



Wells Fargo  
**NEXT** Awards  
for Opportunity Finance

## What It Means to Be NEXT

Housing Partnership Network, one of three CDFIs to win a NEXT Opportunity Award last year, did so on the strength of its social-purpose real estate investment trust that funds the acquisition of multifamily rental properties. The REIT, called the Housing Partnership Equity Trust, was launched in December 2012 with \$100 million in funding, and last year's \$2.5 million NEXT Award gave it a lift that dramatically amplified its impact.

Thomas Bledsoe, president and CEO of the Housing Partnership Network, which sponsors and operates the REIT, talked about how the award made a difference.

*Q: What's the most important benefit of having a REIT like this?*

A: The short answer is that the REIT allows our members to compete in a fast-moving marketplace with for-profit developers by providing timely access to financing. The vast majority of affordable housing deals go to cash buyers, and nonprofit investors typically miss out on those deals. The 12 organizations in our REIT are very skilled multifamily developers—the best in class in the country at creating sustainable communities, not just doing real estate deals—but it can take a year or more to layer it all together. Sellers don't want to wait for a buyer to line up financing. The REIT gives our members a much quicker way in; it lets them move nimbly, compete for those deals.

*Q: You already had the REIT in place, capitalized with \$100 million, when you received the NEXT Award.*

*What difference does \$2.5 million make?*

A: Winning the NEXT Award was huge. The funding we won went straight to the bottom of the capital structure, which means it creates a leverage effect that magnifies the overall impact of the REIT.

*Q: Any recent examples?*

A: Sure. One of our members, Eden Housing—in Hayward, California—wanted to go in and compete for a quality affordable apartment complex that required access to serious capital, quickly. They would have had to raise \$7 million to do it. Instead, the REIT, of which they're a member, put up 95 percent of that cost, and Eden was able to get the deal done. Another one of our partners, Community Preservation and Development Corporation, strives to develop affordable housing for lower-income



Thomas Bledsoe, President and CEO of Housing Partnership Network, gives an acceptance speech at the 2013 NEXT Awards celebration.

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workers—retail workers, baggage handlers. Over the years, they had bid on several properties in and around Norfolk, Virginia and hadn't gotten to first base, but when they came in as a partner in the REIT they were able to close deals and finally get a foothold in the area. The REIT setup allows members to adopt a different operating model essentially, a better operating strategy.

*Q: To win the NEXT Award last year of course you had to apply for it. What was that like?*

A: The folks we worked with at OFN were very practical. They were flexible, which is something you don't always see. When we had questions, they were a resource, shedding light on the process so we could figure out a way to make it work. We've done a lot of CDFI applications, and this was the most streamlined one. Even with our experience, we prepared ourselves but it didn't get complicated like I thought it would. It's a relatively easy process, straightforward and very reasonable. Not burdensome.

*Q: Any tips or tricks on applying?*

A: You want to be scaling something up, you want to already have proof of concept, a powerful idea that's ready to go to the next level. Award reviewers are looking for a way to support a scaling up of innovative ideas that represent the next generation of products for our industry. Our REIT, by the way, was already in business, we'd already closed some deals. As complicated as that structure was for us, the deal on the OFN side was fairly simple.

*Q: Was there a lasting upside to the visibility that the NEXT Awards generates? Did it open any new doors?*

A: Definitely! Within the CDFI industry, winning a NEXT Award is very significant, very highly regarded. It's a badge of honor of sorts, especially among banks and investors. The practical impact is that it's helpful in developing reputation among key partners. For us, that has translated into business opportunities. It gets our name out and about, it drives media interest, and our staff stayed busy answering phone calls and emails on the NEXT Awards, interest that gave us openings to continue to tell our story.

*Q: Any long-term value?*

A: Oh yes, for sure. What we do in 2014 will still be relevant in 2015 and beyond. The NEXT Award serves as a great entrée. It also helps continue conversations you may have started already. Winning has a catalytic effect.

*This interview was condensed and edited.*

**Housing Partnership Network, Inc.** is an award-winning business collaborative of 100 of the nation's leading housing and community development nonprofits. Operating in all 50 states and major metropolitan areas, HPN members represent high-performing organizations that combine social mission with business acumen.

**Applications are open from January 28–March 13.  
Learn more about the NEXT Seed Capital Award or the NEXT Opportunity Award.**

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