

Memorandum



CITY OF DALLAS

DATE February 5, 2024

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 the
Resource Center Medical Campus located at 2603 Inwood Road**

On February 28, 2024, the City Council will be asked to consider a resolution authorizing a New Markets Tax Credit (NMTC) transaction between Resource Center, the Dallas Development Fund (DDF) and Regions Community Investments, LLC for a rehabilitation project located at 2603 Inwood Road to turn that facility into a health campus.

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 \$201 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, 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 January 11, 2024, the DDF Board of Directors considered and approved a NMTC transaction between DDF, Regions Community Investments, LLC (Regions), and the beneficiary, the Resource Center. This NMTC transaction will use up to \$7 million of DDF's 2021 NMTC allocation of \$55 million. Regions, as the tax credit investor, is anticipated to provide approximately \$2.2 million in NMTC equity (gross) to support DDF's \$7 million allocation.

This Project supports the renovation of 20,000-square-foot building and into a new health campus focused on LGBTQIA+ clients. The Project will include twelve exam rooms and two consultation rooms for the organization's primary care and HIV prevention and treatment services, a food pantry and dining hall, and offices and meeting rooms for its client services.

The Project will serve 3,200+ individuals with a variety of health services addressing the needs of the LGBTQIA+ community, including primary healthcare, HIV testing and

treatment, outpatient medical care, food pantry access, congregate meals program, insurance assistance, and case management. By consolidating health services at one location, Resource Center reduces barriers and provides a seamless experience for clients.

Primary services include the following:

- **Primary Healthcare.** The new facility will triple the organization’s primary care capacity. Comprehensive services include well-women exams, annual physicals, internal medicine, immunizations, smoking cessation programs, diabetes and hypertension treatment, HIV and STI testing and treatment. The clinic will also provide gender-affirming primary care services for gender-diverse, transgender, and nonbinary individuals.
- **HIV Client Services.** Resource Center will provide case management, food pantry access and congregate meals, insurance assistance, outpatient medical care, and specialized oral health care to low-income, HIV positive individuals.

The Project site is located at 2603 Inwood Road in Dallas, TX. The Project falls within Census Tract 4811300406, which is NMTC-qualified based on a median family income 61.5% of the area median income (2011-2015 American Community Survey) and considered highly distressed per the CDFI fund based on its location within the Maple-Mockingbird TIF District, a Major Disaster Declaration area, and a USDA Low-Income, Low-Access area.

NMTC funding is a critical source to allow the project to proceed as scheduled. Without the subsidy generated from DDF’s NMTC allocation, Resource Center would have to direct more of its fundraising toward construction expenses, slowing any potential programmatic growth or expansion of critical health services. Moreover, the need for NMTC has become more pronounced over the last year as the commercial real estate market in Dallas softened and reduced the potential sale price for the existing healthcare facility that will be sold and be a permanent funding source for this Project.

The estimated project budget is below:

Sources		
NMTC Gross Equity (before any fees)	\$	2,238,600
Acquisition (Prior Spend; Veritex Loan)	\$	5,900,000
PRI Loan/Cash (At Close)	\$	1,048,178
PRI Loan/Cash (Post Close)	\$	125,000
Total	\$	9,311,778

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Uses	
Acquisition	\$ 5,900,000
Hard Costs	\$ 1,823,697
Soft Costs	\$ 352,344
Furniture	\$ 75,000
AV, Security, Data	\$ 50,000
Owner's Contingency (10% hard costs)	\$ 182,370
Total Base Project Costs (before NMTC costs)	\$ 8,383,411
Construction Period Interest (estimated)	\$ 22,867
At Close Fees	\$ 280,000
Ongoing Fee Reserve	\$ 275,500
Closing Costs (estimated)	\$ 350,000
Total NMTC Costs	\$ 928,367
Total	\$ 9,311,778

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

Majed A. Al-Ghafry, P.E.
Assistant City Manager

- c: T.C. Broadnax, City Manager
 Tammy Palomino, City Attorney
 Mark Swann, City Auditor
 Bilierae Johnson, City Secretary
 Preston Robinson, Administrative Judge
 Kimberly Bizzor Tolbert, Deputy City Manager
 Jon Fortune, Deputy City Manager
- M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
 Dr. Robert Perez, Assistant City Manager
 Carl Simpson, Assistant City Manager
 Jack Ireland, Chief Financial Officer
 Genesis D. Gavino, Chief of Staff to the City Manager
 Directors and Assistant Directors