



Legislation Text

File #: 24-396, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: February 28, 2024
COUNCIL DISTRICT(S): 7
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a New Markets Tax Credit (NMTC) transaction between the Dallas Development Fund, a Dallas-based Texas nonprofit corporation and certified CDE or a subsidiary thereof (DDF), Nexus Recovery Center (Nexus) and Truist Community Capital, LLC and its subsidiaries thereof, of up to \$7 million in NMTC allocation for a construction project located at 8733 La Prada Drive, Dallas, Texas (Project), a qualified project under Section 45D of the Internal Revenue Code of 1986, as amended, as further described in Attachment A, and for DDF to collect related closing costs and annual fees - Financing: No cost consideration to the City

BACKGROUND

On February 11, 2009, the Dallas City Council authorized the creation of the DDF, a Texas nonprofit corporation and certified Community Development Entity (CDE), and submission of a NMTC allocation application to the U.S. Department of Treasury's Community Development Financial Institutions Fund (CDFI), by Resolution No. 09-0461. DDF was most recently awarded \$55 million in NMTC allocation during the CDFI's 2021 allocation cycle. Previously, DDF has been awarded a total of \$185 million in allocation from the 2009, 2012 and 2014, 2017 cycles. DDF has closed 21 NMTC transactions involving \$201 million in allocation.

Under DDF's bylaws, in addition to DDF Board approval, any DDF activity involving the use, transfer or allocation of NMTC must also be approved by the City through a City Council resolution indicating the allocation amount (\$7 million) and beneficiary of the NMTC subsidy (Nexus Recovery Center).

The NMTC Program permits taxpayers to receive a federal income tax credit for making qualified equity investments in designated CDEs. These investments must be used by the CDE for qualified projects and investments in low-income communities, as defined by the NMTC Program regulations. The investor's tax credit totals 39.0% 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, Truist Community Capital, LLC (Truist), and the beneficiary, the Nexus. This NMTC transaction will use up to \$7 million of DDF's 2021 NMTC allocation of \$55 million. Truist, as the tax credit investor, is anticipated to provide approximately \$2.2 million in NMTC equity (gross) to support DDF's \$7 million allocation. Truist, through a related entity, Truist Community Development Enterprises, LLC will also provide up to \$2.5 million in allocation, bringing the total NMTC equity to \$3 million.

This Project supports the construction of 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 increase service to more than 1,900 low-income women annually-a 33.0% increase over the current service level-- with integrated programs to support long-term substance use disorder recovery, including medical detox, medication assisted treatment, and co-occurring psychiatric substance disorders services.

Specific services include the following:

- **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.

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 41.0% of area median income (2016-2020 American Community Survey).

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.

Additional Project information can be found in Attachment A to the Resolution.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 11, 2009, the City Council authorized the creation of the Dallas Development Fund (DDF), a non-profit Community Development Entity (CDE) by Resolution No. 09-0461.

On January 13, 2010, the City Council authorized the acceptance of the initial \$55 million NMTC allocation by Resolution No. 10-0210.

The Economic Development Committee was briefed on the "DDF and the NMTC Program" on January 19, 2010.

The Economic Development Committee was briefed on the "DDF and the NMTC Program" on September 21, 2015.

On January 11, 2024, the Dallas Development Fund Board was briefed on the Resource Center project and approved the transaction.

[The Economic Development Committee was briefed by memorandum regarding this matter on February 5, 2024. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=12640952&GUID=359B6FB6-D3FB-448A-8AA9-758C5A27F7D1>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=12640952&GUID=359B6FB6-D3FB-448A-8AA9-758C5A27F7D1)

FISCAL INFORMATION

No cost consideration to the City.

OWNER

Nexus Recovery Center

Heather Emmanuel Ormand, Chief Executive Officer