

Opportunity Zone Development Profile



Ox Fibre Apartments

Location: Frederick, MD

Congressional District: Maryland 6th

Opportunity Fund Manager: BCC Opportunity Zone I, LLC

QOZ Business: 400 Church Street Owner, LLC

Investment Date: Q3 2019

Project Details: Adaptive reuse of historic warehouse into 83 new affordable apartments

New Affordable Homes Bring Life to an Historic Building in a Dynamic and Thriving Community

Ox Fibre Apartments will bring 83 new affordable apartments to Frederick, MD—a growing community located within one hour of both Washington, D.C. and Baltimore. Layering Opportunity Zones equity with state Low-Income Housing Tax Credits (Housing Credits), federal Historic Tax Credits (HTC), and additional sources of debt will allow the developer to bring a 19th century warehouse back to life while providing much-needed one-, two-, and three-bedroom homes at price points affordable to current residents.

At the county level, Area Median Income (AMI) has increased by an average of 1.9 percent annually since 2010, with a notable 9 percent spike from 2017 to 2019. However, within this Opportunity Zone, 20 percent of workers earn \$15,000 or less per year, contributing to the fact that 40 percent of low-income families within the zone pay more than half of their incomes towards housing costs.

Ox Fibre Apartments will help to alleviate those cost pressures for local residents, some of whom are on waiting lists of up to 275 families for affordable homes within the same community. Once completed in Q1 2021, homes will be available to families earning 40 to 60 percent of AMI, saving low-income renters approximately \$200 to \$500 per month as compared to a similar apartment.

Having affordable places to live in a dynamic city like Frederick is key for low-income families. There is a bus stop on site, and the Frederick MARC train station and C. Burr Artz Public Library are located within a half mile. Residents also have close access to public schools, Hood College, Frederick County Community College, the local YMCA, government offices, Frederick Memorial Hospital, and the county's largest employer, Fort Detrick.

Projected Impact*

Full-Time Equivalent Jobs Supported (excludes construction)	38
Construction Jobs Supported	56
Total Wages Generated	\$5 million
Local Fee Revenue due to Construction	\$448,200
State and Local Tax Revenue due to Ongoing Operations	\$539,500 annually

*The National Association of Home Builders' National Impact of Home Building model was used to project the economic impact of this investment. These estimates are calculated on a nationwide basis and actual local impact may vary.

Community Stats	Census Tract 7722	DC-VA-MD-WV MSA
Median Family Income:	\$59,750	\$113,810
Poverty Rate:	19%	8.3%
Adults Not Working:	25%	19%
Minority Population:	28%	54%
Bachelor's Degree or Higher:	29%	50%
Housing Vacancy:	4.2%	5.6%

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Capital Stack and Phasing

As is typical in financing real estate, multiple sources of funding have been leveraged for this project. The chart below illustrates both the different sources of financing used to date and the point in which each source was accessed during development.



- Freddie Mac debt – \$10.5 million
- Housing Credit equity – \$7.1 million
- Historic Tax Credit equity – \$4.4 million
- Opportunity Zones equity – \$830,000
- State and County debt – \$3.4 million
- Deferred Developer Fee – \$670,000

Total Development Cost: Approximately \$27 million

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Opportunity Zones work best through public-private partnerships that leverage essential capital and ensure community benefits, and, under Governor Larry Hogan's leadership, we have tried to create a framework that enables and encourages government investment to support thoughtful, impactful Opportunity Zone projects and businesses across Maryland. The state's proactive approach is already helping important projects like Ox Fibre Apartments in Frederick where approximately \$15.4 million in state-sponsored debt financing will provide significant funding for a historic rehabilitation effort to transform an abandoned paintbrush factory into affordable, modern, workforce apartments.

- Secretary Kenneth C. Holt
Maryland Department of Housing
and Community Development

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About the Investment

This creative financing model demonstrates how various state and federal programs are layered to support low-income residents and the role of Opportunity Zones equity in furthering that goal.

Ox Fibre Apartments directly benefited from \$11.5 million in tax credit equity delivered by combining the 4 percent Housing Credit from the Maryland Department of Housing and Community Development and federal HTCs.

The developer, EquityPlus, accessed federal, state and local debt with preferable terms which was key in advancing Ox Fibre Apartments. This included a \$10.5 million tax-exempt permanent loan from FreddieMac with a forward commitment, which mitigates interest-rate risk, as well as subordinate debt totaling \$3.4 million from Frederick County and the state.

The Impact of Opportunity Zones Financing

The Opportunity Zone equity investment of \$830,000 addressed a financing gap that would have otherwise necessitated additional funding from limited public sources which could have meant a significant delay in the project or an inability to move forward as planned.

The state of Maryland, like the federal government, aligned resources to Opportunity Zones, and the guaranteed, long-term, and subordinate debt provided at all levels was key in attracting Opportunity Zone investment needed to provide desperately needed affordable homes in this vibrant community.

About Opportunity Zones

Opportunity Zones are a new national investment tool designed to spur economic growth and community development by encouraging long-term private equity investment in distressed urban, suburban, and rural communities across America. In 2018, local leaders in every state, U.S. territory, and Washington, D.C. supported the nomination of more than 8,700 low-income census tracts for Opportunity Zone designation. Individuals and companies can receive a series of graduated tax benefits based on the amount of time invested in a Qualified Opportunity Fund, which must have 90 percent of assets invested in real estate or operating businesses located in Opportunity Zones. The Opportunity Zones policy is based on the bipartisan *Investing in Opportunity Act*, which was championed by a regionally and politically diverse coalition of congressional cosponsors.