Achieving Impact in Opportunity Zones Through Local Partnerships

Presented by:

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Rachel Reilly, Aces & Archers

With guest speakers:

Leslie Smallwood-Lewis, Mosaic Development Partners
Lisa Bhathal Merage, RevOZ Capital
Graham Allison, Opportunity Zone Development Group
Donna Gambrell, Appalachian Community Capital

March 30, 2021
OZ Webinar Series

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Agenda

Opportunity Zones industry updates and resources

Achieving impact in Opportunity Zones through local partnerships
- Models for partnership
- Identifying local partners
- Value-proposition of local partnerships
Industry Updates

New Opportunity Zones Investment Profiles published by EIG.

Opportunity Zone Investment Profile

San Bernardino Medical Center

Location: San Bernardino, CA
Opportunity Fund Manager: New Market Venture Capital
Investment Date: 2020

Projected Impact
- Youth and family served annually: 640
- New full-time jobs: 9
- Construction jobs supported: 90

Community Stats
- Median Family Income: $53,597
- Poverty Rate: 27.2%
- Bachelor's Degree or Higher: 19.9%
- Unemployment Rate: 7.8%

"The value of bringing quality development in our communities underlines the importance of the Opportunity Zone program. Good Jobs can happen where the public and private sectors work together to bring greater benefit to our community, much needed service and critical job opportunities for local residents."

- Jim Olin
  Director, San Bernardino County Department of Behavioral Health

San Bernardino Medical Center in San Bernardino, CA

Opportunity Zone Investment Profile

The Phoenix Community

Location: Columbus, OH
Opportunity Fund Manager: New Market Venture Capital
Investment Date: 2020

Projected Impact
- Jobs created for median family: 40
- Full-time non-profit jobs supported: 40
- New office space: 30,000 square feet
- Jobs for permanently incarcerated individuals: 10
- Jobs for formerly incarcerated individuals: 75
- Completed projects: 6
- Number of employees: 20
- Median Family Income: $51,562
- Median Age: 12.0
- Bachelor's Degree or Higher: 19.9%
- Unemployment Rate: 7.3%

"This social impact project simply would not have closed had we not been on the cutting edge of Opportunity Zones."

- Andrew Zapp, Wexford Business

The Phoenix Community in Columbus, OH
Achieving Impact

In past webinars, we have provided examples of high-impact projects, and provided strategies for measuring and articulating impact.

The Walk in Memphis, TN

<table>
<thead>
<tr>
<th>$103M Investment in Infrastructure, Jobs &amp; Talent</th>
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<tbody>
<tr>
<td><strong>Digital City</strong></td>
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<tr>
<td>$28M Investment</td>
</tr>
<tr>
<td>Smart city infrastructure; Campus-wide Fiber, Sensor Network, Advanced Operating System, Data &amp; Analytics, Living Lab, Co-created by Consortium of Public &amp; Private Stakeholders</td>
</tr>
<tr>
<td><strong>Tech &amp; Entrepreneurship</strong></td>
</tr>
<tr>
<td>$25M Investment</td>
</tr>
<tr>
<td>Create jobs &amp; upskill talent, Invest in startups/small business, corporate &amp; government partners in Supply Chain, Home Services, Agtech</td>
</tr>
<tr>
<td><strong>Digital Inclusion</strong></td>
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<tr>
<td>$5M Investment</td>
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<tr>
<td>Close the digital divide Increase. Provide Internet, digital literacy &amp; education, envelop youth &amp; families with skills, support &amp; a better environment for success. Technology Lab &amp; Smart Park.</td>
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<tr>
<td><strong>Urban Campus of Innovation</strong></td>
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<tr>
<td>$45M Investment</td>
</tr>
<tr>
<td>130k sq.-ft. Innovation Building, Co-located partners (corporates, startups, academia, government) invites community-wide problem solving. Tech-enabled facilities, business/technical assistance, access to data.</td>
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</tbody>
</table>

Today, our guest speakers are going to share information on how these deals and partnerships come together.
Achieving Impact

Examples of:
• Responsible exits
• Community wealth building
• Public-private partnerships

Overarching themes:
• Engagement from CDFIs, local government, and community

Specific strategies:
• Pre-lease of government building
• Neighborhood-serving uses in mixed-use projects
• Crowdfunding small dollar equity investments from local residents and businesses
• Provision of technical assistance
Leslie Smallwood-Lewis
Mosaic Development Partners
Mosaic Development Partners

A Philadelphia based, minority certified commercial real estate development company, founded in 2008

Leaders in ground-up construction and adaptive reuse of commercial properties in under-served urban communities

Successfully uses complicated finance instruments (largely in the form of local, state, and federal loans and tax credits) to mitigate investment risk and help stabilize and grow neighborhoods

Partners with municipalities, established developers, not-for-profit organizations and government entities to leverage its investments
Mosaic Development Partners

1M
SQUARE FEET OF REDEVELOPMENT SINCE 2008

$100M
INVESTED IN PHILADELPHIA NEIGHBORHOODS

$40M
INVESTED IN AFFORDABLE HOUSING

Hundreds
OF JOBS CREATED IN:
FAIRHILL, STRAWBERRY MANSION, BREWERYTOWN, NORRIS SQUARE, GERMANTOWN, LUDLOW, SHARSWOOD/BLUMBERG AND TEMPLE UNIVERSITY, YORKTOWN, CHEYNEY UNIVERSITY AND WEST PHILADELPHIA
Mosaic Development Partners

MISSION STATEMENT

We develop communities that bring positive change to neighborhoods.

We seek sustainable developments, job creation, diversity and community acceptance.

We partner with those who share our vision and add value.

We include women and minority owned businesses to drive full inclusion throughout development, construction, leasing and operations.

We use a hybrid development approach, where we bring on strong 3rd party partners, to increase diversity, minimize ongoing overhead expenses and maintain flexibility.

We are committed to affordable, high quality developments using modular construction methods to drive lower costs and higher consistency.
Sharswood Ridge

**Mixed-use:**
- Residential
  - 98 mixed-income
- 20 project-based vouchers
- Parking
- Commercial
  - Signed
  - LOI
  - Available

**Commercial tenants:**
- Grocery store
- Urgent care provider
- Bank branch
- Restaurant

Located in a Food Desert, adjacent to the Philadelphia Housing Authority’s HQ.
### SOURCES AND USES

<table>
<thead>
<tr>
<th>Sources:</th>
<th>Uses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor Equity</td>
<td>Hard Costs: $31,322,099</td>
</tr>
<tr>
<td>Redevelopment Assistance Capital Program (RACP)</td>
<td>Soft Costs: $1,955,809</td>
</tr>
<tr>
<td>PHA Resi Sub Debt</td>
<td>Financing Costs: $4,616,784</td>
</tr>
<tr>
<td>PIDC Subordinate Loan</td>
<td><strong>TOTAL</strong>: $37,894,692</td>
</tr>
<tr>
<td>NMTC Equity</td>
<td></td>
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<tr>
<td>NMTC Leverage Loan (PHA)</td>
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<tr>
<td>MTF Grant</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong>: $37,894,692</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:**
- Investor Equity: $2,359,792
- Redevelopment Assistance Capital Program (RACP): $2,000,000
- PHA Resi Sub Debt: $4,664,900
- PIDC Subordinate Loan: $600,000
- NMTC Equity: $8,166,900
- NMTC Leverage Loan (PHA): $19,703,100
- MTF Grant: $400,000

**Uses:**
- Hard Costs: $31,322,099
- Soft Costs: $1,955,809
- Financing Costs: $4,616,784

**TOTAL**: $37,894,692
# Sharswood Ridge

## Garage Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHA - Parking Garage</strong></td>
<td></td>
</tr>
<tr>
<td>Development Costs</td>
<td></td>
</tr>
<tr>
<td>HARD COSTS</td>
<td></td>
</tr>
<tr>
<td>Construction Costs</td>
<td>10,800,624</td>
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<tr>
<td>Contingency/PHA Ti Allowance</td>
<td>387,693</td>
</tr>
<tr>
<td><strong>Total Hard Costs</strong></td>
<td><strong>11,188,317</strong></td>
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<tr>
<td>SOFT COSTS</td>
<td></td>
</tr>
<tr>
<td>Proportional Costs from NMTC Budget</td>
<td>631,002</td>
</tr>
<tr>
<td>Owners Rep Contribution</td>
<td>50,000</td>
</tr>
<tr>
<td>FINANCE COSTS</td>
<td></td>
</tr>
<tr>
<td>Construction Interest/Additional Contingency</td>
<td>111,638</td>
</tr>
<tr>
<td>Loan Fees</td>
<td>126,044</td>
</tr>
<tr>
<td>3rd Party Reports, Inspections, Lender Legal, etc</td>
<td>50,000</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>100,000</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total Finance Costs</strong></td>
<td><strong>487,682</strong></td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT COSTS</strong></td>
<td><strong>12,357,000</strong></td>
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<tr>
<td>PHA &quot;Equity&quot; Loan</td>
<td>632,000</td>
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<tr>
<td>Senior Bank Loan (85% LTV)</td>
<td>9,966,250</td>
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<tr>
<td>PIDC Subordinate Loan (100% LTV)</td>
<td>1,758,750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,357,000</strong></td>
</tr>
</tbody>
</table>
Sharswood Ridge

Crowdfund Campaign

SMALL CHANGE INDEX™

**MOBILITY**
- Urban location
- Walkable
- Bike friendly
- Business Corridor
- Public or other transit
- Fix your own transport
- Transit oriented development

**COMMUNITY**
- Street life
- Third Place
- Park or Plaza
- Building reuse or infill
- Affordable housing
- Fresh food access
- Minimized site disturbance

**ECONOMIC VITALITY**
- Underserved community
- Jobs Created
- Incubator
- Diverse workforce
- Green features
- Even more green
- Reduced parking

OFFERING HIGHLIGHTS

> $57,250 raised of a $100K Reg CF goal
> If you invest $1,500 you may get $8,700 back
> 10-year minimum term
> Investment type: Priority equity
> 7% annual priority return
> Investment returned in 10+ years
> 70% profit share after investment returned
> Offering closes on April 30, 2020
Lisa Bhathal Merage
RevOZ Capital
Overview

RevOZ Capital is building a nationally-recognized model for how to consistently integrate positive social impact into Opportunity Zone investments.

- Social impact council
- Social impact scorecard
- Project-specific initiatives
- Diversity, equity and inclusion
- Strategic partnerships
- Marketing and storytelling
- Philanthropy and volunteering
San Bernardino Medical Center
Once completed in 2021, the property will house the County of San Bernardino's 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 at-risk youth.
San Bernardino Medical Center

Construction Status:

• Construction began in December 2019.
• Scheduled delivery of the building is April 30, 2021.
• The County of San Bernardino will move in immediately upon delivery with a 15-year lease.
Delivering Positive Social Impact

“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
Director, San Bernardino County
Department of Behavioral Health

Projected impact for San Bernardino community:

- 68% minority population
- 15% of residents below poverty level
- Families served: 660-900/year
- New permanent jobs: 8-10
- Construction jobs: 500
Graham Allison
Opportunity Zone Development Group
Financial and Social Return on Investment

Impact Investing
Creating positive and social and environmental change

Philanthropic Activities
- Grants
- Venture Philanthropy
- Impact Investing

Investment Activities
- Responsible Investing
- Traditional Investing

Positive Measurable Impact
Values Aligned/No Harm

Negative Financial Return
Below Market Rate Return
Market Rate Return
The Phoenix Community

50-bedroom affordable housing apartment project
1560 Old Leonard Ave
Columbus, OH 43219
The Phoenix Community

**EXECUTIVE SUMMARY**

- **$3.00M** Total Raise
- **$1M** Annual Rent for 15 years
- **17.7%** Target IRR without OZ benefits
- **24.43%** Target IRR pre-tax equivalent with OZ benefits

**Vision**

Provide an affordable and sustainable housing solution for a non-profit to reintegrate based on a State government contract + a 24.43% target IRR pre-tax equivalent for community impact investors.

**Investment Overview**

- **QOZ Property**: The Cargominiums, an Affordable, Sustainable Community Residential Center
- **Total Raise**: $3.00M
- **Type**: 10-year, opportunistic closed-end investment
- **Investment Structure**:
  - Taxpayer-investors invest in Cargominiums Opportunity Fund, LLC
  - Qualified Opportunity Fund-investors invest in Cargominium Partners, LLC
  - All investors receive an **10%** preferred return
- **Investor Type**: Accredited, subject to verification
- **Opportunity Zone Tax Incentives**:
  - Temporary deferral
  - 15% deferred tax reduction
  - 100% tax-free exit
- **Investment Strategy**: Capitalize a qualified opportunity zone business to acquire title to, complete development of, and lease a 100-bed residence to a faith-based non-profit partner under a 15-year lease at a fixed-rent of $1M/year.
- **Investor Exit**: Cross-purchase or redemption by sole tenant after 10-year investment period.
Donna Gambrell
Appalachian Community Capital
Communities, CDFIs, and Collaboration

“The local community is the power behind economic development projects – not the investor.”

- Maurice Jones
  Former CEO of LISC

Opportunity Appalachia Investors Convening held
  February 23 - 24, 2021

“Developing and sustaining successful and effective collaborations requires a heavy commitment among all of the partners involved. Having a vision, convening regularly, and bringing the right partners to the table are only the first stages of a successful collaboration.”

- CDFI Collaborations: Keys to Success
  Opportunity Finance Network publication dated
  January 2016
Opportunity Appalachia

- Led by a six-member consortium of regional and national organizations with expertise in financing and marketing.

- Provides technical assistance (TA) to select projects in central Appalachia (Southeast Ohio, Southwest Virginia, and West Virginia). TA funded through a $1 million grant from the Appalachian Regional Commission.

Seeking to create over 1,800 jobs and attract $235 million in financing to develop manufacturing facilities, agricultural facilities, and hotels, as well as support downtown development, retail enterprises, tech businesses, and broadband deployment in rural communities.

158 GZs in Central Appalachian coal-impacted communities in WV, OH and VA.
Opportunity Appalachia
Opportunity Appalachia

Investor Symposium

- February 23 – 24, 2021
- 16 projects were selected out of 56 OZ project proposals
- 165 attendees/40 investors
- Panel of experts
- Live pitches and 3-minute videos for each project

**WHAT WERE THE RESULTS AND TAKEAWAYS ?**
Q & A

**Economic Innovation Group**
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**Mosaic Development Partners**
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Graham Allison | gallison@ozdevgroup.com

**Appalachian Community Capital**
Donna Gambrell | dgambrell@acc1.org