The Impact Council

Duration	00:39:23
Speakers	Corey Aber, Vice President of Mission, Policy & Strategy, Freddie Mac Multifamily Steve Guggenmos, Vice President of Research & Modeling, Freddie Mac Multifamily Bob Simpson, President, Impact Council

Steve Guggenmos [00:00:00] We've had a lot of great discussions over the years with multifamily sponsors who are at the forefront of the industry in terms of making a social impact.

Corey Aber [00:00:08] I really enjoyed those episodes that really get into both business strategies and how these sponsors manage properties and design their impact programs, often with the residents. And it's a growing theme in the industry with different approaches, but also some commonalities. And while it's still early, there's definitely movement to get some best practices here. And one organization is helping to bring those best practices together.

Steve Guggenmos [00:00:37] Hello and welcome to the Freddie Mac Multifamily podcast, I'm Steve Guggenmos.

Corey Aber [00:00:41] I'm Corey Aber. Today we're going to talk about emerging standards and social impact. Last year, a group of impact focused sponsors and investors came together to form the Multifamily Impact Council, a nonprofit membership organization dedicated to establishing a framework of impact principles and reporting guidelines for the multifamily industry in the United States. This group has a thesis that by creating a consistent and transparent impact framework for the industry, they can help establish multifamily impact investments as a separate, widely accepted and credible real estate asset class and increase the flow of private capital into affordable housing investments that improve lives and create more sustainable communities. Just recently, the Council published this framework, and we're fortunate to be joined today by Bob Simpson, the president of the Council and a longtime expert in affordable housing and former head of multifamily green and affordable housing at Fannie Mae. So, Bob, thanks so much for joining us.

Bob Simpson [00:01:38] Thank you guys for having me. Really excited.

Corey Aber [00:01:41] All right. So let's dig in first with just some introduction of the Impact Council and how you got started and what you really focused on, you know, beyond the thesis. And then then we'll get into some deeper questions from there.

Bob Simpson [00:01:53] Yeah. So the origin story of the Impact Council really goes back a couple of years. In my previous time at Fannie it's something that always came up with investors and property owners and conversations that you'd have in the industry is there's this growing interest in the idea that, you know, you can really do a lot at the property level, not just to improve issues, to address climate change, but also improve the life [lives] of the people who live there. Everyone was really kind of going about it in their own way that was unique to their property and, you know, you're always trying to think about how to take things to scale. And so, you know, when in 2020, when I left and started working with companies individually to build their impact frameworks, it was always the same thing, right? You'd spend three to four months working with an organization to either develop the way in which they do due diligence around impact or how do they build an impact fund. And at the end of those three or four months, the question when it evidently come to, okay, what's the framework we're being judged against? What are the industry standards? And my answer would always be "well, there isn't any. This is it." So, you know, after about a year of having those conversations, eventually a couple of my old clients and I started talking and we thought, well, what if nothing exists? Why don't we build one? And so, you know, we took the framework that we had developed. We started talking with folks across the industry, Freddie Mac included in saying, look, you know, if there's interest in doing this, number one, and if no one is doing it already, let's start an organization and build consensus around an impact framework that could do those things that you mentioned. So that's how we started. We officially formed our organization a year ago, and since that time have spent a lot of time working directly with our members. We have 46[1] members of the Multifamily Impact Council, including Freddie Mac, which is one of the founding members of the organization. To really dive into the framework, establish a couple of things. First is what are the principles around impact investing? What are the things that if you're going to do impact investing in the multifamily industry that you need to focus on and making sure that those principles are evidence based, that there isn't a real reason for having them in there. Defining each principle, really setting a baseline threshold to say like, this is the bare minimum you need to do to ensure that you're providing impact along this principle. And anything to the left of that bright red line is not impactful, everything to the right of it is. And then being able to identify some common reporting metrics and guidelines that we can all coalesce around as an industry so that as you're looking at an impact investment as an investor, you can start comparing apples to apples. So if someone says that their property is affordable, great, How affordable is it? At what income levels? Are there rent restrictions? Things of that nature that we can all talk about in a consistent way that'll bring us to some level of standardization, which gets us to the scale, which allows us to increase the flow of capital from sources that may or may not have been all that interested in multifamily, but are interested in impact investing in multifamily, we think is the best place to put it. So that's where we started. And now we're at a point where, you know, we've released the framework, we've now putting it into the market, it's open source and it's all about now communicating, making sure people understand what's in it and getting broader adoption of the framework throughout the industry.

Steve Guggenmos [00:05:28] That sounds great. And as you mentioned, kind of building this up from scratch. Right? But there's some very basic things that we've all considered for a long time related to affordability. But then there's a lot of different components. I don't know if it would be good to start off in kind of maybe at a high level speak to the different components beyond affordability.

Bob Simpson [00:05:46] Absolutely. I mean, we always come into to impact...we think if you're asking yourself what makes a multifamily investment impactful, we think that as an owner operator or an investor or any capital provider, you really need to make sure that you're answering five basic questions. Right. And those five basic questions, we used to really establish the principles that we have, and they're really simple. I mean, first, the investment that you make should improve the life of the person who lives in the property. The second is, does it support efforts to address climate change and create more resilient properties and more resilient communities? The third is it has to be able to meet your fiduciary responsibility to your investors, right? So you have to achieve a rate of return that allows you to do it over and over again. It has to make money. The fourth is it aligned with broader Environmental, Social, and Governance (ESG) certifications and global benchmarks, right? The United Nations Sustainable Development Goals, things of that nature, and make sure that folks can understand where it fits within the broader rubric of the ESG world. And finally, it has to be trackable and it has to be measurable. It's one thing to say that you're demonstrating impact, it's another to prove it over time. And so if you answer those five questions, I think you can come up with some pretty good principles. Where we landed were these - affordability, housing stability, financial fitness, economic mobility, resident engagement, physical and mental health, right? How is the property managed? Is it being designed in a way that's healthy? Climate and resilience and then incorporating diversity, equity and inclusion. Those are the seven principles we've defined each one based on the feedback that we've gotten, established a minimum threshold and then identified reporting metrics that everyone should be adopting within their practice.

[1] *At the time of recording. As of April 2023, the Multifamily Impact Council has 48 members.

Corey Aber [00:07:37] That's great. So let's go through each of those real quick and seven's a lot, but also very closely connected seven - so let's go one by one.

Bob Simpson [00:07:45] Certainly. So affordability, I think obviously is the foundation of impact. The amount of money you pay for rent dictates how much money you have left over to pay for groceries, to pay for your education, to address any unmet needs. So we think obviously affordability is critical. We have spent a lot of time figuring out how to define the baseline threshold for affordability. We think FHFA has done a really nice job of defining that. So as we look at it, we'd like to see from an impact perspective, at least more than 50% of the units in your property portfolio should be affordable at 80% AMI. And obviously if it's in a high-cost area, you apply the FHFA guidelines 100% and then 120%. We think that's the bare minimum. But then within your metrics, being able to be very transparent around how many of those units are affordable, at what specific income bands? How many of those units are subject to rent income restrictions? And then include a question as to whether or not you as an owner are incorporating housing choice vouchers and accepting housing choice vouchers in the property. It's not a requirement, but we think that folks should be transparent about that. That allows investors to really understand where along the spectrum of impact that you set. Some funds, especially workforce housing funds, NOA funds, you know, you'll have less restricted units, other funds that are like pure property-based Section eight, project-based Section eight deals, you're going to have more. We understand that, you know, we're not trying to judge a project-based Section eight deal against a workforce housing deal. We think that transparency is important.

Corey Aber [00:09:18] And on that affordability part, you know, you talked about units affordable across the portfolio. How do you think about units staying affordable over time?

Bob Simpson [00:09:26] That's a great question. I think it's one of the key questions that the industry really needs to think about. We have not really addressed that yet. So we think that's something that will come in future versions of the framework. Right now, we wanted to really just start with are they affordable at the time? I think that it really gets into the question of what's the duration of the investment, making sure that, you know, you are incorporating impact over a longer period of time. What's your exit? How long is your fund? What's your fund life? How do those rents increase over time? Those are all questions that we need to consider. We didn't contemplate that in the initial version of the framework. We think there's a lot more work that needs to be done in that area. But clearly if you're running a three-year value-add fund and you're only going to hold the asset for three years, there's not a lot of incentive to provide impact. And so, you know, those deals probably don't fit in the framework, but the deals that are much longer-term deals that are in open ended funds are much more of a fit with an impact mentality than shorter term funds.

Steve Guggenmos [00:10:32] And I think there's always these tricky questions. I think probably all three of us have been talking about affordability for a long time. And I know that oftentimes when I'm doing that, it's like, well, you're talking about this kind of affordability, of that kind of affordability. I think a huge step forward to think about reporting metrics that would be fairly standardized and thresholds around those. So we'll continue to talk about all these topics and make progress on them. But getting the starting places is fantastic. And then like you say, that's just one of seven. So maybe stepping into housing stability, which is taking it a step further from what we might have been talking about a decade ago.

Bob Simpson [00:11:10] Yeah, absolutely. So housing stability is really about understanding where your renters are. And I think, you know, the premise is, you know, healthy, financially stable, healthy renters equal financially stable, healthy properties. And so, you know, we really think about housing stability is ensuring that, you know, a person isn't financially burdened to make rent payments. They're not chronically behind on rent. They haven't moved in the last 12 months for financial reasons, things of that nature. I mean, if you think about it from just a real a great example I like to use as if you move into an apartment as a family, just as your kid is entering high school, they're a freshmen, you're moving into this unit, it's a well-managed unit, it's affordable - if you can stay in that property for four years and allow the kid to graduate from the high school that they entered as a freshman data consistently shows that that kid is more likely to one graduate from high school, more likely to go to college or a trade school, and more likely to earn more money and provide for their families over the course of their life than if they had to move more than once. That's housing stability in a nutshell. It also ensures from a property owner perspective that you're not turning the unit. You don't have remarketing cost, you don't have to repaint unit, you don't have to replace the carpet. All of those additional costs that go into it that help you build a more financially stable, healthy property. So it's really about what are you doing to ensure that a person who lives there can extend their length of stay, isn't incurring bad debt costs, collection fees of that nature. So that's really what housing stability is about. It's about how do you build plans and strategies that help folks address their 30-month delinquency before it becomes a 60-month delinquency? How do you ensure that a person can stay in a unit longer than one year? All of those things really add both to your bottom line and also the renter's bottom line as well.

Corey Aber [00:13:03] So, yeah, what you just talked about with housing stability ties a lot into economic stability and economic mobility. So how do you see that, that connection?

Bob Simpson [00:13:12] Yeah, I think these are obviously two separate principles, but they're very closely connected. So really, you know, housing stability is ensuring that a person can actually stay in the unit and extend their length of stay. The economic health and mobility principle is really about helping make sure that when a person is living in your unit and paying their rent on time, do they have the opportunity to improve their financial condition and improve their standard of living so that they can achieve more economic mobility? What are we doing when a person is living in our unit to help make sure that one, are they able to access programs like the Earned Income or Childcare Tax Credit Programs that allow them to increase their residual income? Are we helping to address costs of childcare, daycare, afterschool, summer programs that help ensure that if you're working two jobs in the summer, what do you do with your kids, right? Well, many properties out there offering afterschool summer school programs, these are tremendously important to help ensure that you can continue to build your economic health and be more mobile. And obviously, one of the most, I think, critical things that you can do in this space, it's really new to the industry and it's gaining a lot of momentum, is ensuring that if you pay your rent on time, that that rent gets reported to the credit bureau. It seems like a no brainer. I still can't believe we haven't been doing this for the last 20 years, but increasingly, and Freddie Mac's been a huge leader in this effort, the more that we can ensure that on time rental payments are reported to the credit bureaus, number one is more people can build a credit score and more people can improve their credit score. That allows you to access the traditional finance system. So instead of having to go out and apply for a subprime credit card, you can get a prime credit card. You can get a regular car loan versus a payday loan. So all of these things that help you build financial, health and economic mobility are all critical and they can be done at the property level.

Steve Guggenmos [00:15:15] Yeah, I think it's, you know, as I think about and we all have experience at the Government-sponsored Enterprise (GSEs) and obviously in multifamily where the little guy and part of the bigger housing finance market and often people are talking about ownership and they jump right to kind of the benefits of building equity, financial equity by owning a home. And I think that one of the really great things about the Housing Impact Council, the Multifamily Impact Council, is that we're connecting the dots as to how we can impact renters' lives, right? And connect the dots through like, okay, by reporting rent, that's going to change credit scores and that's going to change your credit profile and that's going to move you forward. And it's not just the discrete are you an owner or not an owner and what kind of quality of life can you have as a renter? Which I think is really fantastic and I think kind of builds into the next category, which is similar, but resident engagement. And certainly that's something that hadn't been considered that long ago either.

Bob Simpson [00:16:11] Yeah, absolutely. And I think the engagement is across all of the principles there are services that you can deliver to residents at the property level that help advance each of those principles. Resident engagement really talks about what is your approach to providing those services. So we define resident engagement really as having an approach that ensures that the programs and the services are being provided in a way that's consistent with the resident priorities, with their goals, with their needs. Are you asking residents what their needs are? Are you assessing what their needs are before you deliver the programming? It also means that you're leveraging existing community resources, putting people in touch with community resources, whether it's virtually or on site. And then creating more access to onsite property staff that can build trust and engagement with renters. At the end of the day, you want to make sure resident engagement means that if a resident is having trouble at their property, whether it's with a maintenance issue or if they're having an issue and are worried about making next month's rent, that they feel comfortable reaching out to onsite property staff and asking for help. So many times we found in the pandemic one of the biggest challenges that property owners faced when people were falling behind is they wouldn't answer the email, they wouldn't answer the phone, they wouldn't answer the note that gets slipped under the door because they were legitimately afraid or concerned or they hadn't built a relationship that was preexisting with the property staff that allowed them to have that trust, right? It's really hard to ask for help when you don't have a lot of money or when you're in a situation that's challenging and it's about how do you build that proactively. And you can do that through resident engagement.

Corey Aber [00:17:58] Let's turn to the next one, which deals more with physical and mental health, again, tied to resident engagement. I like you've laid this out, they all kind of relate to each other and build on each other. But how do you see that factoring into properties?

Bob Simpson [00:18:11] Yeah, I mean, you know, look, the way in which we build our properties and in renovate our properties obviously have a really significant impact on whether or not we're healthy or not. So it's really about are you incorporating healthy building design and management practices that create a living condition that can improve the physical and mental health of renters? Real practical examples are the appliances that you're putting into your bathroom, right? Your kitchen, your sinks, your showers, the kitchen area, are those materials improving indoor air quality or at the very least not making it worse? Are you ensuring that you have property management practices that help address pest remediation? Pests in a property is one of the biggest contributors to indoor air quality that causes childhood asthma. So do you have a pest remediation policy? Do you have an asbestos mitigation policy? Do you have a lead-based paint policy? All of those sort of things should be addressed at the property level, making sure that you're really being focused on mold prevention, understanding, you know, the damaging defects of smoking and tobacco use at the property, and then making sure as you're building the property, are you taking into account things like greenery, use of nature, access to outdoor space, noise reduction, impact resistant windows that can be acoustically, that ensure that, you know, if you're doing your homework in your room, you shouldn't have to fight noise from the next unit. So all of those sort of things go into it. There are two existing certifications out there that are really good job of laying this out, the International Well Building Institute and Fit Well, both of whom are members of the council. And so I think that's a really good resource to look at. But then also what we've included in our metrics and our threshold is a list of best practices that people should address. And what we're saying is that you should address at least I think we have ten of them, address at least five of them, and it's going to go a long way towards improving, you know, how your property is able to contribute to health and health outcomes at the renter level.

Corey Aber [00:20:24] It seems like some of the things that you're mentioning and that you have in the in the framework on physical and mental health are actually also closely tied to climate resilience and climate impact. How do you see that relationship?

Bob Simpson [00:20:36] Yeah, I think it's a very close relationship. You know, there's always a balance between, you know, how do you make your property more energy and water efficient and also ensuring that it is a healthy space. Nine times out of ten they're always aligned, but it's a balance and you always want to make sure that you're doing things in a way that preserve affordability, but also reduce your greenhouse gas emissions. I think climate resilience is really critical. Resilience has become much more important over the past couple of years to ensure that, you know, I'll start with resilience, understanding if your property is in an area that is more prone to severe weather or climate related events is critical. Making sure that your residents are educated on what your mitigation plans are, what happens in the event of a disaster, and make sure that your staff is trained on what happens in their disasters so that you know you can ensure that folks are safe when that disaster happens. Also making sure that as you're building or rehabbing that property, that you are putting in materials that can make your property more resilient, impact resistant windows, ensuring that you know where your water boiler, your HVAC systems are, that they're not going to get flooded out. Things of that nature, those should be incorporated. And then obviously, on the climate side, we think it's really important that property owners, you know, commit to reducing energy and water usage at their property - conservation is huge. We're huge fans of the Energy Star portfolio manager, something that Freddie Mac has embraced, as has Fannie Mae. It is a free program. It allows you to really manage and measure your energy, use intensity at properties in a way that's standard across the market. We think getting back to a level of a market standard is really important and it allows you to kind of think about not just how much energy you're using, but where your energy is coming from. And I think that's really important. So energy and climate and resilience, a lot of this principle is really built on the on the backs of the work that both the GSEs have done in the green space. And we're really taking that lead and then also really incorporating the work that the Energy Star program has done as well.

Steve Guggenmos [00:22:55] I think that as we do all of these things to help affordability benefit renters and benefit the climate, who the people at our firms that are, you know, considering this and doing the work matters as well. And until there's a diversity equity and inclusion component as well, right?

Bob Simpson [00:23:11] Yeah and that's really the final piece of the impact puzzle is really ensuring that as we continue to grow as an industry, it's really important, especially as we bring new folks into this industry and folks like, you know, you and I get older that we can build a workforce that is more diverse, more inclusive, not just in the folks who are at the property manager level, but also as we think about the management teams and the ownership structures. So we really think about diversity, equity, and inclusion is something that are there plans and investment strategies that can help? You know, one, I think it's important to quantify the current levels of diversity in our workforce today, whether it's good or bad, we should be transparent about it and say, 'look, this is where we're starting.' Then take steps to figure out how can we improve that? What are the steps that we can take to increase the number of women and Black, Indigenous, and People of Color (BIPOC) individuals across all layers of the workforce and be intentional about it? Like, here are the actions here, the initiatives that we're taking to do that. If we are, what's our analyst program look like? What colleges are we visiting to attract our interns and our entry stage analysts, right? Are we just going to the really, you know, high level schools or are we looking at community colleges? Are we looking at historically black universities? Are we expanding our reach? If there's anything that we've learned over the last three or four years of building a remote workforce it's that the talent pool is huge. And if we only look at a select few sources for talent, then we're missing out on a tremendous opportunity not just to grow the diversity and inclusivity of our workforce, but also attract more talent. And if you really want someone who understands multifamily in your business, be really helpful to have some folks who actually lived in a multifamily unit who are working for you and understand what it's like to live at a property where, you know, you have to sit on hold and wait for property managers or you understand the value of a relationship with your with your property owner when times go bad. I'd say an important perspective to have, and we need to make sure that that's more represented across our workforce today.

Corey Aber [00:25:35] So, Bob, one of the themes that we talked about upfront is, you know, in establishing this framework, trying to set some standards for the industry and tying it into impact investment and impact investors outside of just our industry. So how do we think about that relationship and impact investment as an asset class?

Bob Simpson [00:25:53] Yeah, absolutely. So if you think about it today, ESG investments, which include impact investments, makes up about one third of all assets under management in the United

States today. A portion of that is impact. Not all of it is impact investing. There is a portion of that is impact investing. And the question we always want to answer is what makes multifamily the best place for an impact investor to put their money? And obviously we think it is the best and it's the best because over the course of your life you're going to spend more time in a multifamily property or in your home than any other place on earth, right? And for 50 million households, that's a rental property. So you can really impact folks lives by improving the quality of that property and improving the services that are delivered and ensuring that there's affordability. The challenges as an impact investor who may not have any expertise in multifamily is understanding 'what's the pathway?' So how do I get there and how can I look at these investments and understand what's really impactful and what's not? And right now there are no standards. So you're really dealing with a lot of anecdotes, you're dealing with a lot of stories, you're dealing with a lot of metrics that may or may not be industry standard, that may or may not be evidence based. You know, everyone's doing their best, but, you know, you really can't look at investments on an apples-to-apples basis today. And that's where the framework of the counsel comes into play is making sure that we can, you know, create like a common roadmap to making an investment that is standard that captures the bare minimum and allows for transparency so that investors can make their own decisions on whether or not it's impactful or not or more impactful or not in this specific principle that we're talking about. But it allows everyone to kind of operate on the same map. Like if you were to ask if you're an investor today and you're asking for directions to an impact investment in multifamily, you know, we're at that stage in the industry where you're saying, you know, drive straight until you see the oak tree, then turn left until you hit the house with the red door. That's no way to go to scale. What we're trying to do is say, here are the coordinates. Plug this into Google Maps and you will get there and then you can make the decision as to whether or not this is something that you want to do. But you know that you are in the land of impact investing in any of these places around here are good places to put your money.

Steve Guggenmos [00:28:28] That is so well said, Bob. And I think that, you know, as we said in the intro, Corey and I have had the pleasure of talking to a lot of folks who are involved in this industry and you can feel the impacts that they're having on people's lives. And it's it feels so great to hear about what's being done, but the thing that we always, you know, discuss and try to figure out is how do we bring it to scale? And I think that, you know, by bringing these principles together and by making it transparent, as you just said, this does provide that opportunity. And then as people get into it, is there a typical investment or like how anything that, you know, as people get started, you know, what are they going to see in these investments?

Bob Simpson [00:29:11] That's an excellent question. I think the first thing, obviously as an equity provider or a debt provider. You know, what you want to look for first is ensuring that your rate of return is going to be achievable. One of the pieces of advice I always give to folks that if you want to make sure it's really important to talk about how good an investment makes you feel as an impact investor, but you really can't get very far if you're not meeting your fiduciary responsibility to your investors. So the first thing is really ensure that folks understand that this is actually an investment and it is designed to make money, right? Because in a lot of cases, the end investor is a retired teacher or a retired firefighter, and we have our fiduciary responsibilities to those folks. And number one is making sure that you're really tying the connection between the health of the renter and the health of the property. I think the second thing is really considering the term of your investment. Like we said before, Freddie has done a really neat job, especially in the last couple of years of creating programs and creating a path to the capital markets for longer term investments, right? So evergreen funds, open ended funds, which a lot of owner operators are embracing today, is really you match your term with what the needs of the investor are, but it also happens to be really, really good for impact. So being able to think about the term of your investment first and the return that you're able to provide to your investors, I think that's where you need to start. And then making sure that you're getting beyond the anecdotes and beyond the stories of impact investing. So it's great to hear the story of the playground that you built or the person who benefited from the after school program, those are absolutely critical. But then you need to go a step further and say this is how many folks are living in affordable units. These are the number of folks that were that are no longer housing unstable. This is the average credit score today versus what it was, you know, two years ago.

You really have to be able to pin down, you know, 20 really good metrics that you can say, like, here's what I promised you, here's what I'm delivering.

Corey Aber [00:31:25] So, Bob, I think it's really important that we're, you know, laying out the standard and framework around impact investment and thinking about impact investors, an impact investment as an asset class. But as this has been growing over time, one of the things that that I think we've all heard early in the impact investment concept is the impact investors will pay up for this, 'if we just have this thing or that thing, we'll get a better deal and we'll be able to pass that on.' But it doesn't seem like that's exactly how things are working in the market. Maybe it's a different sort of evolution to that, that initial expectation. What's your perspective on that?

Bob Simpson [00:32:00] Yeah, that's an awesome question. I think we've been through this before, right? So when both agencies were really growing and expanding their green programs, there was always this initial thought that there would be some event, it would lead to some discount or, you know, some way in which you could you could then access cheaper financing. That's happened on the margins, right? But the real benefit isn't the fact that you can get cheaper capital, it's the fact that you have more access to more sources of capital. So there's a lot of impact investment funds out there who have not put money into multifamily that should be putting money into multifamily because it's the best place to put it. They're still going to want their rate of return. So it's really a question about how do you instead of having three people to go to for your impact fund if you have six, you're probably going to get a better deal and there's going to be more money coming in. But if you're waiting for concessionary capital, that's probably going to be a long way. It's obviously out there and there are folks that can do it. But it's the difference between talking about millions of dollars and billions of dollars and in some cases trillions of dollars. And if you want to get to that billion- and trillion-dollar number, you really have to first start with the idea that that this is not going to be concessionary capital. However, one of the things that does differentiate it is the term of the investment, a lot of impact investment funds and in fact, investors are looking for a longer-term investment. They are looking for a more stable rate of return. They are looking for a risk profile of it that is much more solid and stable over economic cycles than what you might have in other asset classes. And so multifamily, when you look at it from that perspective, especially an impact investment, makes a ton of sense. So it's the length of the investment and it's the stability of your cash flows that you should really be thinking about.

Corey Aber [00:34:01] That makes a lot of sense and seems to be able to then match up capital that you're seeking with the intention you might have in owning and operating a property. So not having that pressure from an investor to behave differently than might be your intention as an owner?

Bob Simpson [00:34:16] Yeah, absolutely. And it's really about that, you know, what's the exit? If you are anticipating an exit after three years as an investor, impact investing is probably in the multifamily space is not for you. But if you are looking at something that's longer term or you're willing to be a part of an evergreen fund, an open-ended fund, and you're really concerned about stable cash flows over time, which is what we see a lot, I mean, if you think about the insurance industry, if you think pension funds, that's a perfect match. If you think about sovereign wealth, money, high net worth investments that are willing to have patient capital in a very safe asset that generates stable cash flows, all of those things are augmented by an impact framework.

Steve Guggenmos [00:34:57] That's great. So we've gone over the whole framework. It was it’s a lot of work for the council to get up to this point. Right. And we've talked about the attractiveness to investors. So what's next, I guess, for the Impact Council?

Bob Simpson [00:35:11] Yeah, well, I mean, first of all, I will say that, you know, we have 46 members and counting. Every single one of our members has been actively engaged in the development of the framework. And it's really caught me by surprise. And it's been it's been really heartening how seriously everyone has taken it. I mean, literally, you know, I think everyone's had a hand in wordsmithing some sense in this framework as it came out, which is just really wonderful to see and demonstrate there's a lot of interest in this process. Our goal first is to make sure that the impact framework is available to the industry. So it is it is available, right? So it is an open source document. We want to make sure that people continue to keep our logo on the document so that folks know where it comes from and they know who to go to ask for questions. Our goal is to make sure it's implemented. As a going forward basis we want to make sure that it's also updated and enhanced over time. So ensuring that we're continuing to take feedback from our members, from the broader industry so that we can start exploring, you know, is this is this an area that we need to enhance? Are the things that we don't know, that we know now that we didn't know when we developed the framework? So this is going to be a work in progress. It's called version 1.0 for a reason. And so one of the chief goals of the of our framework of our council excuse me, is to do the enhancements and make sure that it's always current with where the industry is. The second piece is to make sure that we can establish a platform to share best practices, to share research, share information, and allow folks to come together and build relationships with their peers across the industry. This is a very new field, impact investing in multifamily, there aren't a lot of folks who have been doing impact investing for 30 years. Most folks are new to it and we want to make sure that we can really build a good network of individuals that can bounce things off of and share as we grow as an industry. And then finally, we want to make sure that we're building out these reporting metrics so that we can dive into some really interesting research topics going forward. We think it's important to be able to take the metrics that we have and help provide some tools to the industry so that they can understand, you know, what is my impact rate of return for this principle? You know, if I sink a dollar into housing stability, what is the return on impact that I get from that dollar, number one? And number two is to then start thinking about are there ways to really demonstrate and clearly explore the potential connection and correlation between the impact initiatives that you put at a property and how that improves the risk profile and financial returns over time? I mean, I think that's something that we always hypothesize as true. I think once we have the framework around which we can build a research program it'd be nice to be able to quantify that in a way that's really credible so that we can take that to investment committees. We can take that to underwriting shops and we can take it to a broader audience to really help folks understand that this is not just good for the people who live there. It's good for your investors as well.

Corey Aber [00:38:18] Bob, thank you so much. This has been a fantastic discussion and it's great to see you not just to talk about this, but to see how this is coming together for the industry and by the industry by setting this standard not just for impact, investing in impact property management, but it kind of helps to set a standard for how the industry thinks about itself and where the industry wants to go. So I appreciate the well-articulated framework and great discussion today. Thanks for being on.

Bob Simpson [00:38:46] Thank you guys so much for having me. And thank you guys for your leadership in this area. I don't think we would be where we're at were it not for you guys. So thank you.

Corey Aber [00:38:58] The Freddie Mac Multifamily podcast is produced and supported by a team of our Freddie Mac colleagues, including our production leads Jenny Nguyen and Raquel Sands and audio producer Dalton Okolo.

Steve Guggenmos [00:39:09] To listen to more and keep up with the latest episodes, be sure to subscribe wherever you get your podcasts and check out our website MF.FreddieMac.com/research for the full catalog of podcast episodes and of original Freddie Mac research.