DALLAS
DEVELOPMENT
FUND

DATE: January 2024

SUBJECT: Nexus Recovery Center

FROM: City of Dallas Office of Economic Development

PROJECT OVERVIEW

Project Description

Nexus Recovery Center is constructing the Doswell Medical Building, a new 9,530-square-foot facility to house admissions, medical detox, psychiatric services, and medication assisted treatment programs on its 11-acre campus in East Dallas, as part of a broader campus redevelopment. The new building will include 16 detoxification beds (increase from 12 existing) with an adjacent nursing station, group counseling spaces, state-of-the-art medical exam rooms, office space, new admissions area, and a commons area. The Project will provide more than 1,900 low-income women annually with integrated programs to support their long-term substance use disorder recovery, including medical detox, medication assisted treatment, and co-occurring psychiatric substance disorders services.

The current campus was developed originally as a men's bible college and does not have the proper infrastructure to support Nexus services. Future phases will demolish outdated buildings that are at capacity, add new childcare and residential facilities, and renovate the existing administrative and outpatient services building, as well as make updates to the outdoor spaces.

Please refer to Exhibit 1 for the floor plan, Exhibit 2 for renderings, and Exhibit 3 for the campus master plan.

Project Location

The Project site is located at 8733 La Prada Drive in Dallas, TX. The Project falls within Census Tract 48113012302, which is NMTC-qualified based and considered "severely distressed" per the CDFI fund based on a poverty rate of 38.6% and a median family income 41% of AMI (2016-2020 American Community Survey).

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

PROJECT SPONSOR AND RELATED ENTITIES

Project Sponsor: Nexus Recovery Center

Established in 1971, Nexus Recovery Center ("Nexus") is a nonprofit substance use disorder recovery center serving vulnerable, low-income women and their children on its 11-acre campus in East Dallas. Nexus provides comprehensive services including medical detox, psychiatric evaluations and counseling, residential programs, prenatal and postnatal care for pregnant clients, outpatient services, peer support, and childcare. Nexus has been accredited by The Joint Commission since 2006, indicating an on-going

focus on safety and quality of care.

Nexus strives to remove barriers that prevent women from accessing treatment services, including cost, stigma, lack of childcare, or any substance use disorder services for pregnant women. In 2022, Nexus served 1,814 adult clients and 184 of their children. Of those women, 98% were low-income and 83% had a history of justice involvement.

Related/Sponsoring Entities

The NMTC borrower is anticipated to be a newly-formed special purpose entity of Nexus Recovery Center.

FINANCING TERMS

NMTC Allocation

DDF will allocate up to $7 million in Federal NMTC Allocation to support the Project. Truist Community Capital, LLC is expected to provide up to $2.5 million of NMTC Allocation.

NMTC Investor

Truist Community Capital, 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 $3 million in NMTC Equity ($0.81 pricing) to support the $7 million in allocation from DDF and $2.5 million in allocation from Truist Community Development Enterprises, LLC. Project Sponsor will provide approximately $6.6 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan are cash on hand, costs previously incurred, and a capital campaign bridge loan.

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 $6.9 million.

Closing Timeline

This project financing is expected to close by Q1 2024.

COMMUNITY BENEFITS

Community Services

Nexus's new Doswell Medical Building will provide a spectrum of integrated support services to 1,900+ low-income women annually, a 33% increase in capacity. Nexus' expanded programs will focus on delivering gender-specific and trauma-responsive continuum of care treatment. Highlights follow:

- **Medical Detox Program**. Through the program, clients receive 24/7 monitoring, medication, and care from licensed vocational nurses to manage withdrawal symptoms, which can be life threatening. Clients work daily with detox-specific counselors, and Nexus provides motivational interviewing to help clients develop a comprehensive recovery program, including relapse and overdose prevention plans, to ensure long-term recovery.

- **Medication Assisted Treatment**. Understanding that substance use disorder is a chronic disease that can physically, chemically, and permanently alter the brain, Nexus provides medications in combination with counseling and behavioral therapies for the treatment of some substance use disorders. Women enrolled in Nexus' Medication Assisted Treatment program while pregnant, even in the late stages of pregnancy, have dramatically improved birth outcomes.

- **Co-Occurring Psychiatric Substance Disorders Services.** Nexus' unique treatment of substance use disorder includes meeting a woman where she is in her recovery journey and addressing all barriers to recovery. Nexus's medical providers offer psychiatric evaluations and medication management to address co-occurring psychiatric disorders. Nexus' counselors provide evidence-based treatment and counseling to treat co-occurring disorders and any trauma that may underly an individual's substance abuse.

Quality, Accessible Jobs

The Project will support 42 full-time and 12.5 part-time positions (54.5 Full-time Equivalent positions, of which 15 are newly created and 39.5 are retained). In addition to these 54.5 FTEs, the total campus has 102.5 additional FTE positions. Full-time employees receive comprehensive benefits including employer-paid health insurance, retirement with employer match, childcare assistance, flexible spending accounts, and paid-time off. Additionally, Nexus provides training opportunities for all employees and prioritizes internal advancement – 5 of the 6 current program directors were promoted from within.

93% of positions will be accessible without a four-year degree. Nexus works closely with community partners like Dallas College, located across the street, to provide practicum and internship opportunities to non-traditional and low-income students – often leading to fulltime employment at Nexus. Over half of Nexus' current employees are women in long-term recovery, many of whom are alumni of Nexus' programs. Its Recovery Peer Support Coaches positions, which provide active case management and recovery support to program participants, are intentionally filled by individuals in long-term recovery.

NMTC DUE DILIGENCE

Financial Considerations of the Project

For the upfront capital for the Project, Nexus will rely on the proceeds from a capital campaign as the non-NMTC funding sources. Nexus will borrow a bridge loan that will be repaid with capital campaign proceeds, but the project will not rely on any term debt.

By 2026, Nexus is projected to have a $15.5 million annual operating budget with a net operating cash flow of $250k. Nexus is supported by public grants, investment income, service fees, and fundraising and philanthropic support with a specific focus on increasing private fundraising in recent years to offset the minimal increases in State funding for rehabilitation services.

Project Completion

Nexus has assembled a high capacity team to bring the Project to fruition. Key Project team members are described below:

- **Owner's Representative – Pritchard Associates.** Founded over 20 years ago, Pritchard Associates is an owner's representative firm providing full-service commercial construction project management. To date, Pritchard Associates has managed over 3,300 projects encompassing 285 million square feet and $10 billion in construction dollars.

- **Architect – HKS Architects.** HKS Architects is a top Dallas-based award winning global architecture, interior design, planning and advisory firm with experience in a variety of sectors, including health care, education, commercial and hospitality. Founded in 1939, HKS Architects has 23 offices across the globe and serves a broad range of clients ranging from private developers and healthcare providers to sports organizations and government agencies.

- **General Contractor – MAPP.** MAPP is an experienced commercial general contractor that provides preconstruction and construction service across the Southern United States. Founded in 1991, MAPP's portfolio of completed construction projects includes retail, office, mission critical, industrial, warehouse and distribution, hospitality, healthcare, banking and interiors.

Management Team

Heather Emmanuel Ormand, Chief Executive Officer, joined Nexus in 2020 after serving as the Chief Operations Officer of Dallas Children' Advocacy Center (DCAC), where she oversaw the organization's finance, information services, and human resources. Heather is a Certified Public Accountant (CPA) and has over 20 years of experience in public accounting. Heather holds a Bachelor of Science degree in Business Administration with a double concentration in Accounting and Marketing from the University of Richmond.

Mary Vares, Chief Financial Officer, joined Nexus in 2022 after serving as Controller at Coleridge Initiative. Mary has over 20 years of experience in the not-for-profit sector and has held various leadership roles in finance and operations. She has served as Chief Financial Officer for Catholic Charities-Dallas, Texas Women's Foundation, and Woodall Rodgers Park Foundation. Mary is a Certified Public Accountant and received her Bachelor of Business Administration in Accounting from the University of Texas at El Paso.

Market Demand

Nexus, the only recovery center in North Texas with a female-only medical detox program, provides critical recovery services to people struggling with addiction. Between 2010 and 2020, the death rate due to drug poisoning in Dallas County increased by more than 50% (Healthy North Texas). Despite an increasing need for substance use disorder ("SUD") treatment, Dallas has seen rehab centers such as Phoenix House close in recent years (Texas Tribune), decreasing access to recovery services. Nexus' expansion is important to fill in the service gaps left by closed rehab centers and stem the tide of drug poisoning deaths.

Nexus' focus on serving women, especially those who are pregnant or post-natal, is key to addressing maternal morbidity. Between 2012 and 2015, the Dallas region saw the highest maternal drug overdose death rate in the state. During that same time, drug overdose was the top cause of maternal morbidity in the state, accounting for 17% of maternal deaths within 1 year of giving birth (Texas Department of State Health Services).

As the need for quality and comprehensive medical and psychological services rises to address the increase in addiction and overdose deaths, the modernization of Nexus's campus is crucial to allow Nexus to expand its comprehensive SUD treatment.

NEED FOR NMTC ASSISTANCE

Nexus has limited cashflow to service traditional debt, therefore NMTC funding is a critical source to allow this Project to proceed. Nexus relies on reimbursements from the State of Texas, whose rates have not increased since 2010. Without the subsidy generated from DDF's NMTC allocation, Nexus would be forced to delay the Project. This project is the first of a major capital campaign that will support a broader multi-phase campus redevelopment.

Exhibit 1: Floor Plan

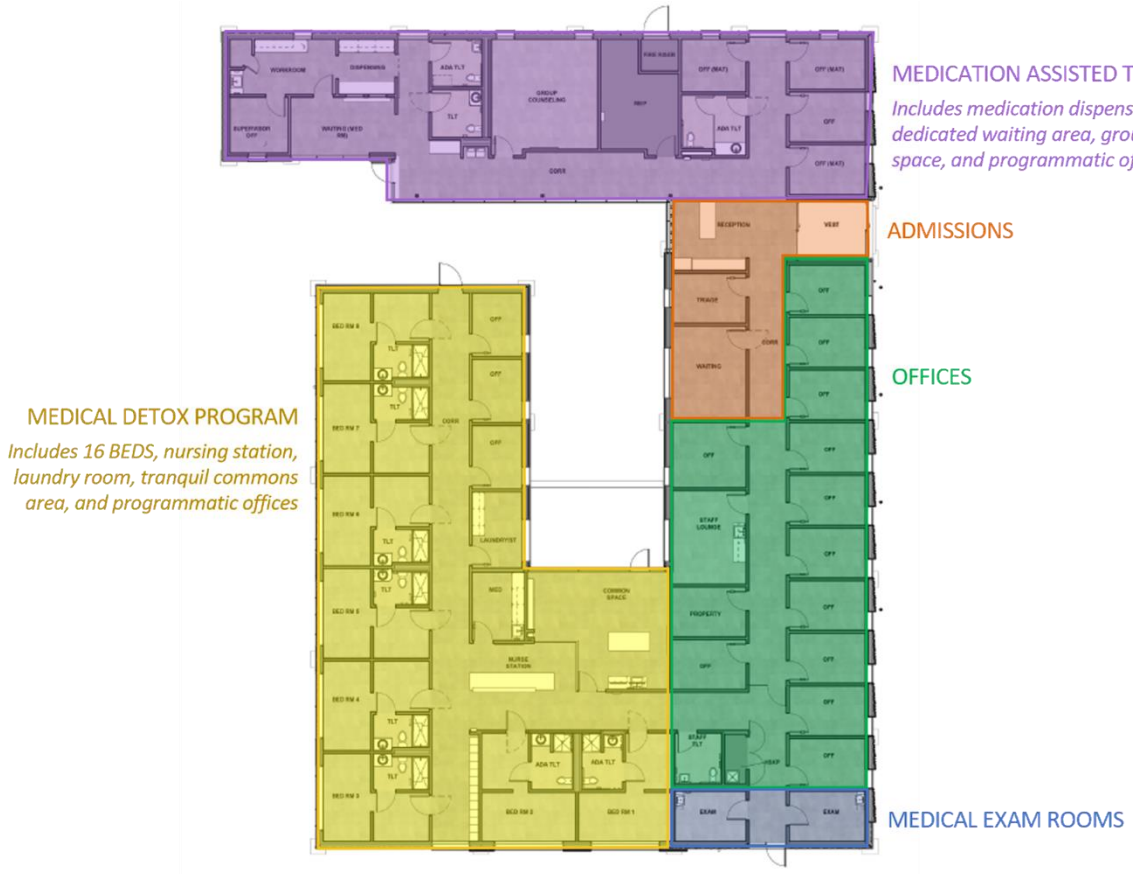
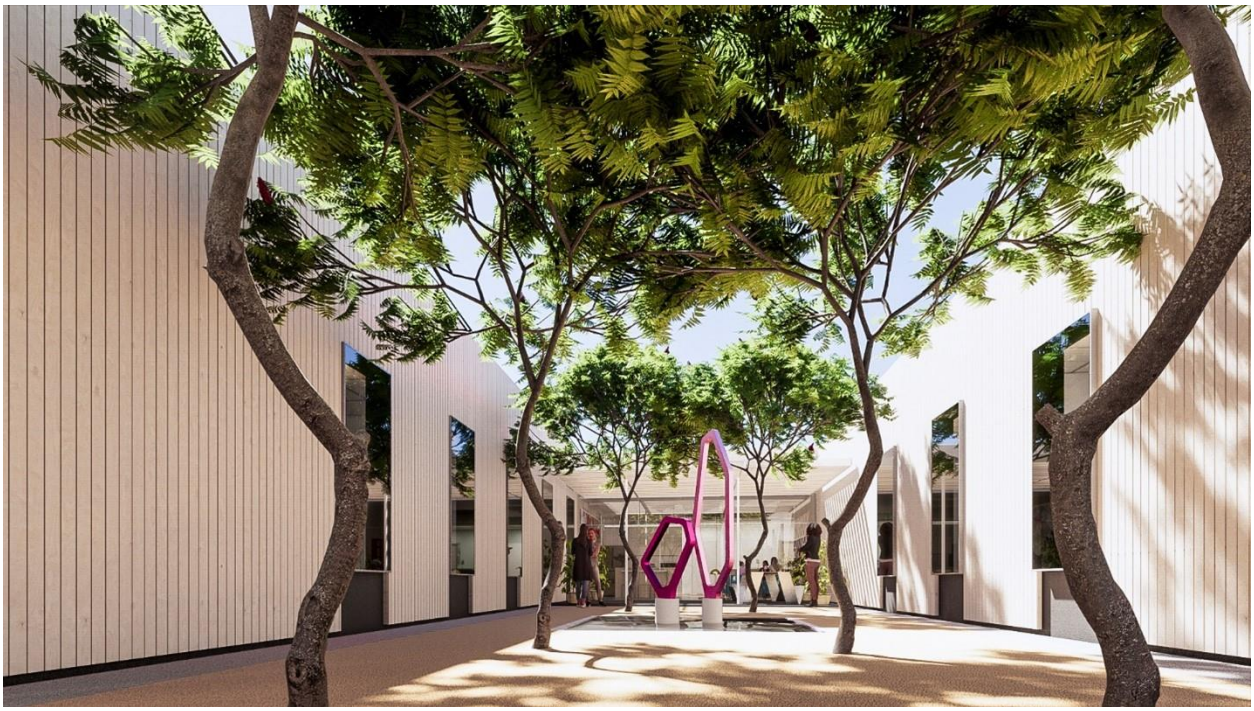


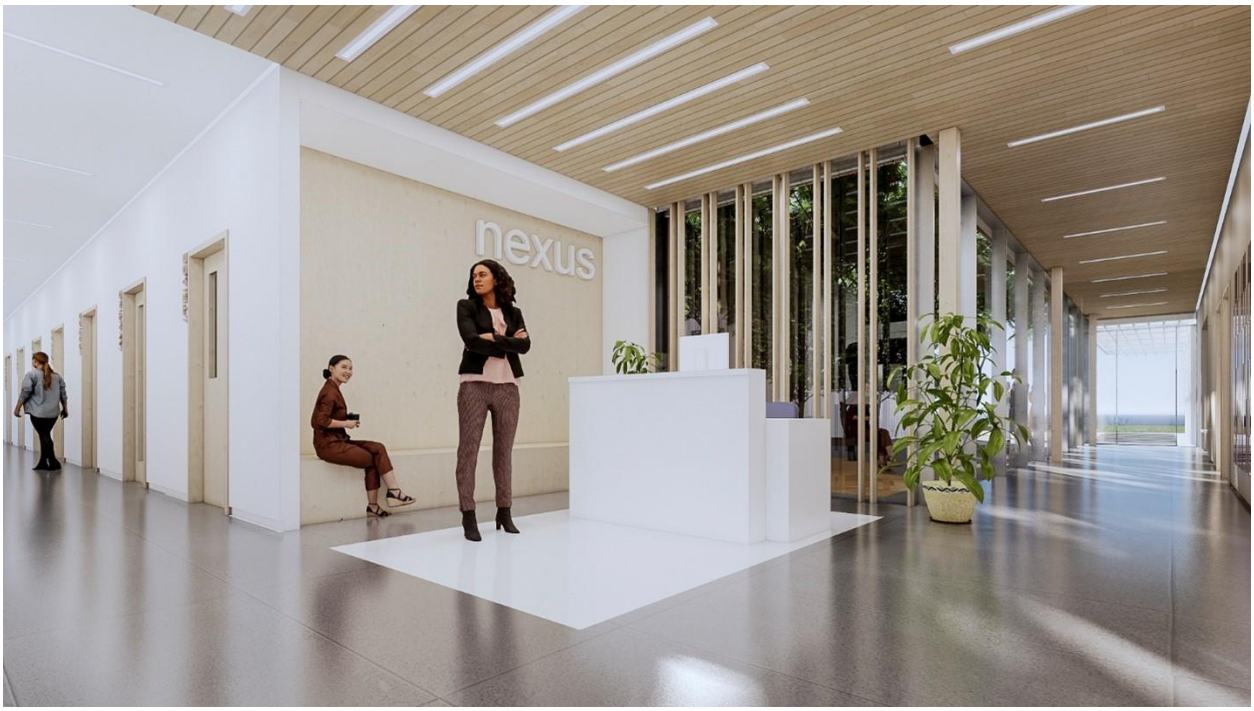
Exhibit 2: Renderings

Exterior – Birdseye View

Exterior - Entry



Exterior – Courtyard

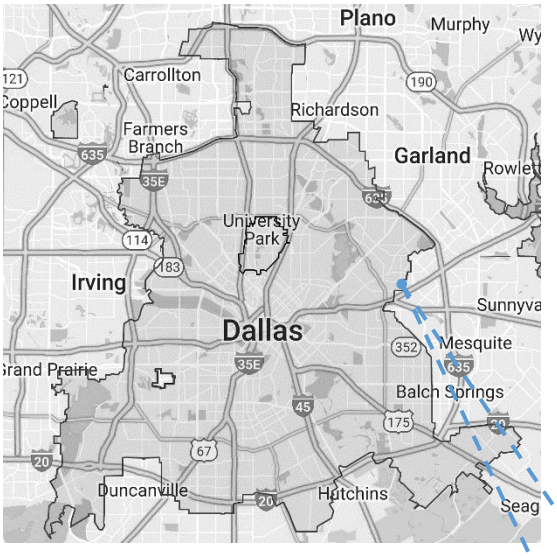


Interior - Reception

Interior – Nurses' Station

Interior – Common Area

Exhibit 3: Project Location



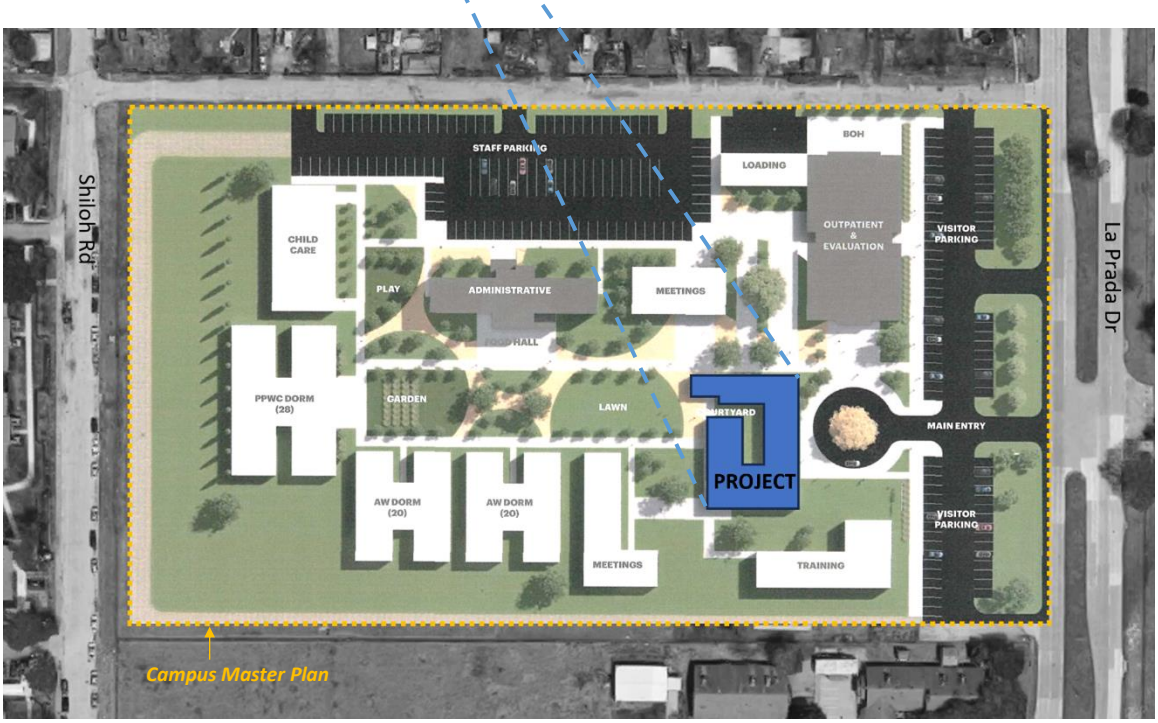
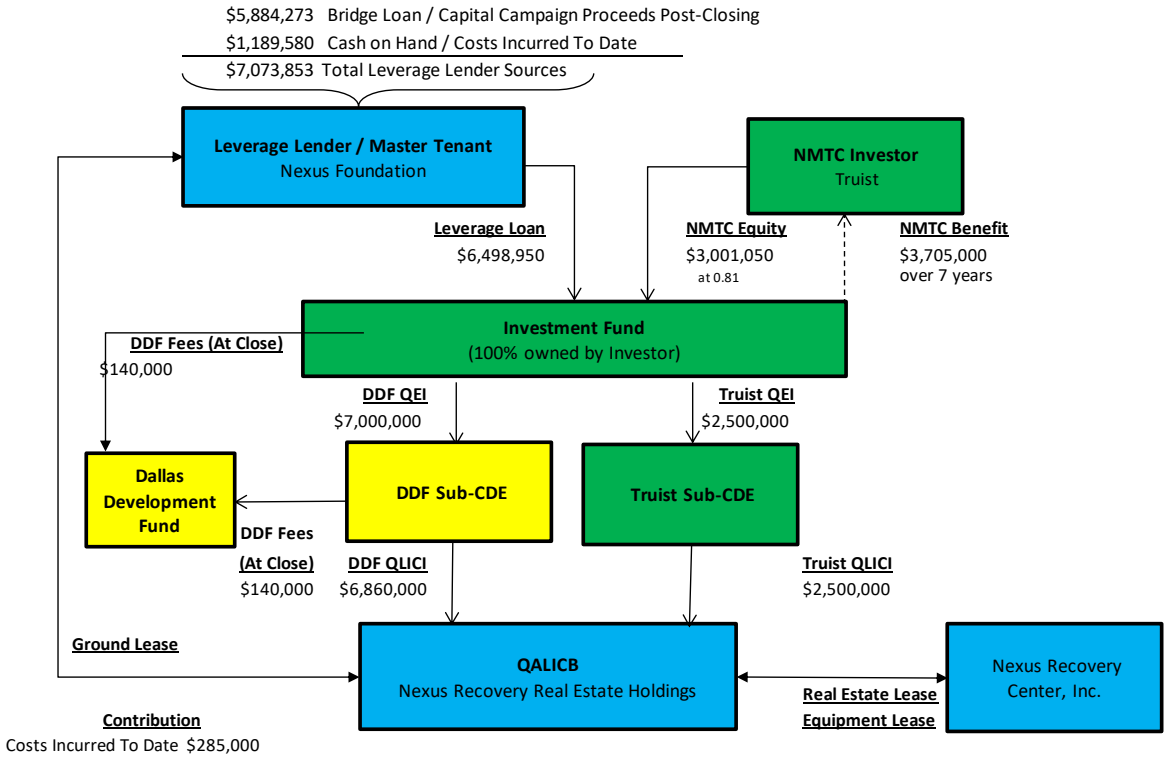


Exhibit 4: Preliminary Sources and Uses

Collapsed - Sources			Collapsed - Uses		
DDF B Note	$	2,211,300	Land	$	285,000
Truist B Note	$	789,750	Hard Costs (plus design)	$	6,485,992
Bridge Loan / Capital Campaign	$	5,884,273	Soft Costs		
Cash on Hand / Spend To Date	$	1,189,580	Soft Costs Outside GMP	$	625,527
			FF&E	$	294,357
			Other Soft Costs	$	500,000
			Owners Contingency	$	451,676
			Other Costs (Acct, Inspections, Interest)	$	80,073
			Estimated Base Project Costs	**$**	**8,722,625**
			Estimated Total Closing Costs	$	625,000
			DDF Reserves Ongoing Fees	$	297,375
			DDF At Close Fees	$	280,000
			Bridge Loan Interest	$	149,903
Total	**$**	**10,074,903**	**Total**	**$**	**10,074,903**

Exhibit 5: Preliminary NMTC Structure (Subject to change)



$285,000	Land
$6,485,992	Hard Costs - GMP Contract - Includes Design
$1,419,884	Soft Costs
$451,676	Owners Contingency
$80,073	Other Costs (Acct, Inspections, Interest)
$8,722,625	**Total Base Project**
$625,000	Estimated Total Closing Costs
$297,375	DDF Reserves Ongoing Fees
$9,645,000	**Total NMTC Project Costs**