

DATE: April 2023

SUBJECT: Vogel Alcove at Red Bird

FROM: City of Dallas Office of Economic Development

PROJECT OVERVIEW

Project Description

Vogel Alcove (“Vogel”) is building out a new 15,000-square-foot childcare and resource center within Red Bird Mall to deliver two-generation support to low-income families, with a strong focus on lower income families working at Red Bird and those experiencing homelessness (the “Project”). The Project will include four infant classrooms, four toddler classrooms, four preschool classrooms, dedicated sensory play and therapy spaces, offices, and multipurpose space for case management and training for adults. Vogel Alcove will enter into a 15-year lease at \$0/year NNN lease and will be responsible for the build out of the space. Please refer to Exhibit 1 for the floor plan.

The Project will expand Vogel’s overall capacity to serve Dallas’ low-income and homeless families. In addition to adding 134 new early childhood education seats in a Childcare Desert, Vogel will provide children and their families with a variety of coordinated wrap-around services including mental health care, developmental therapy, and job training. Vogel will capitalize on the Project’s location within the Red Bird redevelopment and the organization’s relationships with major employers at the mall to connect parents with employment opportunities, helping them to break the cycles of poverty and homelessness.

Project Location

The Project is located at 3662 Camp Wisdom Road in Dallas, TX. The Project falls within Census Tract 48113010904, which is NMTC-qualified and considered “severely distressed” per the CDFI fund based on a poverty rate of 34.6% and a median family income (MFI) 35.6% of the area median income (AMI).

Please refer to Exhibit 2 for a map showing the Project site.

PROJECT SPONSOR AND RELATED ENTITIES

Project Sponsor/Borrower: Vogel Alcove

Founded in 1987, Vogel Alcove (“Vogel”) is a highly accredited non-profit organization providing free childcare and a broad array of services for children and families at-risk of or experiencing homelessness in Dallas. Vogel’s vision is for every child to have a home, a self-sufficient family, and a pathway to success in school. Vogel provides children with a breadth of services beyond childcare including screening for development delays, care from onsite nutritionists, and access to basic goods such as formula, diapers, and clothing. Vogel also provides services to support the entire family that include case management, career training, mental health therapy, and housing assistance.

Vogel Alcove's services are greatly needed in Southern Dallas, where there are far fewer subsidized childcare seats than there are low-income children per Children at Risk's 2021 Texas Child Care Desert study. Within Southern Dallas, 11 ZIP codes qualify as Subsidized Child Care Deserts; the area is home to 10,684 children of low-income working parents but only has 3,031 subsidized childcare seats, meaning that more than 70% of those children do not have access to affordable childcare.

Vogel previously worked with DDF in 2013 to build-out its main location at 1738 Gano Street in Dallas' Cedars neighborhood, which serves 134 children and 74 of their parents annually. Additionally, Vogel is partnering with Family Gateway to add an early childhood education center to the Family Gateway North emergency homeless shelter, where it will serve 75 children.

Related Entities

The NMTC Leverage Lender is anticipated to be Vogel Alcove Foundation.

FINANCING TERMS

NMTC Allocation

DDF will allocate up to \$6 million in Federal NMTC Allocation to support the Project.

NMTC Investor

JPMorgan Chase is anticipated to be the NMTC Investor.

Anticipated DDF Closing Costs and Fees

DDF will charge upfront fees totaling 4% of the Qualified Equity Investment ("QEI") estimated at \$240,000. In addition, DDF will charge an annual Asset Management Fee of \$21,000 per year for seven years and an annual Audit and Tax Fee anticipated to be \$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 \$1.8 million in NMTC Equity (\$0.79 pricing) to support the \$6 million in allocation from DDF. Project Sponsor will provide approximately \$4.3 million in the form of a "Leverage Loan" for the transaction. Cash on hand is the underlying source for the Leverage 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 \$6 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 \$5.9 million. Please refer to Exhibits 3 and 4 for budget and structure chart, respectively.

Closing Timeline

This project financing is expected to close by the end of Q3 2023.

COMMUNITY BENEFITS

Community Services

Trauma-Informed Early Childhood Services

Vogel Alcove will provide trauma-informed early childhood care and wrap-around support services to 134 unique students.

- **Early Childhood Education.** The Project will provide NAEYC accredited childcare to 134 children ages 6 weeks to 5 years old, with enrichment programs in art, music, and physical development. Classroom teachers use a research-based curriculum that integrates instruction across developmental domains and early learning disciplines to stimulate brain development and develop strong social/emotional intelligence.
- **Developmental and Behavioral Health.** Vogel screens for developmental delays and disorders, of which 90% of homeless children suffer according to the National Coalition for the Homeless. When delays are identified, Vogel intervenes with the appropriate speech, occupational, and physical therapy on-site. The developmental and behavioral health team also trains staff on trauma-informed care practices in the classroom and equips parents with behavioral intervention tools to use at home.
- **Healthcare.** An onsite pediatric nurse practitioner will care for the children's health needs, perform vision and hearing screenings, make referrals for well-baby exams, and provide health training for parents. Vogel's counselors and therapists also provide trauma-informed mental health programming onsite to help children process and cope with physical, emotional, and psychological trauma.

Multi-Generation Family Support

In addition to extensive services for children, Vogel provides support for the entire family. Each family is assigned a clinical case manager and parents have access to career readiness and job training, GED/ESL classes, financial literacy classes, and housing support and resource assistance. Vogel anticipates providing 50 parents with career readiness and job training at this new facility annually. Vogel will also partner with major employers at Red Bird Mall to facilitate pathways to employment for Vogel parents.

Job Creation

Vogel Alcove's new facility will support 31 full-time jobs paying an average wage of \$22.84/hour (1.3x the living wage). All positions will be eligible for benefits including health insurance, health savings account, retirement match, PTO, and paid CPE certification. 50% of these positions will be accessible without a four-year degree. Vogel prioritizes internal advancement for employees in entry level positions through

ongoing professional development opportunities and tuition reimbursement.

NMTC DUE DILIGENCE

Financial Considerations of the Project

For the upfront capital for the Project, Vogel Alcove will rely exclusively on cash reserves and the proceeds from a capital campaign as the non-NMTC funding sources. Vogel does not have any debt and will not be relying on any debt for the Project.

At stabilization, the Project will have a \$1.95 million annual operating budget. Most of the budget is covered by different public subsidy programs targeted to low-income families, including Childcare Assistance Fund, Head Start of Greater Dallas, Dallas Independent School District, and USDA. These public funding sources are supplemented by Vogel's private fundraising.

Project Completion

Key Project team members include Kirksey | th+a serving as the architect and Hill & Wilkinson Construction serving as the general contractor. Both companies are large and have a significant track record of delivering high-quality projects:

- **Kirksey | th+a** - With offices in Dallas, Houston, and Austin, Kirksey | th+a works across a variety of sectors, including education, healthcare, and community. It (and its two predecessor firms) has significant experience delivering high-quality early childhood and care centers within Dallas, working on projects including Vogel Alcove's Gano Street facility, multiple Primrose School locations, and First Presbyterian Church of Dallas Day School.
- **Hill & Wilkinson Construction** – Hill & Wilkinson Construction, which has offices in Dallas, Fort Worth, and Austin, has been in continuous operation for 55 years and has over \$900 million of work under contract. It has experience in a variety of sectors, and successfully served as General Contractor on other DDF-funded projects including Cristo Rey Dallas and Hatcher Station.

Management Team

Karen Hughes, President & CEO, joined Vogel Alcove in January 2011 and works to strengthen the organization and expand the programs it offers. Her 43 years of experience in the field of early childhood and 25 years of experience in nonprofit management includes teaching kindergarten in the public school system; owning and operating an early childhood center; teaching at the community college level; directing a child development lab school at a community college; and serving as an early childhood trainer and consultant. Hughes holds a Bachelor's Degree in Elementary Education/Kindergarten from Baylor University and a Master's of Science Degree in Educational Management from University of Houston – Clear Lake.

Kim Holmes, Senior Director of Community Programming, joined Vogel Alcove in June 2019 and is responsible for the vital planning of programming and services offered at new expansion locations, ensuring quality and comprehensive services (e.g., Family Support, Mental Health Services, School Age Programs) are offered at its new childcare sites. Holmes is a Licensed Master Social Worker (LMSW), and she holds a Bachelor of Science in Business Management from Calumet College and a Master of Social

Work (MSW) from Indiana University Northwest.

Jordan Neufeld, Chief Financial Officer, joined Vogel Alcove in 2021 and engages with all aspects of the organization to ensure its financial health and success. Bringing over 13 years of nonprofit financial experience to Vogel, including as Director of Finance at Baylor Scott & White Health Foundations Statewide and as the CFO of the North Dakota Community Foundation. Neufeld is a licensed Certified Public Accountant, and he holds a Bachelor's in Accounting and Business Administration from Dickinson State University and a Master of Business Administration in Accountancy from the University of Mary.

Market Demand

Vogel Alcove's new facility will provide services to a community with a demonstrated demand for affordable and high-quality childcare services. Children at Risk's 2021 Texas Child Care Desert study identified the Project's 75237 ZIP Code as a Subsidized Childcare Desert with only 33 seats per 100 children of working parents, showing a gap of 67 seats per 100 children.

Conversations between Vogel and employers at Red Bird Mall, including Chime Solutions, UT Southwestern, and Parkland Health, indicated a need and an excitement for the Project to provide quality childcare for their employees. Vogel surveyed 45 Chime Solutions employees on their childcare needs – over 50% of respondents indicated that their children were not currently enrolled at a licensed childcare facility and over 70% of respondents indicated an interest in enrolling their children at a childcare center if one opened at their place of work. Additionally, the new facility will better meet the needs of current Vogel parents living and/or working in the Redbird area. A survey of current Vogel parents indicated that 20 parents would choose to enroll their children at the new facility rather than the existing Gano Street facility. Based on this feedback, Vogel projects the following client source breakdown at its new facility: 50% Red Bird employees; 30% existing Vogel Alcove clients transferring from other sites; and 20% General Southern Dallas community.

NEED FOR NMTC ASSISTANCE

NMTC funding is a critical source to allow this Project to proceed. Without the subsidy generated from DDF's NMTC allocation, Vogel would be forced to delay the Project while searching for other sources, thereby delaying much-needed access to high-quality early childhood education and wrap-around services for low-income families in Dallas.

Exhibit 1: Floor Plan



Gray indicates miscellaneous support space (e.g., breakroom, laundry)

Exhibit 2: Project Location



Exhibit 3: Preliminary Sources and Uses

Sources		Uses	
NMTC Gross Equity (before any fees)	\$1,848,600	Hard Costs	\$3,150,500
Cash on hand	\$4,271,400	Soft Costs	\$ 180,000
		FF&E	\$ 200,000
		Owner's Contingency	\$ 270,000
		Operating Costs	\$1,453,500
		Total Base Project Costs	\$5,254,000
		At Close Fees	\$ 240,000
		Ongoing DDF Fee Reserve	\$ 251,000
		Closing Costs (estimated)	\$ 375,000
		NMTC Costs	\$ 866,000
Total Sources	\$6,120,000	Total Uses	\$6,120,000

Exhibit 4: Preliminary NMTC Structure (Subject to change)

