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# Emerging Developer Rountable

## Q2 Report Pre-Development Funds

30th Street Industrial Corridor (30IC)

# EXECUTIVE SUMMARY

**The Launchpad and Accelerator Funds** are designed to address the significant underrepresentation of both Black and Hispanic developers in the real estate sector. The funds will also aid these developers in their pursuit to meet the growing demand for affordable housing in Milwaukee. Together, these funds aim to support both aspiring and emerging developers overcome the financial barriers that too often is a significant obstacle. Beyond, targeted financial assistance, mentorship, technical assistance, and resources are to be provided to create a holistic approach.

**The Launchpad Fund** focuses on empowering aspiring developers by offering a recoverable grant of up to \$15,000 to cover essential pre-development costs. These funds are intended to prepare the developer to be request for proposal (RFP) - ready. The program aims to support 10-15 developers over the next three years, spurring homeownership opportunities and promoting small-scale residential development, from single-family homes to quadplexes.

**The Accelerator Fund** targets more experienced developers, offering up to \$75,000 in recoverable grants, with up to \$15,000 available as equity to secure additional outside financing. This fund helps developers scale their operations by covering pre-development costs, thereby enabling them to complete larger, more complex projects. The goal is to support 4-8 developers and significantly contribute to increasing Milwaukee's housing supply, particularly in underserved communities, while promoting homeownership and generational wealth.

**Both funds** are vital in creating a pipeline of skilled developers who can tackle the challenges of Milwaukee's housing market. By equipping developers of color with the tools and financial resources they need, these programs aim to, not only, diversify the real estate industry but also address the critical shortage of affordable housing in the city.

# BACKGROUND



Photo from EDR Event in January

**In early 2024, the Emerging Developer Roundtable**, a collective of developers of color, conducted a comprehensive feedback survey alongside in-person meetings to assess the most urgent needs within the community. The findings revealed that access to pre-development funds was the top priority for these developers, many of whom face significant barriers to obtaining financing for project initiation.

**The Roundtable** didn't stop at gathering feedback. In response, they initiated a series of efforts aimed at addressing these challenges. This included launching a speaker series, featuring prominent voices in the real estate development community such as Michael Emem, Que El-Amin, and representatives from the Department of City Development (DCD) Milwaukee. These events have been crucial in helping developers of color grow their networks, gain valuable experience, and foster collaborations.

**Through these discussions, several key priorities emerged:**

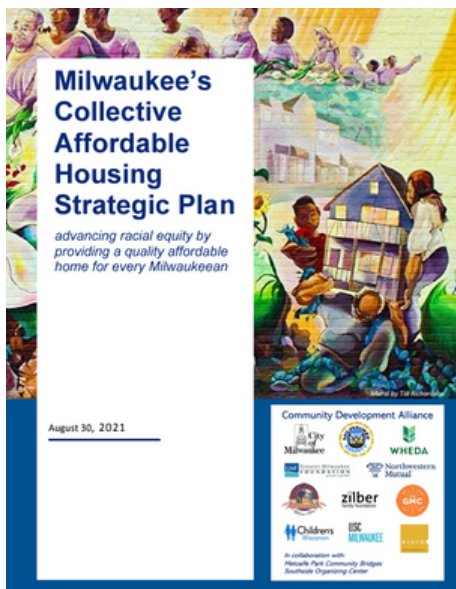
- Access to capital for pre-development costs, particularly in the early stages of project planning.
- Opportunities for mentorship and technical assistance to navigate complex real estate processes.
- Expanding professional networks to secure project opportunities and partnerships.

**The Launchpad and Accelerator Funds** were born out of these findings, designed to provide emerging and experienced developers alike with the financial tools, mentorship, and support needed to build successful careers in real estate. Both programs aim to address the systemic barriers that developers of color face while promoting diversity and inclusion in Milwaukee's housing market.



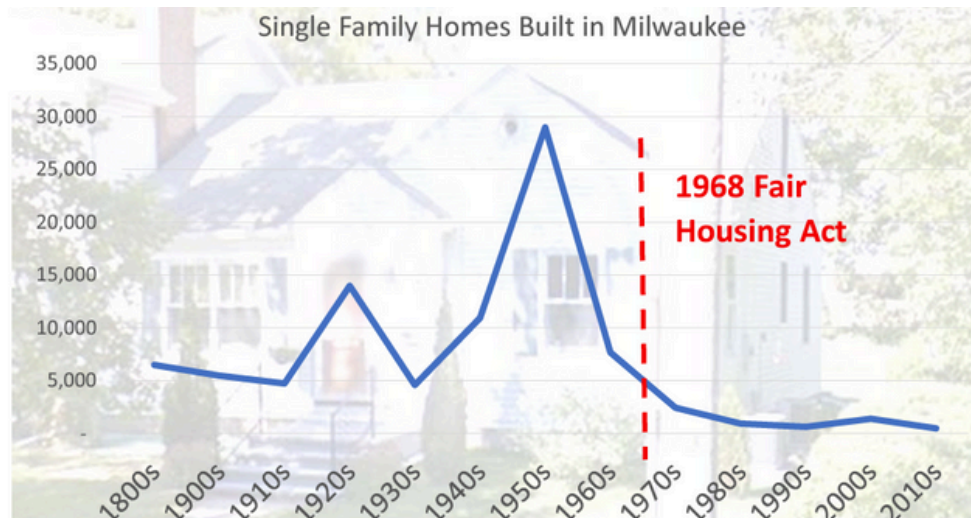
**Given the diverse experience levels** among developers, we established a single, comprehensive funding solution that provides flexible support to meet the varied needs of both aspiring and emerging developers.

**This effort is particularly timely**, as it aligns with the City of Milwaukee's Growing MKE initiative, which aims to modify zoning regulations to allow for additional housing units. While this initiative paves the way for increased housing density, our program goes a step further by focusing on supporting aspiring and emerging developers, ensuring they have the resources necessary to capitalize on these changes and contribute to sustainable, affordable housing development.



**Moreover, this approach directly supports** the Community Development Authority's (CDA) mission to expand affordable housing options and increase homeownership among Black and Latino households. By empowering local developers of color to participate in the growing Milwaukee's housing market, these funds help create a more inclusive and vibrant community, fostering generational wealth and neighborhood revitalization.

# HISTORY



**Since the passage of the 1968 Fair Housing Act**, Milwaukee has had an exodus of homebuilders fleeing Milwaukee proper for neighboring suburbs. The exodus coupled with the City of Milwaukee's Common Council restrictive zoning law changes to the opposition of individuals such as Vel R. Phillips, in effect, contributed to segregation and stagnation. As a result, over the last few decades the following has occurred: minimal new construction, aging housing stock, predatory acquisition of affordable homes by out of state investors, and a decrease in homeownership amongst Blacks and Latinos.

**In the innermost parts of the city**, residents' rent burden is over 50% of their income. Due to the high rent burden, neighborhoods are experiencing displacement and gentrification. New construction is needed to increase supply and stabilize prices. Currently, Milwaukee has approximately 3,200 vacant lots around the city of Milwaukee. The emerging developers group with our two funds, is ready to facilitate to ensure more emerging developers succeed to meet the moment - more homes at an affordable rate for Milwaukeeans.

# MARKET OPPORTUNITY

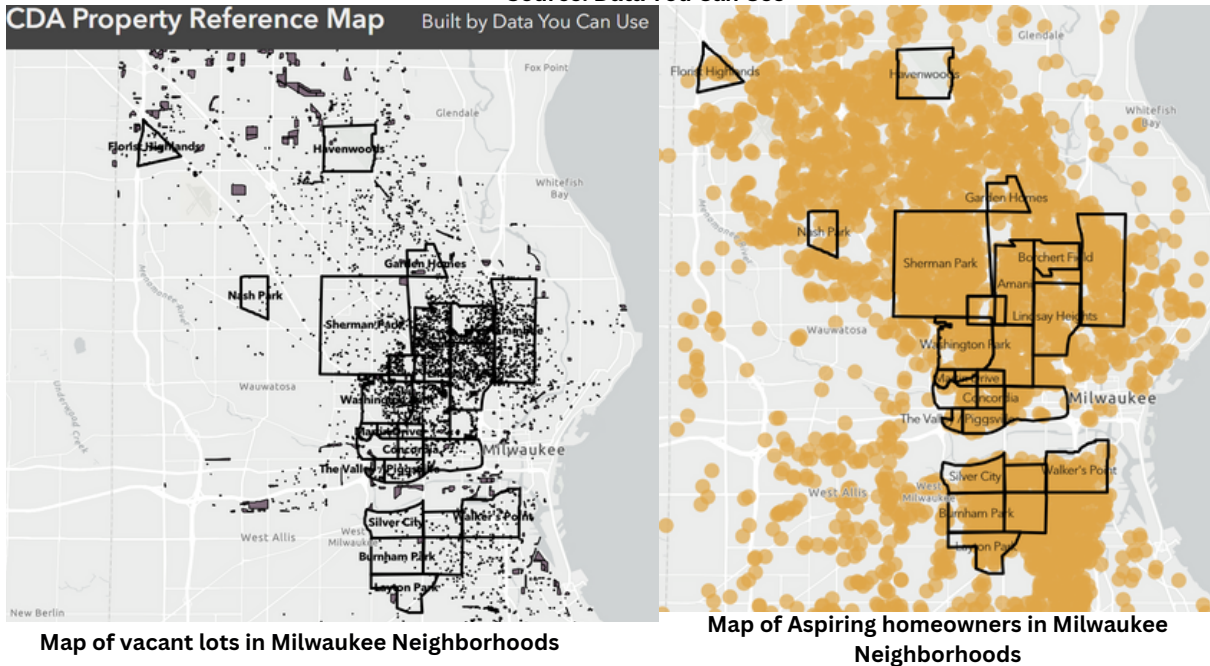
**Real estate development in the U.S. remains starkly inequitable**, with Black and Hispanic developers being vastly underrepresented. According to the Grove Impact Report, of the estimated 112,046 real estate developers nationwide, only 447 are Black, and 175 are Hispanic, accounting for just 0.40% and 0.16% of the industry, respectively. Together, Black and Hispanic developers make up only 0.56% of the total developer population. These figures highlight the critical need for programs like the Launchpad and Accelerator Funds to provide opportunities for aspiring and emerging developers of color to enter and thrive in this space. The ACRE Program in Milwaukee has over 300 alumni, making it the the perfect place to invest in those individuals and others by addressing their needs so many more can succeed in real estate development.

**Historically, Black and Latino entrepreneurs** have been starved of the capital needed to grow profitable businesses. Systemic inequalities limit access to credit and investment opportunities and this is particularly evident in real estate development. Community development financial institutions (CDFIs) have supported these entrepreneurs, yet gaps remain. By providing pre-development funding and an opportunity through the Launchpad and Accelerator Funds, we aim to address these barriers and create pathways for aspiring and emerging developers of color to enter, contribute, and thrive in the Milwaukee real estate market.

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1. <https://reports.groveimpact.org/breaking-the-glass-bottleneck/representation-crisis/>
  2. Assessing the Value of Small Business Loan Programs and Loan Sales: Tools to Guide CDFI Decision-Making
  3. Scaling Lending to Entrepreneurs of Color: Part II Strategies and Operational Tactics for High-Volume Originations



Source: Data You Can Use



**The vacant lot map and aspiring homeowner map** reveal a clear alignment between the availability of underutilized land and the growing demand for homeownership. On one hand, the over abundance of vacant lots presents a significant opportunity for new housing development. While on the other hand, the concentration of aspiring homeowners highlight the unmet demand for affordable, sustainable housing options. Together, these maps demonstrate the strong potential for revitalization, as developing these vacant lots will not only address the housing shortage but also create pathways to homeownership, particularly for underserved communities.

# LAUNCHPAD FUND

## **Purpose and Goals**

The Launchpad Fund is designed to empower emerging developers by providing the necessary financial resources by a recoverable loan up to \$15,000, to advance their careers in residential development. Focusing on the creation of single-family homes through quadplexes, the fund aims to prepare these developers to successfully compete in Requests for Proposals (RFPs) and secure project financing. Over the course of three years, the Launchpad Fund seeks to support 10-15 developers, fostering new homeownership opportunities, increasing housing supply, and helping these developers build equity and experience in Milwaukee's housing market.

## **Eligibility Criteria**

- Must be a new or emerging developer with no more than five projects completed in the past five years
- Projects must involve new construction or rehab of single-family to quadplex properties in Milwaukee for homeownership opportunities
- Applicant must demonstrate a basic understanding of project feasibility
- Applicant must show proof of concept
- Funds must be used for approved uses

## **Selection Process**

- Application Submission: Includes project proposal, budget, timeline, and developer experience.
- Application Review: Proposals are reviewed based on feasibility, potential community impact, and applicant readiness.
- Application Acceptance: Upon acceptance, developer can begin to provide invoices for reimbursement.



## **Disbursement of Funds**

- Funds will reimbursed in phases, based on completion of key milestones and actual expenses
- To receive funds program administrator will need to have received, reviewed, and approved of invoices
- Once approved, reimbursement funds are to be issued to developer or business entity

## **Recoverable Grant Repayment Terms**

- Full repayment required within 12 months of disbursement or upon project completion, whichever comes first.

## Launchpad Fund Approved Uses

Up to \$15,000 per Emerging Developer

Uses	Amount
Option to Purchase	\$5,000
Architectural Conceptual Drawing	\$5,000
Pre-Development Operating Expenses	\$5,000
<b>Max Amount per Emerging Developer</b>	<b>\$15,000</b>

## Launchpad Operating Budget

Budget Uses	3 Year Total
Funds for Developers	\$150,000
Direct Staff	\$30,000
Admin & Overhead	\$20,000
<b>Total</b>	<b>\$200,000</b>

# ACCELERATOR FUND

## **Purpose and Goals**

The Accelerator Fund provides financial assistance to developers who are ready to scale their operations but need pre-development funding to unlock further financing from banks or other lending institutions. The fund helps bridge the gap between project inception and full-scale development through a 0% interest loan. The goal is to support between 4 to 8 developers, enabling them to secure equity, advance their careers, and significantly contribute to Milwaukee's pressing need for increased housing supply and homeownership opportunities.

## **Eligibility Criteria**

- Must have completed at least three projects in the past five years, demonstrating a proven track record.
- Experience in new construction or rehab of small-scale residential properties (single-family to quadplex) is required
- Projects must involve the creation or rehabilitation of housing units that will be sold to owner-occupants.
- Developer will provide a plan for assisting potential homebuyers, including outreach efforts, buyer education, and partnerships with local housing counseling agencies.
- Funds must be used for approved uses

## **Selection Process**

- Application Submission: Includes project proposal, scope of work, budget, timeline, and developer experience, and community impact
- Application Review: Proposals are reviewed based on feasibility, potential community impact, and applicant readiness. If multiple applications, projects with the highest homeownership impact will be prioritized
- Application Acceptance: Upon acceptance, developer can begin to provide invoices for reimbursement.

## Disbursement of Funds

- Funds will be reimbursed in phases, based on completion of key milestones and actual expenses
- To receive funds program administrator will need to have received, reviewed, and approved invoices
- Once approved, reimbursement funds are to be issued to developer or business entity

## Loan Repayment Terms

Repayment will be required by 18 months or once the project has reached a significant financial milestone, such as:

- **Sale of Property:** Full repayment is due when the developed property is sold.
- **Permanent Financing Secured:** If the developer refinances the project with long-term financing, repayment is triggered at that point.
- **Completion and Stabilization:** If the project is not sold but held as an income-producing asset (e.g., rental property), repayment begins after the project reaches a certain level of stabilization, typically defined as a specified occupancy rate (e.g., 90%).

## Accelerator Fund Approved Uses

Funds needed before the beginning of construction is considered pre-development. The estimate of costs is as follows:

Uses	Cost	Approx Cost for 5 units
Acquisition Fee	\$1,000	\$5,000
Building Permits & Miscellaneous fees	\$2,500	\$12,500
Architectural Designs/Engineering	\$3,500	\$17,500
Market Study	\$1,500	\$7,500
Phase I	\$1,500	\$7,500
Pre-Development Operating Exp. and/or Equity (up to \$15,000)	\$5,000	\$25,000
<b>Total</b>	<b>\$15,000</b>	<b>\$75,000</b>

**\*Costs may vary depending on building size. These costs are an estimate.**

## Accelerator Operating Budget

Budget Uses	3 Year Total
Funds for Developers	\$360,000
Direct Staff	\$60,000
Admin & Overhead	\$30,000
<b>Total</b>	<b>\$450,000</b>

# CONCLUSION

The Launchpad and Accelerator Funds represent a pivotal investment in the future of Milwaukee's housing market and its developers of color. Through the Launchpad Fund, we are laying the foundation for new talent by providing critical financial support to help aspiring developers build residential projects and gain a foothold in the industry. This not only boosts the trajectory of 10-15 promising developers over the next three years but also drives increased homeownership, particularly in underserved areas, contributing to long-term community stability and wealth creation.

Meanwhile, the Accelerator Fund provides emerging developers with the resources they need to take on larger, more complex projects, addressing the city's pressing need for housing. By offering 0% loans that help unlock additional financing, the Accelerator Fund bridges the gap between initial project planning and full development, enabling the construction and rehabilitation of homes. This, in turn, increases Milwaukee's housing supply, fosters homeownership, and helps developers scale their businesses leading in generational wealth for underrepresented individuals.

Together, these funds will not only spur economic growth and development in Milwaukee but also nurture a new generation of developers who will continue to contribute to the city's revitalization. By building pathways to homeownership and supporting sustainable development, the Launchpad and Accelerator Funds will have a lasting impact on Milwaukee's communities and its real estate landscape.