



CDFA-TEDC Webinar: Financing for Underserved Communities

Welcome

The webinar will begin at 10:30 AM (Central)

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TEXAS ECONOMIC DEVELOPMENT COUNCIL



CDFA-TEDC Webinar: Financing for Underserved Communities

Audience Questions



Fawn Zimmerman

Director, Research & Technical Assistance
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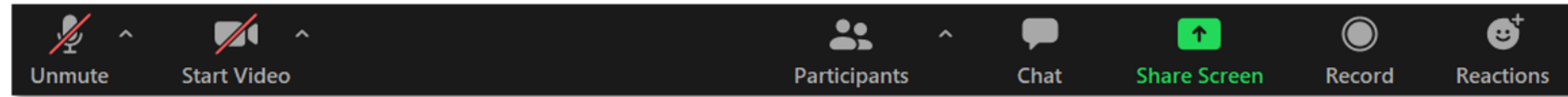
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Sue Housel

Economic Development District Manager
City of Dallas



Amanda Sanchez

Director of Education & West Coast Region
Raza Development Fund, Inc



Jennifer Kirkley

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CohnReznick LLP



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Now Speaking

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The logo for the Texas Economic Development Council (TEDC) consists of the letters "T", "E", "D", and "C" in white, each inside a colored square (blue, red, orange, blue). Below the squares, the text "TEXAS ECONOMIC DEVELOPMENT COUNCIL" is written in a small, red, sans-serif font.

TEXAS ECONOMIC DEVELOPMENT COUNCIL



Sue Hounsel

Economic Development District Manager
City of Dallas

City of Dallas TIF Overview & Affordable Housing Case Studies

CDFA – Financing Underserved Communities
June 26, 2023



Sue Hounsel, Manager
Office of Economic Development
City of Dallas



Presentation Overview

- An overview of Texas procedures for TIF Districts
- City of Dallas TIF program and creation of proactive policy
- A case studies using TIF funding to facilitate affordable housing



Texas procedures for TIF Districts

- State enabling legislation varies across the country in terms of TIF criteria and legal requirements.
- Chapter 311 of the Texas Tax Code (“the Act”) is the governing statute for tax increment reinvestment zones (TIRZ) or more commonly known as TIF districts in Texas.
- The Act has evolved in terms of more streamlined procedures and flexibility for taxing jurisdiction participation. The Texas legislature meets every odd year and often amends the Act each session.
- Similar to other states, there needs to be a finding that the area of a proposed TIF district substantially arrests or impairs the sound growth of the City, retards the provision of housing, or constitutes an economic or social liability.



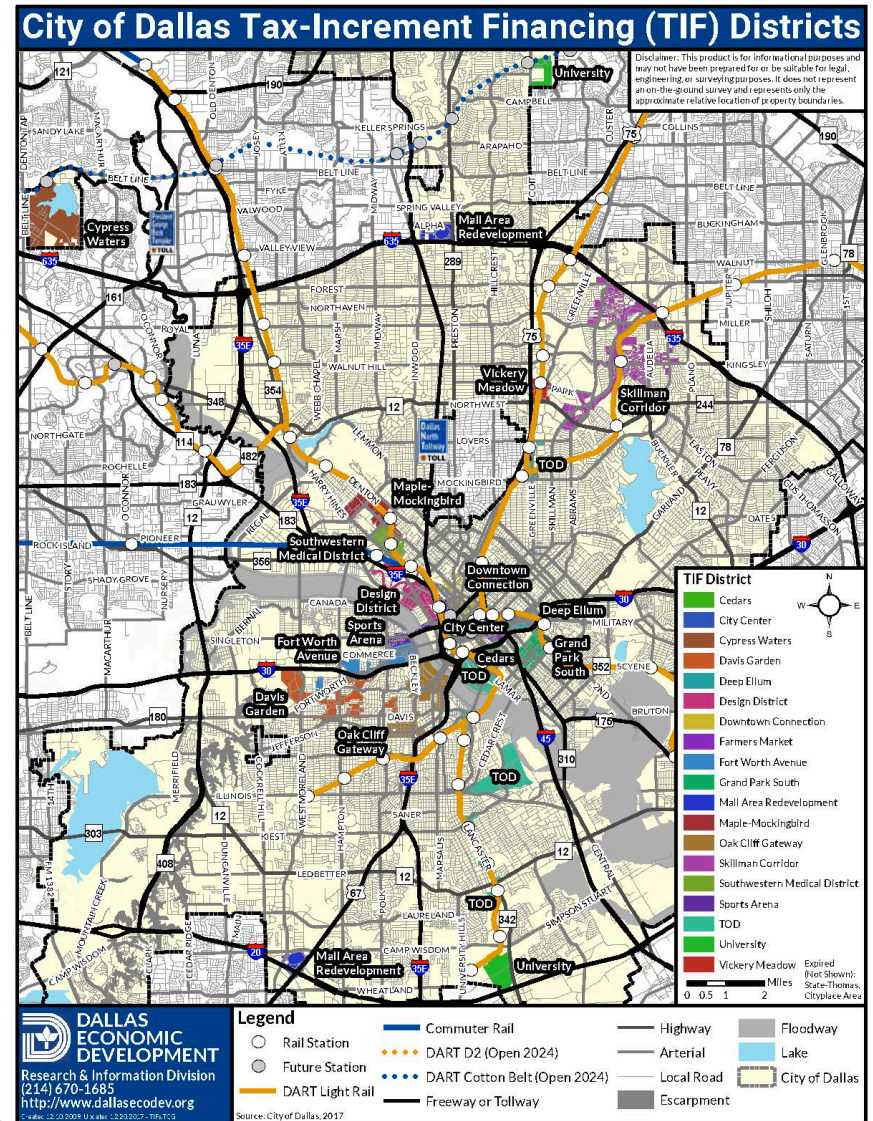
Texas procedures for TIF Districts con't

- The Act outlines basic criteria for:
 - ✓ Creation of a TIF district including a preliminary plan and public hearing/notice requirements.
 - ✓ Provisions for taxing entity financial participation in the TIF are detailed and participation levels are now completely negotiable.
 - ✓ TIF Board of Directors composition which is now limited to appointees from the City that designated the TIF and taxing jurisdictions that commit to contributing some portion of tax increment to the district.
 - ✓ Procedures for the final TIF Plan and increment collection.
 - ✓ Annual financial reporting to the other taxing entities and the state comptroller.



Dallas - TIF Districts

- The City of Dallas has been in the Tax Increment Financing (TIF) business since 1988.
- As of 2022, there are 19 active TIF Districts (the first two districts State-Thomas and Cityplace have sunset).
- As of 2022, overall property values have grown 582% (\$20.7 billion) cumulatively over the total of the base values for the districts.



Dallas - TIF Districts continued

- Most Dallas TIF Districts are ‘pay as you go.’ Developers fund projects and are reimbursed out of a portion of incremental property taxes collected
- Only two TIF Districts have sold TIF bonds – Cityplace Area (after a healthy income stream was established) and Downtown Connection (at inception – enhanced by City General Fund)
- Sales tax revenue is not included in Dallas TIFs
- In order to make projects feasible and further neighborhood revitalization, more creative structuring and layering of other sources is often needed.



How is TIF Policy Shaped?

- Along with the evolution of the Texas TIF Act over time, the City has initiated additional policies and guidelines:
 - Formal broad policy – adopted by City Council in February 2005 and amended in 2009, 2015, and 2022. The latest amendment includes a greater focus on providing equity to underserved areas.
 - Additional working policies/guidelines - staff level and/or TIF Board adopted focused on implementation such as guidelines for leasing/compliance reporting for mixed-income housing requirements.



Gateway Oak Cliff Mixed-Income Housing Project

- The Gateway Oak Cliff Project is located at 400 South Beckley Avenue in the Oak Cliff Gateway TIF District
- The site was previously occupied by the Dallas County Government Center in aging facilities (*photos on right*). Dallas County opted to build a new facility a short distance away along Jefferson Boulevard.
- Rather than sell the property to the highest bidder, the County saw the need for affordable housing in an area experiencing gentrification and sought to partner with a non-profit to build new mixed-income housing on the site.



Gateway Oak Cliff Mixed-Income Housing Project

- Developer: Gateway Oak Cliff, LP, a Texas limited partnership, with equity investment in the form of 4% Low Income Housing Tax Credits (LIHTC) from National Equity Fund
- Project Summary:
 - 230 apartments, of which 184 apartments (80%) rent restricted for households earning a maximum of 60% AMI
 - Total Project cost estimated at \$45.9 million
- TIF funding authorized up to \$4,245,432 payable upon completion of the Project and satisfaction of all terms and conditions in the development agreement.



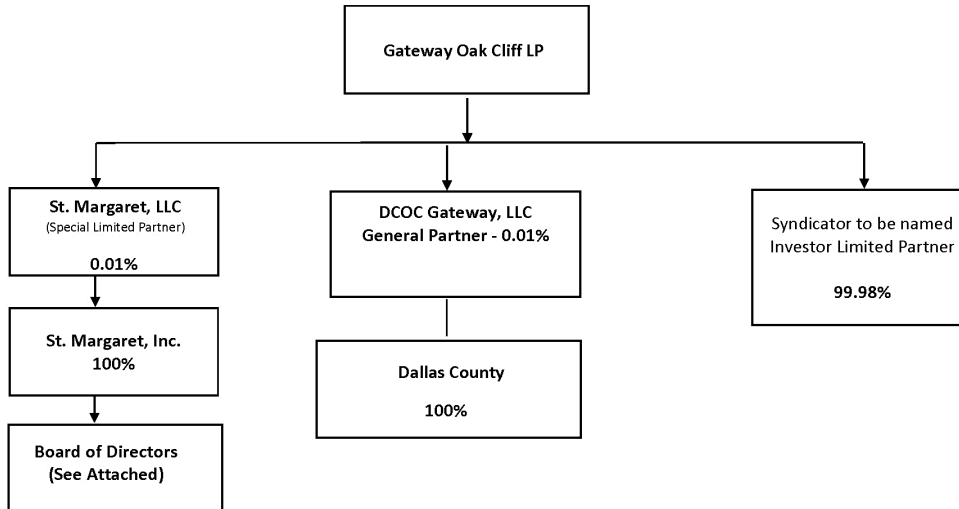
Gateway Oak Cliff Mixed-Income Housing Project

- Part of the Project's financial gap addressed by the TIF subsidy related to creating a higher standard of urban design and public amenities:
 - Preservation of as many substantial trees as possible on the perimeter of the site and inside the future courtyard.
 - Architectural massing and façade design to better fit the development into the existing neighborhood context
 - Create a more urban experience on 12th Street and a more pedestrian-friendly alley
 - Explore low-impact development techniques as a part of on-site stormwater
 - Provide direct access to ground-level units from public streets (popular with dog owners and provides more “eyes on the street” for public safety).



Gateway Oak Cliff Mixed-Income Housing Project

Gateway Oak Cliff
Organizational Chart for
Owner



Senior Lender: Citi Community Capital
 Construction Lender: Citi Community Capital
 LIHTC Syndicator: National Equity Fund

- Limited Partners/Owners
 - 0.01% owned by DCOC Gateway, LLC (General Partner or GP)
 - 100% by Dallas County Housing Finance Corp
 - 0.01% owned by St. Margaret, LLC (Special Limited Partner)
 - 100% by St. Margaret, Inc. (non-profit corporation)
 - 99.98% owned by a to be formed investor Limited Partner
 - National Equity Fund is the syndicator

Co-Developers:

65% - Carleton Development, Ltd. (Carleton)

35% - St. Margaret, LLC



Gateway Oak Cliff Mixed-Income Housing Project

Staff, in consultation with the City's outside underwriter, structured the TIF Subsidy to balance the uncertainty created by potential higher construction costs and the increased cost of permanent debt with requiring the Developer to maximize non-City resources in filling the gap

- defers 35% of the developer fee to be used as project financing so that there is capacity to direct the remainder towards construction contingency, if needed



Permanent Sources	Amount	Percent
Permanent Loan (Citi Community Capital)	\$24,300,000	53%
3rd Party Equity as 4% LIHTC (National Equity Fund)	\$15,623,419	34%
Deferred Developer Fee	\$1,800,000	4%
City (Oak Cliff Gateway TIF Funds)	\$4,245,432	9%
Total Uses	\$45,968,851	100%



Gateway Oak Cliff Mixed-Income Housing Project



Carleton Companies

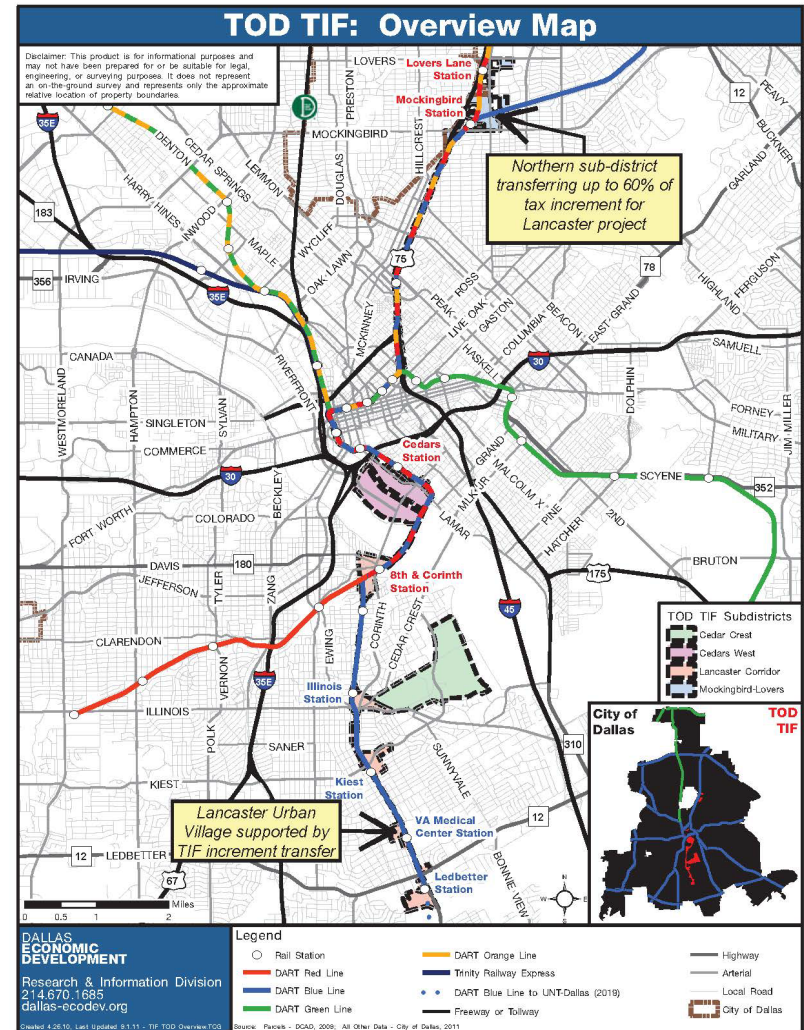
Gateway Oak Cliff

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 Aerial Photography, Inc. 954-568-0484

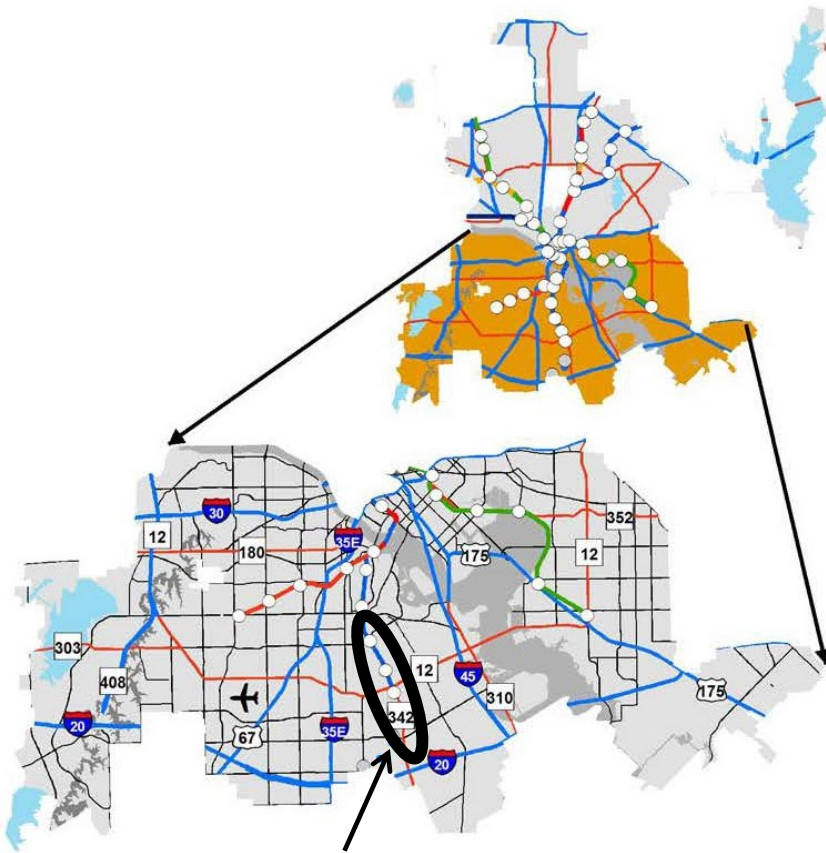


TOD TIF

- Linking DART station areas facilitates tax increment sharing
- District-wide Goals:
 - Improvement of access and connection between DART stations and strategic area including VA Hospital
 - VA Hospital a partner for job creation
 - Add residential density around DART light rail including mixed-income/affordable housing



TOD TIF – Lancaster Subdistrict



Lancaster Corridor

Southern Dallas

- 169 square miles; larger than Boston, Miami, and San Francisco combined
- Mostly low-density residential
- 78% of area is “Highly Distressed”
- 60% of City’s land base, but only 15% of tax base

Lancaster Corridor

- Highest priority within Southern Dallas
- Minimal new investment over last 40 years
- Poverty rate of 41%; Median Income 48% area median

Project Site Conditions

- Underdeveloped at transit stop
- Two rundown motels, body shops, vacant retail
- Need for land assembly



Lancaster Urban Village – Catalyst Project



Before

- Underdeveloped site at transit stop
- Across the street from VA Hospital
- Rundown motels, vacant retail, and auto repair shops

After

- Transit-focused development
- 193 mixed-income housing units
- 14,000 SF of retail

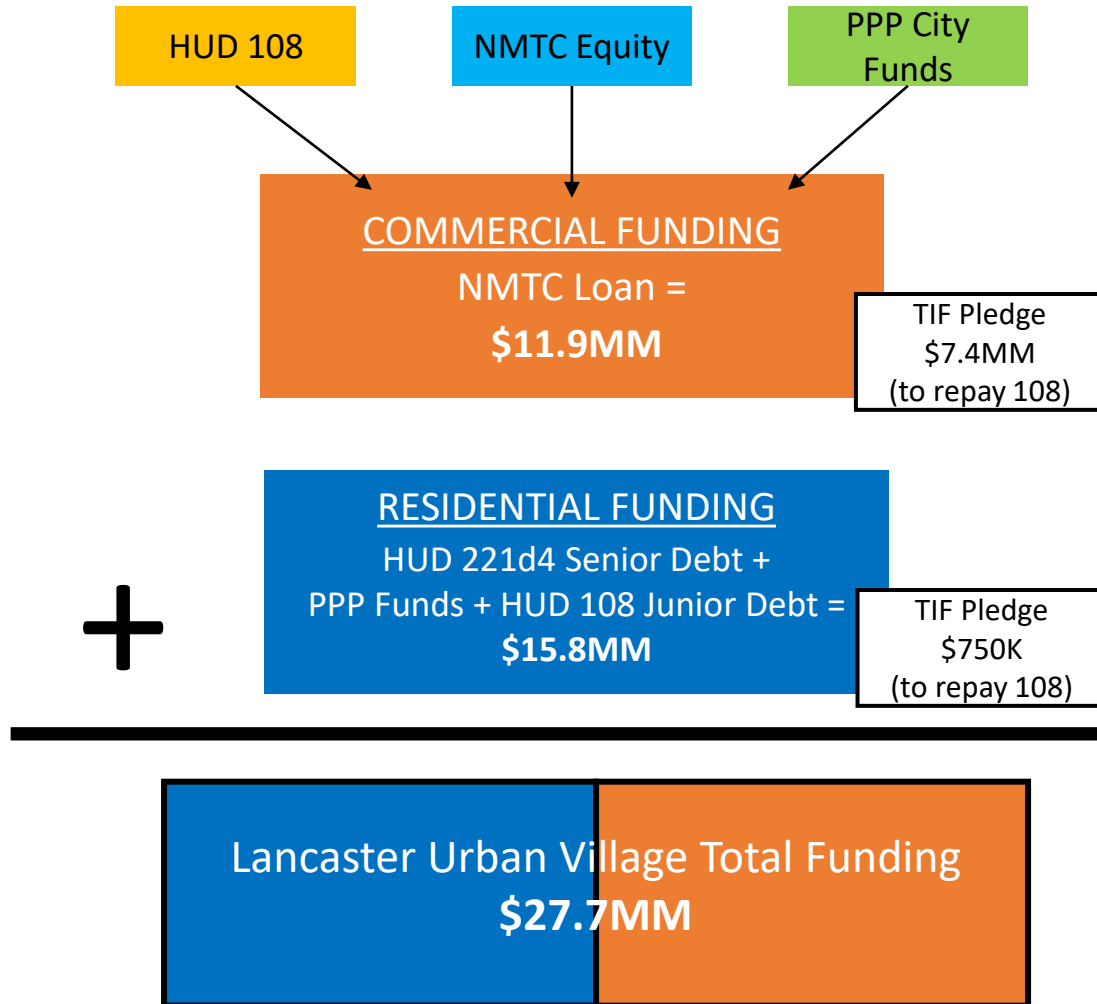


Creative Funding needed with TOD TIF

- Struggling markets like the Lancaster Corridor, TIF funding alone is insufficient to make a project viable. The City of Dallas promotes other potential development funding sources.
 - City of Dallas Economic Development Department
 - New Market Tax Credits
 - Public Improvement Districts
 - Municipal Management Districts
 - EB 5 Program
 - City of Dallas Housing Department
 - CDBG Section 108 Loan Program
 - Housing Finance Corporation assistance
 - City of Dallas General Obligation Bonds
 - Remaining 2006 Funding
 - 2012 Bond Program
 - Historic Tax Credits / Other Tax Credits
 - DART Surplus Property Program
 - NCTCOG Sustainable Development Grants
 - HUD Funding
 - Low Income Housing Tax Credits
 - HUD Financing
 - Funding from other Taxing Entities
 - Dallas County's Capital Improvement Program



Financing Solution – Combine Financing Tools



Contact Information

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For more information on Dallas
economic development programs:

www.dallasecodev.org





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Amanda Sanchez

Direct of Education & West Coast Region
Raza Development Fund, Inc



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DEVELOPMENT
FUND
SERVING AMERICA
A Support Corporation of UnidosUS

Financing for Underserved Communities

June 2023

Contributors:

Amanda Sanchez, Sr. Director of Education & West Coast Region



Self Introduction



Amanda Sanchez
Sr. Director of Education and West Coast Region

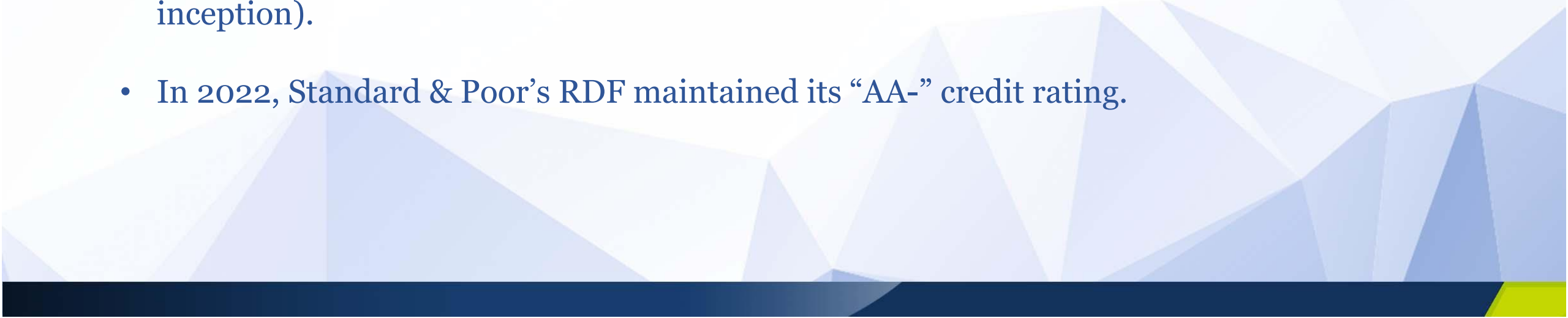
Financing for Underserved Communities





Raza Development Fund, Inc

A Support Corporation of UnidosUS

- A large, national 501 (c)(3), nonprofit, Community Development Financial Institution (“CDFI”) formed in 1999.
 - Directly invested more than \$1 billion across 38 states, leveraging \$6 billion.
 - As of September 30, 2022, RDF had approximately \$296 million in total assets under management.
 - RDF’s cumulative loss experience has been less than 1.00% (0.82% gross losses since inception).
 - In 2022, Standard & Poor’s RDF maintained its “AA-” credit rating.
- 

Our National Community Lending Impact

With a national footprint, Raza Development Fund is positioned to respond to Latino and low-income communities' needs, facilitate project financing, and provide technical assistance that aims at building generational wealth and shared economic prosperity.

RDF makes community development, impact investments to advance its **Education**, **Affordable Housing**, **Healthcare**, **Climate**, **Social Entrepreneurship**, and **Small Business** initiatives.

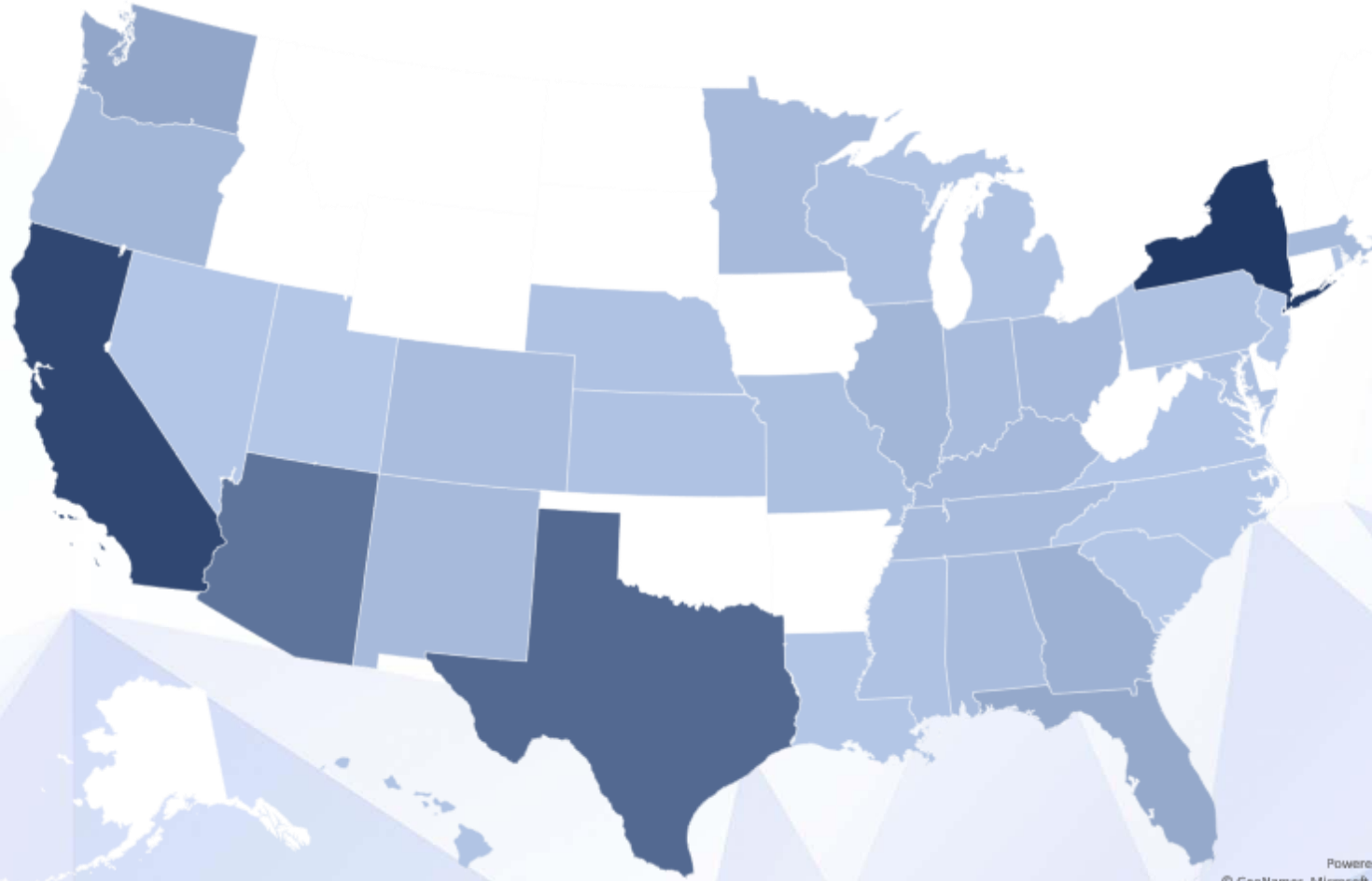
Investment Activity – Over Time

Since inception, we have invested \$1.3 billion in total investments and closing over 1,200 transactions.



Geographic Reach

RDF is headquartered in Phoenix, with satellite offices in New York City, and Seattle, WA, along with remote team members located in Florida, Texas, Indiana, and Tennessee. Our Top-5 Markets (by Capital Invested & Units Delivered) are New York, California, Arizona, Texas & Florida.



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Current Credit Products

By custom tailoring, our flexible financial products, we are able to add value for, and meet the unique needs of, early-stage and more established, socially responsible changemakers as they take on complex, community-based changes.

Pre-Development Loans

Land Acquisition, Construction & Interim Financing

Medium Term & Permanent Fixed Rate Debt

Small Business Loans for Working Capital, Equipment & Growth Capital

Tenant Improvement Financing

Specialty Finance Solutions & Philanthropic Bridge Loans


New Markets Tax Credit Allocation & Leveraged Debt

Bond Guarantee Program – Long Term Financing

Capital Magnet Fund – Gap Loan




Investment Strategy

- Our investment strategy is predicated on an ultra-high touch and value-added approach to supporting Latino and BIPOC owned and controlled organizations that prioritize premium outcomes benefiting low-income communities.
 - RDF's market position as a preferred capital partner enables superior project sourcing capabilities; and our team of impact investment professionals care deeply about the success of our clients. To that end, we bring more than just capital to the table – we make key connections, provide valuable advice, design and lead structured financings, and deliver innovative solutions.
 - Operating as a non-regulated, specialty financing company, our due diligence process is decidedly values-based, fundamental, but forward looking, and we actively embrace complexity to capitalize on differentiated, impact investment opportunities.
- 




What we look for...

- Well-thought out business plans
 - Strong leadership
 - Solid Governance
 - High indications of community engagement
 - Direct financial support
- 



Financing Tools

- Tax-Exempt Bonds – Government Bonds & Private Bonds
 - Tax Increment Finance (“TIF”)
 - Property Assessed Clean Energy (“PACE”)
 - New Markets Tax Credits (“NMTC”)
 - Low Income Housing Tax Credits
 - Historic Tax Credits (“HTC”)
 - Opportunity Zone Funds
 - Loan Guarantee Program
 - Community Facilities Direct Loan Program | U.S. Department of Agriculture Rural Development
 - Community Development Block Grants
- 

SNAP Housing Apartments

- Before the improvements



- After the improvements



The background features a light blue and white geometric pattern of overlapping triangles. In the top-left corner, there is a small dark blue triangle with an orange triangle inside it. At the bottom, there is a dark blue horizontal bar with a small yellow triangle on the right side.

Thank you



Want More Information?

We'll connect you to one of our investment professionals who can provide expert advice on how to structure a solution.



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Jennifer Kirkley

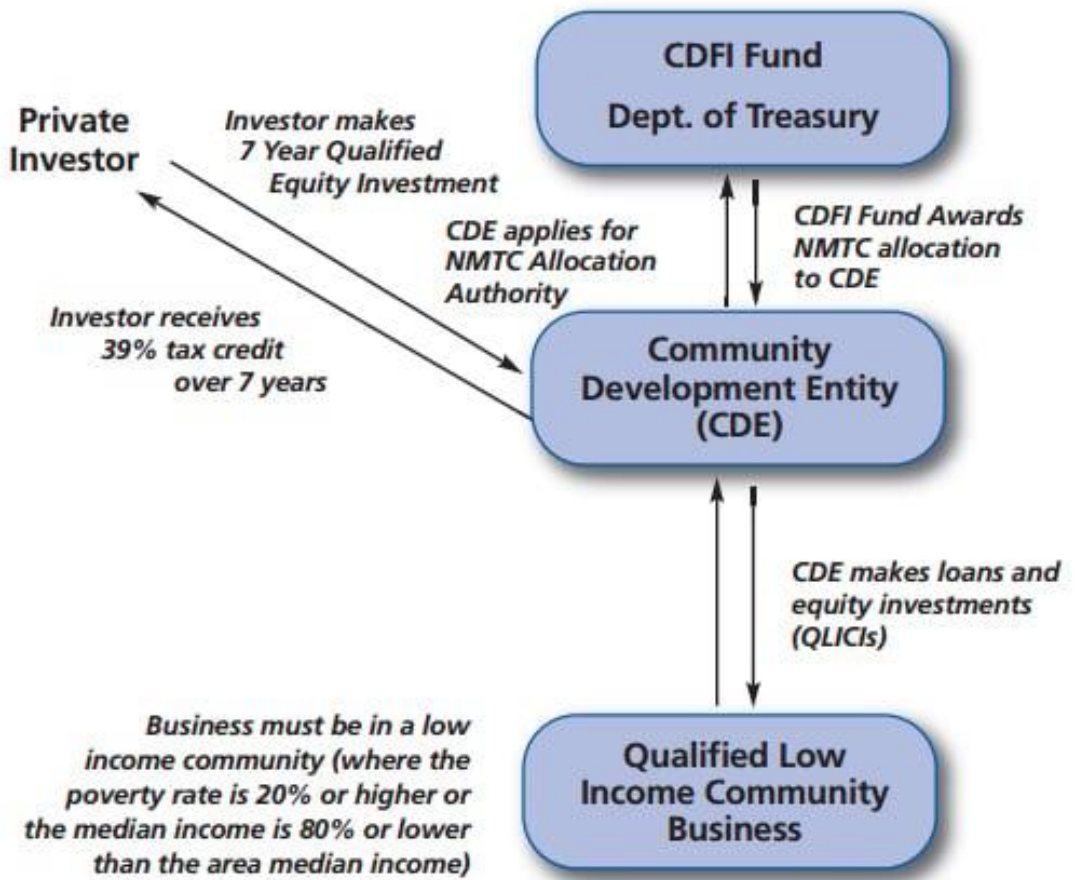
Manager
CohnReznick LLP



Case Study: New Markets Tax Credits

How the New Markets Tax Credit Works

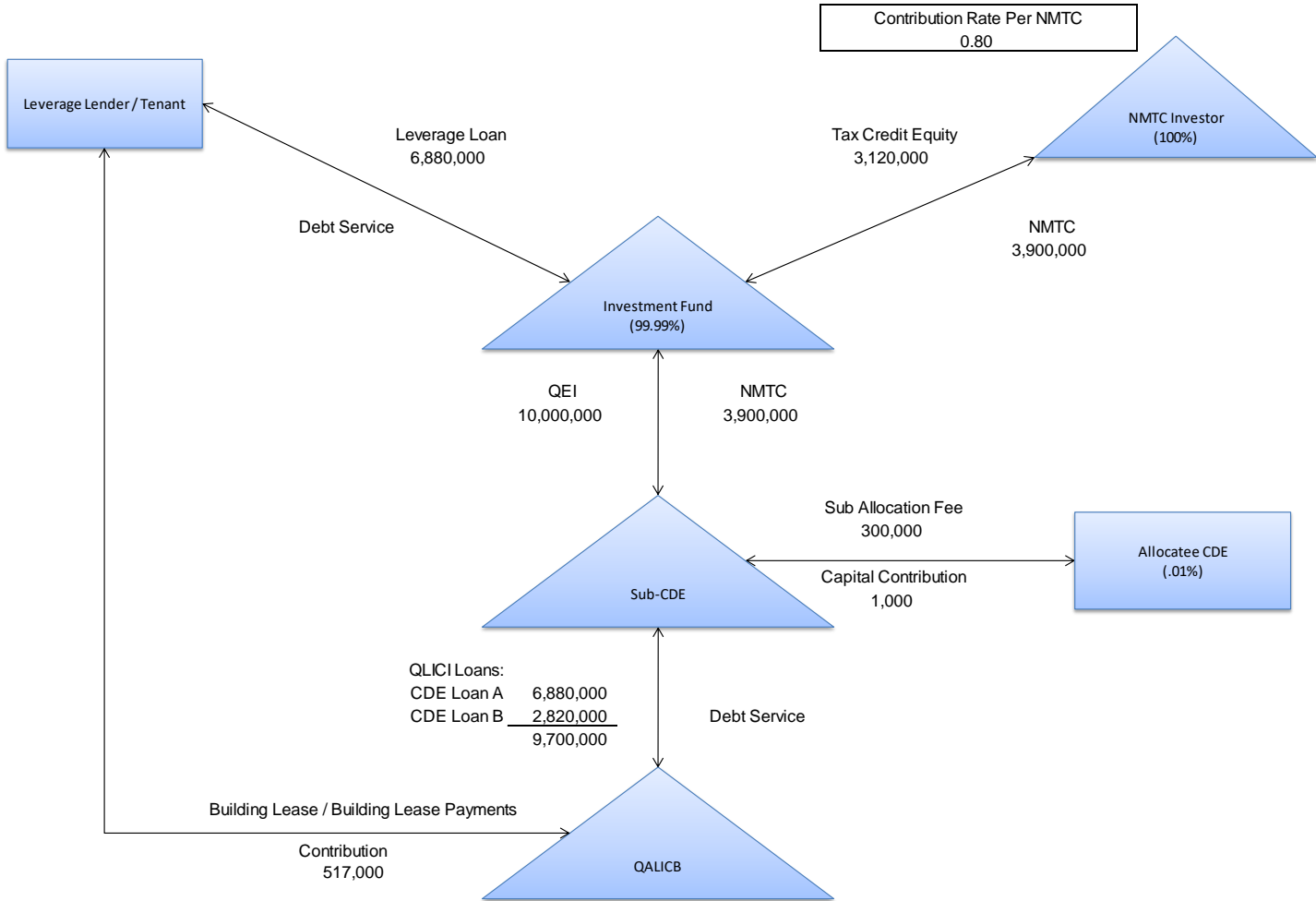
- Not Permanent
- Fixed Amount Each Year
- Award and Cycles
- Severely Distressed
- Community Development
- Job Creation





Sample NMTC Structure

NEW MARKETS DIAGRAM - SUMMARY



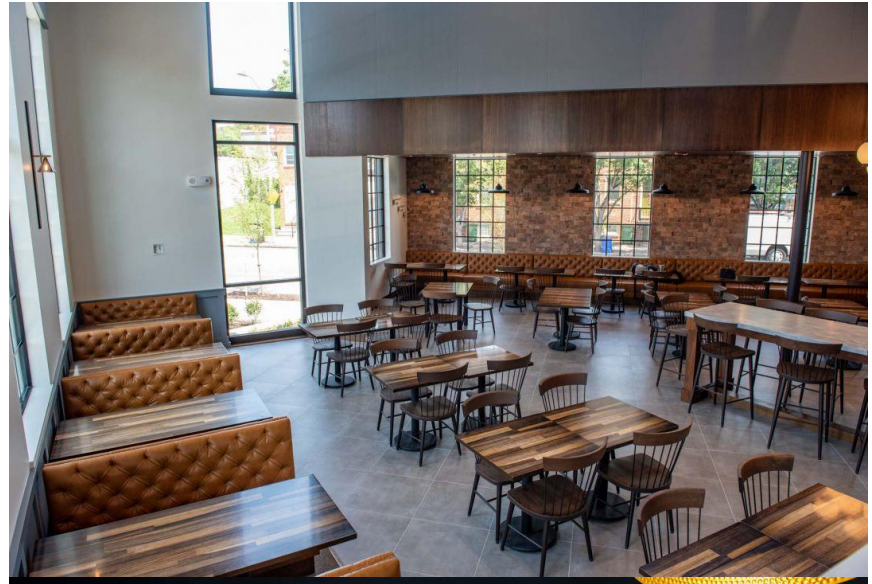


Highly Distressed Low-Income Communities

- Highly distressed LICs are:
 - Poverty of at least 30% of the national average, or
 - Median family income at or below 60% of the area median family income, or
 - Unemployment at least 1.5 times the national average
 - Sample of other options as defined in the Allocation Agreement
 - Federally designated Indian Reservation and similar areas
 - Federally designated medically underserved area
 - Non-metro census tracts
 - Food deserts
 - Opportunity Zones







Meals with Meaning

COMMITMENT

With a goal to 2020 to serve 10,000 meals to students with the goal of meeting community needs and identifying ways to move from service to self-sufficiency for working families.

Groundwork Kitchen, a social enterprise endeavor of Paul's Place is the first of its kind in this area to create and provide jobs to students so more people can afford to live a life of meaning and purpose.

RESTAURANT

With an on-site restaurant, Groundwork Kitchen provides a variety of learning opportunities for students and a variety of options for all ages and levels of Groundwork Kitchen.

SCHOOL

Through a partnership with Paul's Place, students will learn about food, nutrition, and the importance of community service at Paul's Place, and will have opportunities to learn about the community.

COMMUNITY

As part of the community Paul's Place will serve Groundwork Kitchen students and their families. Groundwork Kitchen will provide a variety of learning opportunities for students and a variety of options for all ages and levels of Groundwork Kitchen.

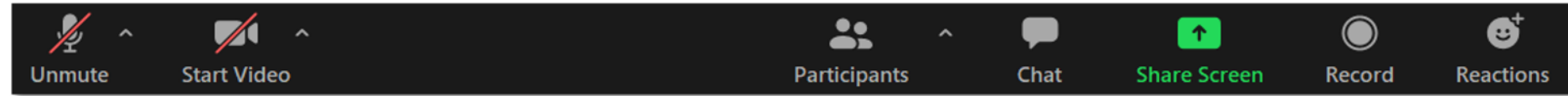
PIGTOWN

www.pigtown.org



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Audience Questions



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Upcoming Events

CDFA Virtual Summer School

August 7-15, 2023 // Daily: 12:00 PM - 5:00 PM Eastern

CDFA Food Systems Finance Webinar Series: Investment Tools & Food Systems

August 29, 2023 // 2:00 PM - 3:30 PM Eastern

2023 Equitable Lending Learning Series: Identifying Your Target Market

September 26, 2023 // 1:00 PM - 4:00 PM Eastern

CDFA National Development Finance Summit

November 8-10, 2023 // Philadelphia, PA

Register online at www.cdfa.net

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