



Roadmap Report: Lake City, SC

*Prepared for:
City of Lake City*

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Overview

Lake City is located in Florence County, South Carolina, approximately 60 miles from the Atlantic coastline. Lake City is a historic Southern small community with a rich economic and cultural history. Its Main Street is filled with local shops, restaurants, and hotels. It has a vibrant art scene filled with public art murals, sculptures, and art galleries. Several cultural activities are taking place on this charming land, including the South's most engaging art competition and festival known as ArtFields, which attracts thousands of visitors each year.

Lake City suffers from stagnant economic growth, high crime rates, high poverty, and high levels of obesity. Recent data have shown that the violent crime grade in Lake City is F, and the property crime grade is C-. The overall crime grade is D+. On average, a crime occurs every 16 hours and 30 minutes in Lake City¹. The prevalence of poverty and the lack of youth activities can be contributing factors to higher levels of crime. Poor health also dominates Lake City. Data from 2021 indicated that 31.2% of adults over 20 years of age in Florence County have no leisure time or physical activity. Among 46 counties in South Carolina, Florence County ranks 29 as the state's least healthy counties based on how long people live and how healthy they feel².

To address these issues, the city planned to retrofit a former technical college into a community center. This center will serve as a hub for public and private use with a focus on youth activities and programming. The project is strongly supported by Lake City residents. Through a community engagement process, the citizens of Lake City have expressed a great desire for youth facilities and programming, as well as an affordable, accessible space for community gatherings. Prior to CDFA's engagement with the city, approximately \$3.5 million of penny tax funds had been allocated to the cost of the project. With the help of the state grant, the renovation of the existing building is underway and is expected to be completed by the end of 2023. Currently, the city is in need of funding for the multi-purpose center, an adjacent building to the current one, that will be used for community events, cultural activities, and large community meetings. It also has incorporated health screenings and emergency shelters into the building. As a \$5 million project, the city is exclusively seeking grant funds instead of financing opportunities due to the city's capability of undertaking additional debt. A 2022 Audit has cited that the city's debt capacity is only \$40,000.

In 2021, CDFA selected Lake City as one of the communities across the nation to participate in the CDFA-USDA Community Facilities Technical Assistance Program, which brings dedicated technical assistance to the region to better understand how USDA financing programs, and particularly the USDA Community Facilities Program, can be used with other development finance tools to meet community goals. As part of this effort, CDFA visited the region, toured several sites, and conducted a series of interviews with the mayor, city staff, and stakeholders. CDFA staff also held an educational workshop to teach development finance concepts.

¹ [Lake City, SC Violent Crime Rates and Maps](#)

² [Pee Dee Region Community Health Needs Assessment Report](#)

USDA Community Facilities Programs

To ensure rural communities in the U.S. enjoy the same quality of life and services as those in urban areas, [USDA Community Facilities Programs](#) offer a variety of support in the form of direct loans, grants, and loan guarantees to help rural communities develop and improve essential public facilities and services.

Community Facilities Direct Loans & Grants

The USDA Community Facilities Program offers affordable funding via direct loans and grants to develop or improve facilities that provide essential public services to communities across rural America. Eligible communities must be located in a rural area, such as cities, villages, townships, and towns with no more than 20,000 residents, with priority given to small communities with a population of 5,500 or less and low-income communities having a median household income below 80% of the state nonmetropolitan median household income. The low-interest loan program has several requirements that will need to be met, including how the funds may be used and the terms of the loan. The loan terms include no pre-payment penalties, a fixed interest rate, and the loan repayment terms may not be longer than the useful life of the facility. The USDA Community Facilities Program is an optimal financing choice for Lake City to consider since its interest rates are fixed for the entire term of the loan. The interest is determined by the median household income of the service area and the population of the community, and there are no pre-payment penalties. The low-interest rate makes this loan an affordable and tangible financing option.

The grant program operates on a graduated scale with smaller communities with the lowest median household income being eligible for projects with a higher portion of grant funds. Lake City qualifies for a grant approval maximum of 55% since the community has a population of less than 12,000 and the median household income of the service area is below the poverty line.

Community Facilities Guaranteed Loan Program

In addition to seeking loans and grants from USDA, USDA also offers Community Facilities Loan Guarantees to eligible lenders. This program provides loan guarantees for developing essential community facilities in rural areas with populations of 50,000 residents or less. Lenders with legal authority and financial strength can apply for this program, such as credit unions, federal and state-chartered banks, and savings banks. Eligible borrowers include public bodies, Indian tribes on federal and state reservations, federally-recognized tribes, and non-profit organizations. This loan guarantee fund can be used for essential community facilities, such as community, public, or cultural facilities or services. The maximum guaranteed loan amount is \$100 million and the loan term will not exceed 40 years. A certain amount of fees will be applied, such as an initial guarantee fee, a guarantee retention fee, and reasonable and customary fees.

A loan guarantee works as a kind of insurance by providing lenders with the necessary security. As they are designed to help lenders reduce risks on the loans they make to borrowers, they could increase the city's access to capital. With the help of loan guarantees, it is more likely for the city to secure loans with better loan rates and terms.

Private Foundation Grants

The primary goal of Lake City is to explore funding avenues that will contribute to the construction of the community center. In response, CDFA has pinpointed potential grants offered by diverse private organizations that could serve as sources of funding.

Cultural and Community Resilience

[The Cultural and Community Resilience Program](#) (CCR program) is under the National Endowment for the Humanities (NEH) Division of Preservation and Access. To support community-based efforts to mitigate climate change and COVID-19 impacts, the program prioritizes projects in disadvantaged communities. State and local governments are eligible applicants. The Maximum award amount is \$150,000. Even though the application deadline for 2023 has passed, the next application is anticipated to be available on February 21, 2024. Since this program prioritizes projects from disadvantaged communities in the U.S., Lake City can utilize the [Climate and Economic Justice Screening Tool](#) to demonstrate if and how your community is disadvantaged. To apply, several documents should be prepared, including the project narrative, work plan, project site, location form, research and related budget, and attachments form.

W.K. Kellogg Foundation

[The Kellogg Foundation](#) puts children at the heart of everything and is committed to ensuring all children, families, and communities have opportunities to reach their full potential. Three interconnected priorities include thriving children, working families, and equitable communities. To apply, Lake City should demonstrate how the Community Center project aligns with the Foundation's three priorities. Even though the Foundation has identified four states as priority places for investment, they provide grants to all 50 states in the U.S.

The Annie E. Casey Foundation (AECF)

[AECF](#) is a private philanthropy serving hundreds of communities nationwide, including South Carolina. They aim to build a brighter future for millions of children, youth, and young adults. They support projects in child welfare, community change, and economic opportunity. They make grants that help federal agencies, states, counties, cities, and neighborhoods develop innovative responses to poverty and family issues among children and youth. Depending on the kind of youth program Lake City intends to incorporate, this could be a potential funding source.

The Beaumont Foundation

[The Beaumont Foundation](#) is "dedicated to enriching the lives and enhancing the futures of less fortunate children and youth, families, and the elderly with a focus on improving education, health care, and social services." The Foundation has committed to bridging the Digital Divide, promoting education opportunities for qualified young adults, promoting healthcare and cancer treatment, and providing assistance to struggling families due to natural disasters and pandemics. Currently, the Foundation has programs including Children & Youth, Education, Healthcare, Social Services, and Children & Spouses of Fallen Heroes. Lake City should explore these funding areas since they may be a good fit for the community facility project.

Financing Opportunities

Exploring financial support from both governmental and private sources is a commendable approach to bolstering community facility projects, particularly with an aim to minimize project costs. However, it's crucial to acknowledge that funding availability might not always align with project timelines and might not cover the entire project costs. In addition, federal grants are often subject to intense competition and public scrutiny. Therefore, in addition to seeking grants, Lake City should still consider available financing options. This strategy can expedite project progress and facilitate risk allocation. The subsequent financing alternative is advisable.

New Markets Tax Credit

New Markets Tax Credit (NMTC) was created in the Community Renewal Tax Relief Act of 2000 with the goal to incentivize private sector investment capital into low-income communities (LICs). For the purpose of the NMTC program, LICs are census tracts where either: (1) at least 20% of the population has an income below the federal poverty level; or (2) the median family income does not exceed 80% of the statewide or metropolitan area median family income. The Center is eligible for NMTC since it is located in a census tract with a poverty rate greater than 30% and the total development costs are more than \$5 million. Moreover, this project will provide benefits to the local community by generating economic activities and providing social services.

The Community Development Financial Institutions (CDFI) Fund co-administers the NMTC Program with the Internal Revenue Service (IRS). The CDFI Fund allocates NMTCs to Community Development Entities (CDEs). CDE is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities. The CDE then leverages the allocation of NMTCs to raise equity from investors. An investor receives a federal income tax credit equal to 39% of a Qualified Equity Investment (QEI) made into a CDE which is then invested in a targeted low-income community. The QEI must remain invested in the CDE during the 7-year tax credit period from the date the investment was initially made. NMTC investments may include loans to businesses, commercial, grocery stores, industrial, and/or retail developments, and developing for-sale housing.

Every successful NMTC project should have an involvement of CDEs. They can effectively and collaboratively lead all parties to structure and close NMTC transactions. To tap the right practitioners, the city can engage CDEs like [The Innovate Fund](#) and [The Reinvestment Fund](#) and CDFIs such as the [South Carolina Community Loan Fund](#) (SCCLF) and [CommunityWorks](#).

Bonds

A bond is a loan and often issued by authorized public or quasi-public units of government. The proceeds are typically made available to finance the costs of a capital project. There are two categories of tax-exempt bonds: General Obligation Bonds (GOs) and Revenue Bonds. GOs are bonds backed by the full faith and credit of the issuing entity, generally tax revenues, and are often used to finance public purposes, such as highways, schools, bridges, sewers, jails, parks, and government buildings. Private entities may not significantly use, operate, control, or own the facilities that are being financed by GOs. By contrast, Revenue Bonds are issued for income-

producing projects with the pledge that the debt will be repaid by the revenues generated from the project's operations.

Bonds can generally be issued for two main purposes: Government Bonds are issued for projects that serve a public purpose, while Private Activity Bonds (PABs) can be issued to finance projects that benefit private entities. Government Bonds and Qualified PABs are both tax-exempt bonds, meaning the interest that accrues to the investor is exempt from federal taxation. The tax-exempt nature of bonds makes them a highly sought out investment security. Qualified PABs range in type of projects, including airports, universities, affordable rental housing, hospitals, small and mid sized manufacturers, first-time farmers, and nonprofits.

Lake City could consider issuing tax-exempt bonds to finance the community center. To show creditworthiness, it is essential for the city to gain a bond rating for the city and/or the project from a rating agency such as Moody's Investors Service, Standard & Poors, and Fitch Ratings. The city may also hire financial advisors such as investment banks or underwriters who help in structuring the bond issuance, determining the appropriate terms, and guiding the government through the process. To repay the debt, the city could consider using the tax revenues or any revenues generated from operating the community center, such as those brought in from renting the space as an event venue. If it is a property tax-paid bond, the city would likely take the issue to the voters for final approval. If it is an income tax-paid bond, the city may not need to engage voters.

Case Studies

Case studies provide insights into how similar communities have successfully financed their community facilities projects. These studies delve into comprehensive accounts of the secured financing amounts, the array of financing tools deployed, and the varied partnerships engaged in the projects.

Regional Wellness Center

The Jasper Common Council in Indiana has taken significant measures to secure funding for the planned \$37 million Regional Wellness Center (“the Center”). This project was identified through the Hoosier Enduring Legacy Plans (HELP) in collaboration with the Office of Community and Rural Affairs.

HELP, being the primary funding source for the Center, is a year-long program that offers guidance for communities in spending allotments of Coronavirus Local Fiscal Recovery Funds, which was created under the American Rescue Plan Act (ARPA). Jasper dedicated 30% of its ARPA funding, amounting to \$1,067,010, while the county contributed \$2,490,290. The second primary funding source is the one percent Food and Beverage Tax. This new tax would add one percent to sales of food and beverages through restaurants, caterers, and delis that prepare foods for 22 years and will be used to fund the development, construction, and implementation of the Center. In addition, the city will launch a capital fundraising campaign, issue a bond, and seek a Regional Economic Acceleration and Development Initiative READI grant through Indiana Economic Development Corporation to assist in the project.³



³ [Jasper Council Funds Regional Wellness Center](#)

TK Gregg Community Center

The Northside Development Group in Spartanburg, SC, was dedicated to revitalizing the Northside Community and ensuring its residents thrive. In collaboration with the City of Spartanburg, they created a modern community center aimed at fostering positive engagement. The Dr. TK Gregg Community Center is a 46,810 square-foot facility featuring an indoor aquatics center with two pools as well as an indoor basketball gym, fitness center, walking track, and multiple community rooms. This project was completed in 2020 and the opening in 2021 was delayed by the pandemic.⁴

SCCLF, partnered with The Innovate Fund, provided a \$10 million allocation of New Market Tax Credit, with Capital One being the investor. Financing for this \$16 million project also includes hospitality tax funds. According to Assistant City Manager Chris Story. The project was allotted \$171,429 of hospitality tax revenue in the city budget⁵. Financing for the new facility also includes issuing bonds covered by future City Hospitality Tax revenue.



⁴ [TK Gregg Community Center](#)

⁵ [What's next for the new T.K. Gregg Community Center?](#)

Additional Resources

- USDA Community Facilities Programs: [Community Facilities Programs | Rural Development \(usda.gov\)](#)
- [Financing Community Facilities: A Case Study of The Parks and Recreational General Obligation Bond Measure of San Jose, California](#)

Additional Contacts

- South Carolina Association for Community Economic Development: Bernie Mazyck, President & CEO, www.scaced.org, 843-579-9855
- Reinvestment Fund: Reema Fakhri, Senior Director, New Market Tax Credit, Reema.Fakhri@reinvestment.com
- South Carolina USDA Rural Development: Michele J. Cardwell, Community Programs Director, Michele.Cardwell@usda.gov, 803-253-3645

Acknowledgments

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