

# Opportunity Zone Investment Profile



## San Bernardino Department of Behavioral Health Juvenile Justice Programs

Location: **San Bernardino, CA**

Congressional District: **CA-31**

Opportunity Fund Name: **RevOZ Fund II LP**

Opportunity Fund Manager: **RevOZ Capital**

Investment Date: **Q4 2019**

Project Details: **New office space for San Bernardino County Department of Behavioral Health's Juvenile Justice Program**

## Opportunity Fund Partners to Deliver New Office Space for Local Government

In 2018, San Bernardino County selected California-based developer Sudweeks Development and Investment Co. (SDIC) to finance and build a new government office building. The county pre-leased the building for 15 years. However, SDIC found that potential equity partners were not willing to invest in such a highly-distressed community, even though the long-term commitment from the county (an S&P rated AA+ tenant) reduced the risk of the project. Fortunately, [RevOZ Capital](#) (RevOZ) saw opportunity where others could not. They agreed to partner with SDIC and the County and provide a \$1.85 million Opportunity Zones investment.

The neighborhood is, in fact, amongst the most distressed in the nation, scoring a 92.2 out of 100 on the Economic Innovation Group's [Distressed Communities Index](#). Further, its youngest residents are disconnected from vital services and are not well-positioned to reach their full potential. The [Child Opportunity Index](#) finds that neighborhood conditions scored very low for the census tract, suppressing the potential for local children and young adults to achieve upward mobility.

Once completed in 2021, the Center will house the San Bernardino County Department of Behavioral Health's [Juvenile Justice Program](#) (JJP). The new office space will be located proximate to the San Bernardino Children's Assessment Center, Juvenile Court, Probation Office, and several schools. This new location will help [facilitate collaboration](#) as JJP staff members conduct community outreach and serve justice involved youth and their families.



*“The value of bringing quality development to our communities underscores the importance of the Opportunity Zone program. Good things can happen when the public and private sector work together to bring greater benefit to our economy, much needed services and critical job opportunities for local residents.”*

- Veronica Kelley, DSW

Director, San Bernardino County Department of Behavioral Health

### Projected Impact

|                                     |         |
|-------------------------------------|---------|
| Youth and families served annually: | 400-900 |
| New full-time jobs:                 | 4-10    |
| Construction jobs supported:        | 500     |

### Community Stats

|                              | Census Tract: 63.01 | MSA: Riverside-San Bernardino-Ontario, CA |
|------------------------------|---------------------|---|
| Median Family Income:        | \$46,707            | \$73,554                                  |
| Poverty Rate:                | 27.7%               | 14.8%                                     |
| Adults Not Working:          | 52.1%               | 19.7%                                     |
| Minority Population:         | 79.5%               | 67.9%                                     |
| Bachelor's Degree or Higher: | 5.9%                | 21.7%                                     |
| Housing Vacancy:             | 7.2%                | 5.7%                                      |



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## Capital Stack

RevOZ and its affiliates made a 10-year investment of \$2.1 million in OZ equity to support construction of the Center. A \$3.7 million loan and an additional \$230K in non-OZ equity were leveraged to finance the \$6 million project.

### Total Development Cost: Approximately \$6 million



■ \$2.1 million - OZ equity from RevOZ Capital and affiliates

■ \$3.7 million - Debt

■ \$230,000 - Other equity

## The Impact of Opportunity Zone Financing

Enactment of the OZ policy encouraged RevOZ to seek investment opportunities in distressed neighborhoods, and their OZ investment was critical in attracting the various sources of financing needed for development. The new 11,000 sq. ft. Center provides room for the JJP team to grow. Up to 10 new full-time positions could be added to serve at-risk youth. These services are more important than ever given the effects of the COVID-19 pandemic, and the new center will enhance the county's efforts to improve the well-being of justice involved youth and their families.

RevOZ will replicate its success in San Bernardino to execute on its Social Impact Initiative. In early 2021, the fund manager announced it aims to invest \$1 billion in OZs that have historically been overlooked by investors and hit hard by the COVID-19 pandemic by working in collaboration with experienced local partners. RevOZ's new Social Impact Council will advise on efforts to develop new tools and methodologies for community engagement, impact assessment, and fund transparency and reporting.

## About the Investment

By working in partnership with RevOZ and SDIC, San Bernardino County did not need to use public financing for the development of its new Center. Securing a long-term lease from a credit-worthy tenant prior to construction reduced the partner's exposure to risk. RevOZ expects the project will produce attractive risk adjusted returns as well as a compelling positive social impact for the community.

The new Center demonstrates that Opportunity Fund managers can make investments that both support OZ residents and meet acceptable return thresholds. This model of successful public-private partnership can be replicated and scaled in OZs throughout the nation to advance community-centered projects that may be stalled due to a lack of public financing.

## 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 property 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.

## About The Economic Innovation Group (EIG)

EIG is a bipartisan ideas laboratory and advocacy organization whose mission is to advance solutions that empower entrepreneurs and investors to forge a more dynamic American economy. Headquartered in Washington, D.C., EIG convenes leading experts from the public and private sectors, produces original research, and works to advance creative legislative proposals that will bring new jobs, investment, and economic growth to communities across the nation.

EIG leads a coalition of stakeholders as part of its efforts to support the formation of a robust Opportunity Zones ecosystem. For more information, contact [info@eig.org](mailto:info@eig.org)