Challenge

Washington D.C. has recently experienced some of the fastest economic growth in the country. While that has been good for many of the districts residents, it has also rapidly increased gentrification and displacement of longtime residents and small businesses in many historic neighborhoods. Anacostia, a predominately African-American community located in DC’s Ward 8, is now facing a similar wave of investment and development that, without intentional investments and robust community engagement, could result in further displacement and inequitable growth and opportunity.

Current development agendas for Anacostia include housing, grocery stores, and even a major civic public space, but there are few plans for retail and commercial space to spur economic development for existing residents. The careful selection of impact-focused investors and development projects is the only way to promote economic empowerment for residents and positive neighborhood growth.

Opportunity

The MLK Gateway project, a $23 million, 34,000 square-foot commercial and retail development, is a prime example of responsible, community-supported, smart investment. Located in the heart of the Historic Anacostia District, it will add much-needed office and community-serving retail space and bring hundreds of living-wage jobs for local residents. LISC was particularly excited to be involved in this opportunity zone project because the developer solicited feedback from the community and aligned that feedback with the development plans for the site.

Enlightened, Inc., an award-winning minority-owned information technology consulting firm, with $26M in annual revenue, will be the anchor tenant. The company will relocate its headquarters and nearly 150 employees to the 20,000 square-foot office space at the MLK Gateway campus. Enlightened will also establish an incubator to cultivate minority-owned technology companies.

Other retail tenants will likely include a restaurant, a small grocery store providing fresh and healthy produce to what has long been a food desert, a coffee shop, and a major financial institution. These businesses are expected to create an additional 61 permanent jobs.
**Background**

LISC has deep roots in the Anacostia community and has supported the MLK Gateway from its inception. LISC leveraged its extensive resources to provide debt, grant, and equity funding to MLK Gateway, as well as garnering political and community support for the project. LISC focus within opportunity zones is to find socially responsible investments in line with what the community desires and needs for sustainable impact.

The Menkiti Group, a minority-owned, DC-based real estate firm, won development rights to the Gateway site from the Office of the Deputy Mayor for Planning and Economic Development (DMPED) through an RFP process that prioritized generating community-benefiting commercial activity at the project site. LISC provided Menkiti Group with a $1.7 million pre-development loan to design the MLK Gateway site. While underwriting the project was a complex process, LISC found creative ways to make it successful, including deploying a $250,000 credit enhancement. LISC’s local DC office also supported Menkiti by building local support by testifying for city-level backing and helped the firm win a $700,000 Neighborhood Prosperity Fund (NPF) award.

LISC’s affiliate, New Markets Support Corporation, allocated $8 million in New Market Tax Credits for the MLK Gateway, and LISC closed on a $500,000 equity investment in the project in December 2019. There is $2.8 million Opportunity Zone Equity in this project from Menkiti Group, a Family Office, and high net-worth individuals. The total development cost is $23 million. The Menkiti Group broke ground on MLK Gateway in January 2020, with support from Mayor Muriel Bower and local officials.

**Outcome & Impact**

LISC is a natural partner for this Opportunity Zone based project because of the positive impact MLK Gateway project will have on the Historic Anacostia District, including the potential for job creation from its retail and commercial space, and community support for the development. From the project’s inception, LISC and Menkiti have set impact development goals to ensure the project leads to positive community outcomes, some of which have already been surpassed.

MLK Gateway is the first new construction development in Anacostia slated for commercial purposes other than non-profit or social services provision in three decades. MLK Gateway has already leased 53 percent of its space to local, minority, veteran, or women-owned businesses, surpassing its goal of 50 percent. MLK Gateway is projected to generate 210 jobs with Enlightened, Inc., 155 construction jobs, and 61 other jobs in the neighborhood, equaling approximately $12 million in annual wages.

LISC has the tools to deliver multi-layer community development. This ability to provide support at each step along the way helped the MLK Gateway project come to fruition and will help build a sustainable future for the Historic Anacostia District.