



Legislation Text

File #: 20-2072, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: November 11, 2020
COUNCIL DISTRICT(S): 7
DEPARTMENT: Office of Economic Development
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize a New Markets Tax Credit transaction between the Dallas Development Fund and its subsidiaries, Capital One N.A. and its subsidiaries, and Shelter Ministries of Dallas, and its affiliates for construction of a Austin Street Center homeless shelter located at 1717 Jeffries Street - Financing: No cost consideration to the City

BACKGROUND

On February 11, 2009, City Council authorized the creation of the Dallas Development Fund (DDF), a non-profit Community Development Entity (CDE) by Resolution No. 09-0461 to apply for a New Markets Tax Credit (NMTC) allocation from the U.S. Department of Treasury's Community Development Financial Institutions Fund in its 2009 funding cycle. DDF was awarded \$55 million in the 2017 allocation cycle, and was previously awarded \$130 million in allocation from the 2009, 2012 and 2014 cycles. DDF has closed \$157 million in allocation to date.

The NMTC Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. These investments must be used by the CDE for projects and investments in low-income communities, as defined by the NMTC Program. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period.

On October 8, 2020, DDF considered and approved a NMTC transaction between DDF, Capital One N.A. (Capital One), and Shelter Ministries of Dallas (Sponsor). This NMTC allocation will use up to \$8.5 million of DDF's \$55 million NMTC allocation. Capital One is anticipated to provide a total of approximately \$2.73 million in NMTC equity to support the \$8.5 million in total allocation from DDF. Capital One Community Renewal Fund intends to provide \$2 million in allocation, and PeopleFund NMTC LLC will provide up to \$7 million in allocation for a total allocation amount to the project of \$17.5 million.

Shelter Ministries of Dallas is building a new Austin Street Center (Austin Street), which is a 60,000 square-foot facility that includes 450 shelter beds, 30 medical respite beds, a commercial kitchen, and dedicated spaces for case management and other programming (the "Project"). The Project will replace the existing Austin Street shelter, which is located across the street from the new facility. Incorporating best practices seen in top-performing homeless shelters across the country, the Project will increase bed capacity by 50 beds and strengthen existing supportive service capacity with a focus on improving the health and wellness of the most vulnerable homeless population.

The design of the new facility reflects Austin Street's commitment to providing comprehensive care to clients and expanding capacity to address homelessness in Dallas. The Project will greatly enhance the delivery of services through a number of key features:

- Dedicated spaces for training, counseling, and social interaction, including three new classrooms.
- New dining hall and commercial kitchen, which will improve Austin Street's capacity to provide healthy food options as well as employment training opportunities.
- Increased bathroom and shower capacity for improved hygiene.
- Living space that enhances safety for clients, increases accessibility through wider walkways and steps to top bunks, and creates a more spacious sleeping arrangement with semi-private space for men and women.

The project site is located at 1717 Jeffries Street. The site qualifies as severely distressed based on a poverty rate of 31.4%. Additionally, the project site is located in a Medically Underserved Area, a USDA-Designated Food Desert and a Texas Enterprise Zone.

NMTC is a key funding source to ensure the viability of the Project. Without NMTC, Austin Street would lack the resources to build the Project and would require additional fundraising, resulting in a significant delay in construction, or reduce the scope of the project.

Additional information on the project can be found in Attachment A to the Resolution.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 11, 2009, City Council authorized the creation of the DDF, a non-profit CDE by Resolution No. 09-0461.

On January 13, 2010, City Council authorized the acceptance of the \$55 million NMTC allocation by Resolution No. 10-0210.

The Economic Development Committee was briefed on the DDF and the NMTC Program on January 19, 2010.

The Economic Development Committee was briefed on the DDF and the NMTC Program on September 21, 2015.

On October 8, 2020, the Dallas Development Fund was briefed on the Austin Street Center and approved the transaction.

Information about this item will be provided to the Economic Development Committee on November 2, 2020.

FISCAL INFORMATION

No cost consideration to the City.

OWNER

Shelter Ministries of Dallas

Daniel Roby, Chief Executive Officer