first step on a path we hope Congress can take towards addressing racial equity issues and closing the racial wealth gap in America, as well as addressing disparities in wealth and opportunity that result from geographic location.

Access to safe, decent, and affordable rental and homeownership housing is essential for the health and economic well-being of families. For rental housing, we need to ensure there are available affordable rental units for all Americans. Currently, there is not a single area in the U.S. where a minimum-wage worker can afford a modest two-bedroom rental home without spending more than 30 percent of their income in rent. High rental housing costs, which have greatly increased during the last year, burden families and strain their ability to afford other essentials such as food, health care, child care, and transportation; and housing instability increases their risk of eviction and homelessness. Investments in federal housing programs, including rental assistance and programs that support the production and preservation of affordable rental housing, are needed in order to solve our nation's affordable housing crisis.

LISC supports enhancing and expanding the Low-Income Housing Tax Credit (the Housing Credit). The Housing Credit stimulates private investment in affordable rental housing in communities across the nation. Since its inception, it has spurred the development of approximately three million quality homes, financing about 100,000 units of affordable housing per year.

Our nation also needs to enact policies that increase opportunities for all Americans to achieve affordable and sustainable homeownership. Homeownership is one of the primary ways that low- and moderate-income families are able to build wealth and achieve financial stability. Increasing affordable homeownership is a key component in combatting historical policies that have precluded minorities and others from purchasing a home and widened the racial wealth gap.

LISC supports the passage of the Neighborhood Homes Investment Act ([H.R. 2143/S. 98](#)), which would provide federal tax credits to support the development and rehabilitation of single-family homes in distressed urban and rural communities, where the cost of developing or rehabilitating a home is often higher than the value of the completed home. The Neighborhood Homes credits would cover the gap between the cost of building or renovating homes and the

price at which they are sold, mobilizing private investment to build and substantially rehabilitate 500,000 homes over the next decade, while also supporting construction jobs and the local economic tax base. The NHIA would also help existing homeowners in these neighborhoods to rehabilitate their homes.

Locally, our initiatives focus in areas where the flight of industry and jobs has left a vacuum of disinvestment and poverty and where housing can stimulate economic growth. This holistic approach includes strategies to build wealth and equity for the communities we serve. Currently, we are developing a strategy to scale our impact. We hope to increase the availability of pre-development support to emerging developers with the goal of increasing production of quality and affordable housing in Milwaukee's neighborhoods most in need of revitalization.

LISC Milwaukee serves as the administrator of the highly regarded Associates in Commercial Real Estate (ACRE) program, which trains professionals in commercial real estate practice. Some of the nearly 300 ACRE graduates have undertaken real estate development projects after their training and need financing for their community development projects. As emerging developers, ACRE graduates often lack the personal assets needed to finance early stage costs, what is often referred to as predevelopment. LISC has developed a predevelopment loan program in Milwaukee to cover third party predevelopment costs such as design, consulting, building assessment, market studies and holding costs. Predevelopment costs are among the riskiest part of the capital stack because they come during the early development process, a stage where the success of a project is most uncertain. Established real estate developers typically use their personal wealth or equity investment from family and friends to finance these costs, but emerging developers, including people of color typically have less personal wealth and lack access to such networks of wealthy investors. Federal investments can make a huge difference in scaling the impact of this fund. Projects will include affordable housing, affordable homeownership developments and commercial corridor redevelopment projects in low-income communities. Our current investments in qualifying projects are all in Milwaukee County, but some of our ACRE developers are expanding to projects in other parts of Wisconsin.

The financed projects provide high quality affordable housing, revitalized retail spaces, and job opportunities in Wisconsin.

LISC Milwaukee's Pre-development Venture fund will provide access to critical early stage predevelopment funding for projects by emerging developers, including people of color. If a project is unsuccessful, despite best efforts, we will forgive the loan. The intent however is to achieve repayment of the loan when the project achieves acquisition or construction financing. This allows the fund to recycle capital into additional loans.

This type of flexible funding is not readily available in the private market and is particularly inaccessible to most emerging developers, including people of color. There is a massive racial wealth gap in America, and it is particularly acute in Wisconsin. Established developers tap into their personal wealth or a network of high net worth individuals to inject early stage equity into their projects. Emerging developers, including people of color typically do not have the personal wealth or ready access to family and friends that can provide this type of risk capital. Indeed, this is why federal funding is needed for this fund, because the market does not provide the predevelopment capital needed for emerging developers.

In 2021, we made a \$25K predevelopment loan to two ACRE developers who partnered on a project that was seeking competitive tax credits. The private market would not invest at this stage in the project, but we believed in the project. This project recently received tax credits which they will sell to raise equity and repay the predevelopment loan. This development represents an \$8 million investment and will produce 30 housing units (17 rehabilitated and 13 new construction) of which 25 will be affordable and 5 will be market rate.

This predevelopment venture loan fund is an extension of the highly regarded ACRE program which has broad support from our educational partners, industry, and community. Our educational partners are Marquette University, Milwaukee School of Engineering and UW-Milwaukee (particularly the School of Architecture and Urban Planning). Industry partners include real estate developer Barry Mandel who has donated \$200,000 to the ACRE program over time and specifically called for the creation of additional tools such as this venture fund to

seed projects by emerging developers who have completed the ACRE program. Other industry partners have contributed to the ACRE program and the initial funding for the venture fund, including real estate developers, construction companies, banks and community development financial institutions (CDFIs).

Successful community and economic development efforts require strong local partnerships. LISC believes that federal efforts to support economic prosperity in underserved communities and for low-income people should be structured so that the funding can be deployed flexibly by community-based organizations to meet local needs. The needs of communities throughout the United States vary, so federal programs should allow community organizations to use the resources flexibly in response to local challenges.

LISC Milwaukee has leveraged numerous federal programs and funding streams to deploy direct capital and other supports to low-income, low-wealth, and underserved communities. Our ultimate goal is to ensure that everyone, regardless of zip code is able to join the economic mainstream. Given our role, we have a unique perspective on barriers, obstacles, and opportunities to equitably connect communities to resources and promote policy solutions that are both responsive to local needs and can voice demands that advance racial and economic justice. The Select Committee must engage with these communities to ensure that they are represented in conversations and have a voice in the legislative process. The participation of these entities is essential because they can help uplift the voices of those they serve and address the social economic, and opportunity gaps that continue to affect people's daily lives.

## **Conclusion**

The tremendous housing needs of the current moment are daunting, but they provide an opportunity to push forward housing programs that are proven to meet those needs. LISC will continue to advocate forcefully for robust federal housing resources and to work with our local partners to ensure housing can be built. Without adequate housing resources, our nation will not be able to dismantle systemic barriers to racial equity.

LISC appreciates the opportunity to provide testimony on steps that the Select Committee on Economic Disparity and Fairness can take to advance racial equity and support underserved communities. We look forward to the Committee's upcoming reports.