

**WHEREAS**, the City is committed to supporting enhanced economic development opportunities for low-income communities within the City and to low-income persons residing within those communities; and

**WHEREAS**, the United States Department of Treasury has established the New Markets Tax Credit (NMTC) Program to stimulate investments in predominately low-income communities; and

**WHEREAS**, the goals and purposes of the NMTC Program are consistent with and complementary to the economic development programs previously established by the City to support expanded economic development opportunities for low-income communities within the City and to low-income persons residing within those communities; and

**WHEREAS**, under the NMTC Program, tax credits are competitively awarded annually by the Treasury Department through its Community Development Financial Institutions (CDFI) Fund to qualified Community Development Entities (CDEs) after review and evaluation of applications submitted by CDEs, which are then made available to investors; and

**WHEREAS**, the City of Dallas created the Dallas Development Fund (DDF) as a non-profit Texas corporation in order to apply for an award under the NMTC Program; and

**WHEREAS**, the DDF was awarded a \$55 million NMTC allocation under the 2009 NMTC Program; and

**WHEREAS**, the DDF was awarded a \$30 million NMTC allocation under the 2012 NMTC Program; and

**WHEREAS**, the DDF was awarded a \$45 million NMTC allocation under the 2014 NMTC Program; and

**WHEREAS**, the DDF board has approved awarding of up to \$6 million in NMTC allocation to Interfaith Family Services for improvements to its facilities located at 5600 Ross Avenue.

Now, Therefore,

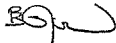
**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**SECTION 1.** That the City Council hereby authorizes a New Markets Tax Credit transaction between the Dallas Development Fund and its subsidiaries, JPMorgan Chase N.A. and its subsidiaries, and Interfaith Family Services, and its affiliates for facility improvements and new construction at 5600 Ross Avenue as further described in **Attachment A**.

**SECTION 2.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY  
CITY COUNCIL

JAN 10 2018

  
Interim City Secretary

**DATE:** November 7, 2017

**SUBJECT:** Interfaith Family Services Family Empowerment Center

**FROM:** City of Dallas Office of Economic Development

## Project Overview

### Project Sponsor: Interfaith Family Services

Interfaith Family Services (“Interfaith”) is a nonprofit dedicated to empowering families in crisis to break the cycle of poverty. Interfaith eliminates barriers that keep families in crisis from achieving stability, equips parents for higher earning potential through career counseling and training, and educates children through tutoring and therapy designed to overcome achievement gaps. These programs currently include transitional housing (25 units), low-interest loans, off-site childcare, financial coaching, group counseling, and other services designed to promote self-sufficiency. Dallas has a significant need for Interfaith’s services, with 68% of children living in low-income families (defined as families earning less than 200% federal poverty level, or \$48,072 for two adults and two children).

Located in East Dallas, Interfaith was founded in 1985 and has grown to serve 87 families annually with its residential programs (100% at or below poverty; 94% headed by single mothers). Parents leaving Interfaith achieve stable employment at a higher wage, acquire permanent housing, and develop savings that are robust enough to protect against future instability. Upon exiting the program, children and youth exhibit grade level improvements in academics, improved self-confidence, and reduced learning gaps resulting from prior instability.

### Project Description

The NMTC Project will extend Interfaith’s services to families who do not live in Interfaith housing through the construction of the Family Empowerment Center, a new facility spanning two adjacent buildings that will bring together programs for Interfaith residents and non-residents as well as greatly expand childcare and youth opportunities. This emphasis on childcare is greatly needed in Dallas County, with the recent Early Matters report showing that 60% of non-working parents cite childcare as one of the top 5 reasons they aren’t participating in the workforce and there is a gap of more than 14,000 childcare slots in Dallas County.

Located on Interfaith’s existing campus, the Adult Education Center, a 20,000 SF 3-story building, will house career development and financial empowerment services, as well as counseling and life skills training. The adjacent 16,080 SF 3-story Childcare and Youth Services Center will include 10 classrooms for early childhood through 6<sup>th</sup> grade programs, dedicated space for teens, a computer lab, and a library.

The Adult Education Center will extend Interfaith’s capacity from 100 to 300 working poor families, while the Childcare and Youth Services Center is expected to serve 600 youth. This includes extended-hours

(nights and weekends) childcare for 150 children up to age 5, as well as year-round after school and summer programs for 450 youth up to age 18. Youth services include play therapy, counseling, academic support, college preparation, and, for teens, financial literacy, college tours, and job training.

The Project is located at 5600 Ross Avenue. Although the Census tract is not NMTC qualified, the Project qualifies as highly distressed using "Targeted Populations" criteria, as at least 60% of the clients are Low-Income (earning less than 80% of the area median family income). The site is located along a DART bus line with access to the Deep Ellum light rail station and is accessible to I-30 and US-75.

Project images are provided in Exhibit 1.

### **Related/Sponsoring Entities**

The NMTC borrower is anticipated to be a newly created nonprofit affiliate of Interfaith, which will improve the Project site. This new affiliate will be a Qualified Active Low-Income Community Business ("QALICB"). Interfaith Family Services is anticipated to be the Leverage Lender and Tenant.

## **Financing Terms**

### **NMTC Allocation**

Up to \$6 million in allocation from Dallas Development Fund ("DDF").

Up to \$3.5 million in additional allocation is expected to be provided by Pacesetter CDE, Inc. ("Pacesetter"), a Community Development Entity based in Fort Worth with a national footprint

### **NMTC Investor**

JPMorgan Chase Bank, N.A. ("Chase")

### **Anticipated Closing Costs and Fees**

DDF will charge upfront fees totaling 4% of the Qualified Equity Investment ("QEI"), estimated at \$240,000. In addition, DDF will charge an annual Asset Management Fee of \$21,000 per year.

DDF will separately secure reimbursement for costs associated with closing this transaction, as well as audit and tax return preparation costs associated with maintaining the financing structure during the 7-year NMTC compliance period.

### **Financing Structure**

As NMTC Equity Investor, Chase is anticipated to provide a total of approximately \$3.19 million in NMTC Equity (\$0.86 pricing) to support the \$9.5 million in total allocation from DDF and Pacesetter. Interfaith will provide approximately \$6.56 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan will include a combination of Interfaith cash, monetization/recapitalization of recent expenditures, and capital campaign bridge loans totaling \$3.1 million from Chase and the Rees Jones Foundation.

Chase will form a special-purpose investment fund entity and will be responsible for management of this

fund. The equity and leverage debt will be combined to capitalize an investment fund (a subsidiary of Chase), which in turn will make a QEI of up to \$6 million into a subsidiary of Dallas Development Fund ("DDF Sub-CDE") and pay a 2% CDE Fee to DDF. This fund is also anticipated to make a QEI of up to \$3.5 million into a subsidiary of Pacesetter ("Pacesetter Sub-CDE"). In turn, the DDF Sub-CDE will make Qualified Low-Income Community Investment ("QLICI") loans to the QALICB. Pursuant to DDF's Allocation Agreement, DDF will take a fee of 2% of the QEI in order to finance its activities. The total QLICI loans to the QALICB from DDF will be \$5.88 million from DDF Sub-CDE.

Project sources and uses are provided in Exhibit 2.

### Closing Timeline

This Project financing is expected to close in the First Quarter of 2018.

## Community Benefits and Need for Assistance

### Community Benefits

**Increased self-sufficiency, stable employment and permanent housing.** This Project will increase the number of families Interfaith serves annually from 100 to 300. Families receive counseling as well as vocational, financial, and life skills training designed to help adults obtain long-term employment that supports self-sufficiency. Ninety percent of Interfaith residents are employed at exit, with average wages of \$13.51 per hour (nearly 1.9x the minimum wage). Upon exiting Interfaith housing, 72% of participants have created savings safety nets (average savings of \$1,621) and 62% reduced debt (average debt reduction of \$1,167). In 2017, 100% of the 2016 Interfaith graduates and 97% of the 2015 graduates were still employed. Additionally, in 2016, 89% of the 2014 graduates were living without rental subsidies.

**Expanded childcare and youth programming.** The Project will increase the number of youth Interfaith serves annually from 200 to 600. This will include extended-hours childcare on nights and weekends (an offering critical to low-income families) for 150 children up to age 5. In addition, 450 children ages 5 to 18 will have access to year-round after school and summer programs. These programs include a licensed play therapist, an assessment coordinator, and volunteer tutors, serving kindergarten through high school students. Seventy percent of the participants have improved by an average of at least two grade levels in reading and math. Within two years of leaving Interfaith, 95% of students have maintained average grades of B or better, and 90% have had no tardiness, detentions, or suspensions.

**Created and retained jobs at Project.** The Project is anticipated to retain 17 permanent full-time and 6 permanent part-time positions, and to create 12 permanent full-time and 7 permanent part-time positions with base wages starting at over \$16 per hour. Approximately 90% of current Interfaith's employees are City of Dallas residents. All full-time positions are eligible for benefits.

### Need For NMTC Assistance

But for DDF's NMTC financing, Interfaith would have to delay the project significantly and/or reduce the size of the project. The bulk of the funding for the project has come from a \$10MM capital campaign that was launched in Fall 2015 for a \$10MM project. By early Fall 2017, Interfaith was approximately

\$8.2MM into its capital campaign, leaving a fundraising gap of \$1.8MM on the \$10MM original capital campaign goal. However, during the two years since the launch of the capital campaign, construction pricing increased significantly, causing the total budget to swell to nearly \$11.5MM as construction bids were finalized. Interfaith evaluated different options to address the increased budget and the resulting financing gap, including reducing the project scope, borrowing more conventional debt that would be paid back by future pledges, and significantly delaying the project. Because of the availability of NMTC, Interfaith is able to pursue the project with only minimal cuts to the project budget and in largely the same timeframe.

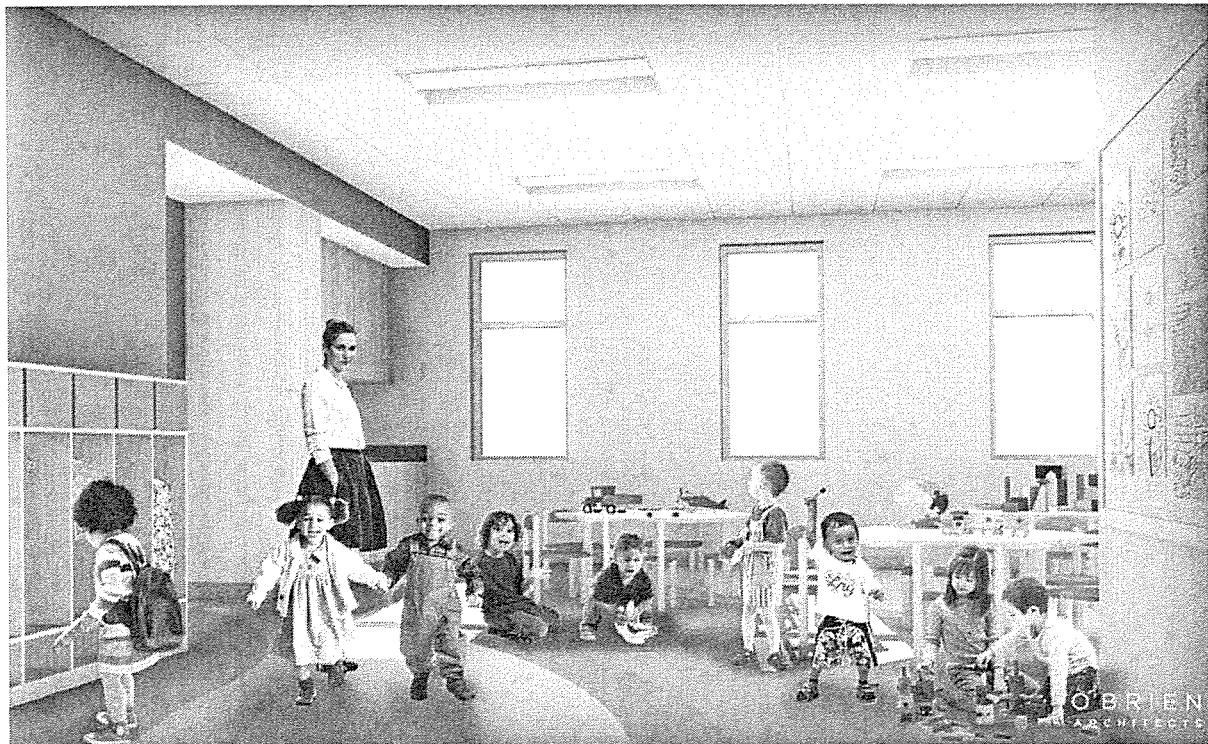
**Exhibit 1: Project Images**



*New Facility Rendering*



*Career Services Rendering*



*Toddler Classroom Rendering*



**Exhibit 2: Proposed Project Sources and Uses (preliminary)**

<b>Sources</b>		<b>Uses</b>	
DDF "B Note"	\$1,772,400	Land Acquisition	\$1,468,713
Pacesetter "B Note"	\$928,900	Hard cost (2 buildings)	\$7,500,000
Land Acquisition	\$1,468,713	Hope Building Renovation	\$75,000
Prior Costs	\$632,085	FF&E (outside of NMTC budget)	\$0
Interfaith Cash	\$3,126,225	Soft Cost (Arch & Eng & Project mgmt)	\$625,000
Rees Jones Bridge Loan	\$2,100,000	Contingency (5% hard cost)	\$375,000
Chase Loan	\$1,000,000	<u>Capital Campaign expenses (Not in NMTC Budget)</u>	<u>\$112,810</u>
		NMTC costs:	
		NMTC Closing Costs	\$350,000
		Title Costs	\$50,000
		DDF Asset Management Reserved	\$147,000
		DDF Audit/Tax (8 years) Reserved	\$84,000
		DDF Audit/Tax (Year 1)	\$12,000
		Pacesetter At close fee (1%)	\$35,000
		Pacesetter Audit/Tax (8 years) Reserved	\$100,000
		Construction Period Interest (est.)	\$93,800
<b>Total</b>	<b>\$11,028,323</b>	<b>Total</b>	<b>\$11,028,323</b>