

Memorandum



CITY OF DALLAS

DATE December 1, 2023

Honorable Members of the City Council Economic Development Committee: Tennell
TO Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Adam Bazaldua, Paul
Ridley, Kathy Stewart, Chad West

SUBJECT **Upcoming Agenda Item Regarding a New Markets Tax Credit Transaction for
Park South YMCA**

On January 10, 2024, the City Council will be asked to consider a resolution authorizing a New Markets Tax Credit (NMTC) transaction between the YMCA of Metropolitan Dallas, the Dallas Development Fund (DDF) and Capital One bank for the reconstruction of the Park South YMCA located at 2500 Romine Ave, 75215.

In 2009, the City of Dallas authorized the creation of DDF, a non-profit Community Development Entity (CDE) to apply for NMTC allocation from the U.S. Department of Treasury's Community Development Financial Institutions Fund and to manage awarded NMTC allocations. DDF was most recently awarded \$55 million in the 2021 allocation cycle, and previously has been awarded a total of \$185 million in allocation from the 2009, 2012 and 2014, 2017 cycles. DDF has closed \$191 million in allocation to date, with an additional \$10 million expected to close in December, 2023.

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, and serve as the subsidy to the project in the NMTC transaction. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a 7-year credit allowance period.

On November 14, 2023, DDF considered and approved a NMTC transaction between DDF, Capital One, and YMCA of Metropolitan Dallas (YMCA). This NMTC allocation will use up to \$7 million of DDF's \$55 million NMTC allocation. Texas Mezzanine Fund (TMF) is also providing up to \$11 million in allocation to support the project for a total of \$18 million in NMTC allocation. Capital One is anticipated to provide a total of approximately \$5.7 million in NMTC equity (gross) to support the \$7 million in allocation from DDF and \$11 million in allocation from TMF.

The YMCA of Metropolitan Dallas has been serving local communities with youth development, healthy living, and social responsibility programs for 137 years. Today, the organization serves over 200,000 individuals via 16 branches and over 200 program sites across six counties. To ensure residents of varying incomes can participate in its programs, the YMCA provides more than \$4 million financial assistance annually.

This Project supports the construction of a 41,000-square-foot family YMCA in South Dallas to replace the aging Park South Family YMCA that has provided critical services to the community for over 50 years. The Project includes six classrooms for preschool and after-school care, a full-sized gymnasium, a commercial kitchen and demonstration lunchroom, multipurpose space for programming, a swimming pool, and a cardio and weight floor.

The Project will serve 2,800+ individuals annually (expanding overall capacity by 35%); more than 80% of participants are anticipated to be low-income. The Project takes a holistic, multi-generational approach to providing services ranging from childcare and early learning programs to after school programs and summer camps to wellness programs and classes for adults, including dedicated programs for parents and seniors, as noted below:

- **Childcare and Early Learning.** The Project will provide affordable, high-quality year-round preschool for 175 children annually (creating 45 new seats), addressing a shortage of affordable childcare in the area. The YMCA's early learning programs historically lead to strong outcomes for youth: 91% of Park South YMCA preschool students meet kindergarten readiness standards.
- **Youth Development.** The Project will offer after-school programming to 158 youth annually and summer camps to 282 youth annually. The after-school programming combines tutoring and homework assistance with recreation for elementary school age children, while the teen program provides leadership and life-skills development programs. The project includes dedicated spaces for teens to increase teen engagement and support development.
- **Healthy Living.** The Project will serve all ages with resources to maintain and improve health outcomes. In addition to providing space to exercise independently and hosting group fitness classes, the YMCA will offer chronic disease prevention and management programs, including diabetes prevention and blood pressure self-monitoring programs. The YMCA also will offer cooking classes and access to healthy foods in response to high food insecurity in the community (a USDA-designated food desert), addressing root causes of health disparities. To ensure that community members are safe around water, the YMCA will provide swim instruction.
- **Financial Literacy and Small Business Support.** The Project will offer a financial literacy program in partnership with Comerica Bank. Participants will learn from an array of courses on personal banking, credit, insurance, and estate planning. Through the partnership, small business entrepreneurs will also have free access to office space in Comerica's BusinessHQ resource center and be able to receive business plan development, banking products, and administration support.

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The project site is located at 2500 Romine Avenue in Dallas, TX. The project falls within Census Tract 48113003700, which is NMTC-qualified and considered “severely distressed” per the CDFI fund based on a poverty rate of 31.3%, a median family income 49.8% of AMI, and an unemployment rate that is 2 times the national average.

NMTC funding is a critical source to allow the project to proceed as scheduled. The Park South Family YMCA branch operates at an operating deficit, so the Project cannot support any traditional debt. Without the proceeds resulting from DDF’s NMTC allocation, the YMCA would be forced to delay the project to search for alternative funding sources, deferring the delivery of much-needed childcare and health and wellness services for low-income families in South Dallas.

Should you have any questions, please contact Robin Bentley, Director, Office of Economic Development, at robin.bentley@dallas.gov or 214.670.1685.



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