DALLAS
DEVELOPMENT
FUND

DATE: January 2024

SUBJECT: Resource Center II

FROM: City of Dallas Office of Economic Development

PROJECT OVERVIEW

Project Description

Resource Center has acquired a 20,000-square-foot building and will be rehabilitating it 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, 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.

Please refer to Exhibit 1 for the floor plan and Exhibit 2 for photos of the existing building.

Project Location

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.

Please refer to Exhibit 3 for a map showing the project site.

PROJECT SPONSOR AND RELATED ENTITIES

Project Sponsor: Resource Center

Established in 1983, the Resource Center began as a grassroots advocacy group for individuals with HIV that quickly evolved to respond to the AIDS crisis. Today, the Resource Center is a leader in HIV prevention and treatment as well as health, education, social and advocacy services for the Dallas LGBTQIA+ community. The Resource Center operates one of the largest LGBTQIA+ community centers in the United States and is a primary HIV/AIDs service organization in North Texas. With nearly 100 staff members and supported by 1,200 volunteers, Resource Center serves 60,000+ individuals annually with its HIV prevention and treatment, primary healthcare, mental healthcare, gendering affirming care, and community-building services.

Resource Center previously worked with DDF in 2016 to construct its community center on Cedar Springs

Road. DDF provided $6.5MM in NMTC allocation in this first transaction and unwound the deal in 2023.

Related/Sponsoring Entities

The NMTC borrower is anticipated to be Resource Center Title Holding Corporation, a nonprofit supporting organization of Resource Center of Dallas, Inc. that was created to facilitate the first NMTC transaction.

FINANCING TERMS

NMTC Allocation

DDF will allocate up to $7 million in Federal NMTC Allocation to support the Project.

NMTC Investor

Regions Community Investments, LLC.

Anticipated DDF Closing Costs and Fees

DDF will charge upfront fees totaling 4% of the Qualified Equity Investment ("QEI") estimated at $280,000. In addition, DDF will charge an annual Asset Management Fee of $24,500 per year for seven years and an annual Audit and Tax Fee of $13,000 per year for eight years.

DDF will separately secure reimbursement for costs associated with closing this transaction as well as audit and tax return preparation costs associated with maintaining the financing structure during the 7-year NMTC compliance period.

Financing Structure

NMTC Investor will provide a total of approximately $2.2 million in NMTC Equity ($0.82 pricing) to support the $7 million in allocation from DDF. Project Sponsor will provide approximately $4.9 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan are prior spend on acquisition, PRI loan, and cash in hand.

NMTC Investor will form a special purpose investment fund entity and will be responsible for management of this fund. The equity and leverage debt will be combined to capitalize the investment fund (a subsidiary of NMTC Investor) which in turn will make a QEI of up to $7 million into a subsidiary of Dallas Development Fund ("DDF Sub-CDE") and pay a 2% CDE Fee to DDF.

DDF, through the aforementioned Sub-CDE, will make a Qualified Low-Income Community Investment (QLICI) loan to the QALICB. Pursuant to DDF's Allocation Agreement, DDF will take a fee of 2% of the QEI to finance its activities. The total DDF QLICI loans to the QALICB will be up to approximately $6.86 million. Please refer to Exhibits 3 and 4 for budget and structure chart, respectively.

Closing Timeline

This project financing is expected to close by Q1 2024

COMMUNITY BENEFITS

Community Services

Resource Center's new health campus will serve 3,200+ low-income individuals annually with a spectrum of health and specialized support services addressing the needs of the LGBTQIA+ community. By consolidating health services at one location, Resource Center reduces barriers and provides a seamless experience for clients.

- **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.

Quality, Accessible Jobs

Resource Center's new facility will support 37 full-time equivalent jobs ("FTEs"), 100% of which will pay above a living wage. Of the 37 FTEs, 33 will be retained and 4 will be created (although Resource Center will be serving many more clients through this project than it is currently, the co-location of services and well-designed space are anticipated to bring significant efficiencies, minimizing the need for additional staff). All positions will be eligible for benefits including employer-paid health insurance, flexible spending accounts, retirement with employer match, PTO, year-end bonuses, and tuition reimbursement. 93% of these positions will be accessible without a four-year degree.

NMTC DUE DILIGENCE

Financial Considerations of the Project

The non-NMTC financing for the Project includes a $5.9MM acquisition loan from Veritex Bank, a $2.8MM Program Related Investment from Moody Foundation, and cash from the capital campaign. Resource Center anticipates selling its existing facility (from which some of the healthcare programs are relocating to the Project) to pay off the Veritex loan. The project will not require any permanent debt.

Upon Project completion, the project's operations will be self-sustaining with increased operational efficiencies by co-locating all health services under one roof.

Project Completion

As noted, Resource Center has previously completed its Community Center construction project in 2017. Additionally, it is currently constructing Oak Lawn Place, a new build LIHTC supported senior housing project. The Project will involve modest renovations, as the building's prior owner, Dallas-nonprofit WiNGS, did an extensive renovation in the mid 2010s. Resource Center's renovation plan incorporates a lot of the previous building upgrades with minimal changes to walls and interior footprints.

Kirksey | th+a is serving as the architect and has a significant track record of delivering high-quality projects. With offices in Dallas, Houston, and Austin, Kirksey | th+a works across a variety of sectors, including healthcare, education, and community. It (and its two predecessor firms) has significant experience delivering community health clinics within Dallas, working on projects including the Metrocare Hillside Clinic and Client Services Building and Jubilee Park Community Clinic.

Dallas-based Abstract Construction will be the general contractor. Abstract has significant experience in commercial interiors build out and renovations with experience in healthcare. Abstract will enter into a Guaranteed Maximum Price contract with Resource Center before closing.

Management Team

Cece Cox, Chief Executive Officer, joined the Resource Center in 2007 as an associate executive director and became executive director/CEO in July 2010. She has led the Center in expanding programs, staffing and its impact in the community. Before joining the Center, Cox practiced commercial law and provided pro bono legal services to individuals with HIV. She has served as president of the Dallas Gay and Lesbian Alliance (DGLA), co-chair of the Gay and Lesbian Alliance Against Defamation/Dallas and as an officer of the LGBT Section of the State Bar of Texas. Cox earned a bachelor's degree from Northwestern University and a law degree from Southern Methodist University.

Dave Hesse, Chief Financial Officer, has been serving as the Resource Center's Chief Financial Officer since 1996. He holds an MBA in finance and management. He is responsible for monitoring the financial systems and controls, with heavy involvement in audit management, financial statement and budget analysis, cash flow planning and all aspects of the organization's financial management. He also manages the organization's human resources activities. Hesse's previous experience included working as the Chief Financial Officer for a publicly owned natural resources exploration company in Denver.

Marisa Elliot, Chief Operating Officer, joined the Resource Center in the newly created Chief Operating Officer position in August 2011. Elliot has more than 30 years' experience in executive management and leadership, both in the nonprofit and private sector. She holds a bachelor's degree in criminal justice at the University of Texas at Arlington and a Master of Business Administration from Tarleton State University.

Market Demand

Resource Center's specialized services are critical in Texas, which is among US states most severely affected by HIV. According to the Centers for Disease Control and Prevention, Texas has the second-highest rate of new HIV diagnoses in the country, and Dallas County has one of the highest rates of new HIV diagnoses. Additionally, an assessment conducted by Texas Pride Impact Funds on the needs of the LGBTQ community identified access to routine health care as the number one priority need. The survey highlighted transportation as a significant barrier to accessing service needs.

The Project relocates Resource Center's existing primary care and HIV prevention and treatment services at separate sites across Dallas to one accessible health campus, addressing the issues highlighted above. The new campus is intentionally located down the street from the Resource Center's community center and Oak Lawn Place, Resource Center's upcoming affordable senior housing development, to provide easy access to all of Resource Center's services and streamline referrals. The Project is also located within a short walking distance of DART rail and bus lines, further removing transportation barriers for patients.

NEED FOR NMTC ASSISTANCE

NMTC funding is a critical source to allow the Project to proceed. 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.

Exhibit 1: Floor Plan

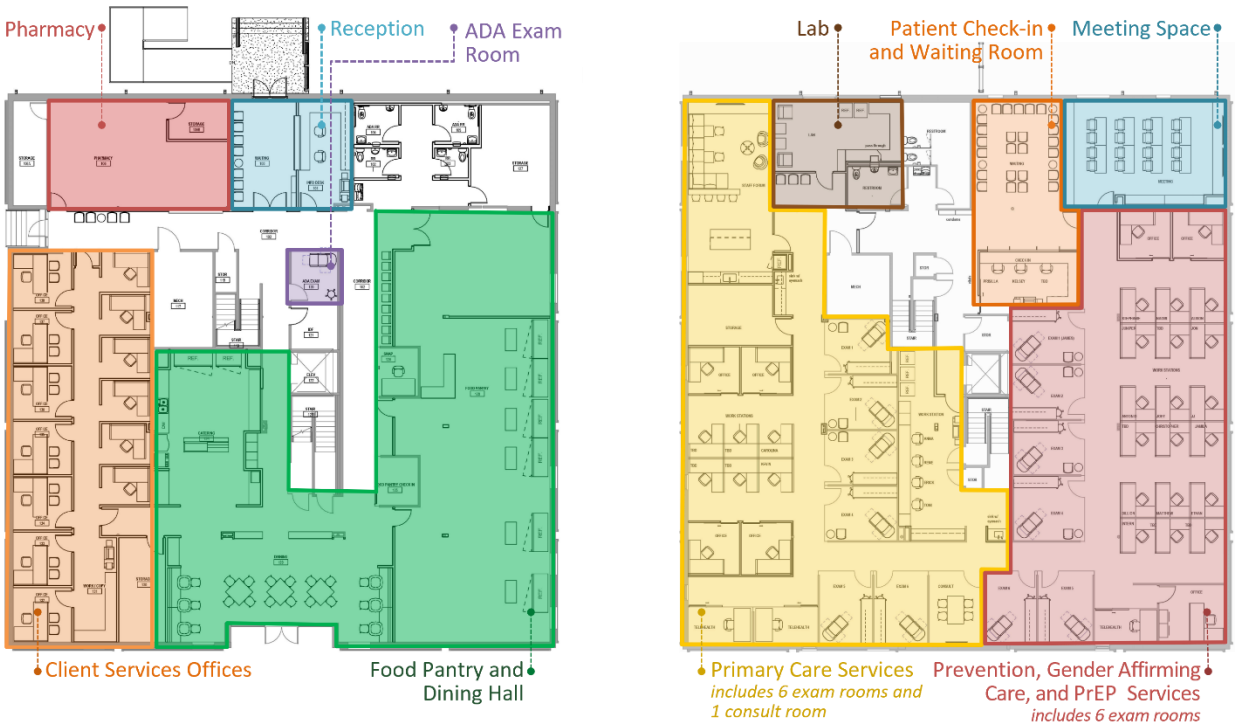

Exhibit 2: Pictures of Existing Building

Exterior from back of building that will be new main entrance

Existing offices that will be repurposed into exam rooms

Interior space that will renovated to be a food pantry

Exhibit 3: Project Location

Exhibit 4: Preliminary Sources and Uses

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**

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**
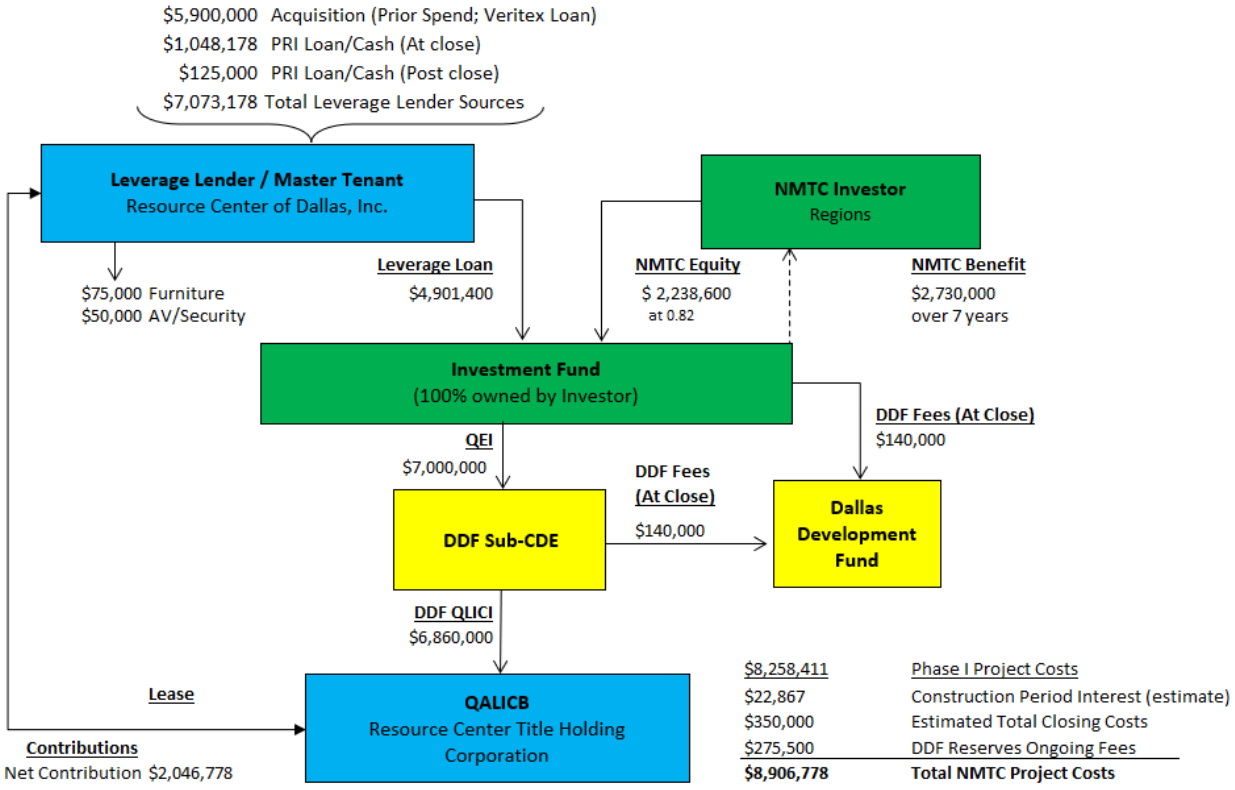
Exhibit 4: Preliminary NMTC Structure (Subject to change)