

## **Achieving Impact in Opportunity Zones Through Local Partnerships**

*Presented by:*

Catherine Lyons, Economic Innovation Group

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

# Agenda

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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**

**ECONOMIC INNOVATION GROUP**

**San Bernardino Medical Center**

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 San Bernardino Medical Center will house the 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.

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*“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

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The information presented was gathered through interviews with project stakeholders (e.g., the project sponsor, fund manager, etc.). Statistics from the American Community Survey are included, and additional publicly available data from the U.S. Department of Housing and Urban Development, the U.S. Department of Agriculture, the U.S. Department of Education, and the Centers for Disease Control may be included as well.



**Opportunity Zone Investment Profile**

**ECONOMIC INNOVATION GROUP**

**The Phoenix Community**

Location: **Columbus, OH**

Congressional District: **OH-3**

Opportunity Fund Name: **Cargominiums Opportunity Fund, LLC**

Opportunity Fund Manager: **Opportunity Zone Development Group**

Investment Date: **Q4 2019**

Project Details: **Mixed-use building with reentry housing and support services**

### Opportunity Fund Partners with Non-profit, Jumpstarts Stalled Project for Formerly Incarcerated Men

For 13 years, the faith-based nonprofit organization, [Nothing Into Something, Real Estate, Inc.](#) (NISRE), envisioned piloting an innovative solution to address Columbus's growing shortage of affordable homes. In 2016, the development of an affordable housing community commenced on a lot owned by the non-profit, but then stopped shortly thereafter due to third-party circumstances. The project remained stalled until 2019, when the [Opportunity Zone Development Group](#) (OZDG) partnered with NISRE to breathe new life into the project and reposition it as a mixed-use building called “The Phoenix Community” which will provide affordable housing and support services to residents transitioning from incarceration.

People who have been incarcerated are up to 13 times more likely to [experience homelessness](#) compared to the general public, and pre-pandemic, the [unemployment rate](#) among formerly incarcerated individuals was 27 percent. Housing insecurity and unemployment are among multiple contributing factors that lead to the nation's [high recidivism rate](#). By providing affordable homes and support services at The Phoenix Community, OZDG and NISRE are helping to break the cycle of incarceration for individuals transitioning back into communities.

The Phoenix Community is a 50-bed residence with new office space for NISRE on the first floor. The non-profit has a contract with the State of Ohio to operate restorative, supportive housing programs such as this and will lease the property for 15 years at a predetermined rate. Once OZDG exits the investment in year-10, NISRE has first right of refusal to purchase the property so it may remain a beacon of hope in the community.

“

*“This social impact project simply would not have closed but for OZDG's innovative approach to Opportunity Zones.”*

— Andrew Doup, Kugler Brown Hill + Ritter

”

### Projected Impact

Jobs created for restored citizens:	20
Full-time non-profit jobs supported:	40
New office space for non-profit organization:	1,500 square feet
Beds for formerly incarcerated individuals:	50
Formerly incarcerated individuals served annually:	70-100

Community Stats	Census Tract 21	MSA: Columbus, OH
Median Family Income:	\$33,162	\$81,325
Poverty Rate:	14.3%	13.2%
Adults Not Working:	36.7%	14.8%
Minority Population:	82.7%	27.2%
Bachelor's Degree or Higher:	10.9%	36.7%
Housing Vacancy:	30.4%	7.2%

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San Bernardino Medical Center in San Bernardino, CA



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

	\$103M Investment in Infrastructure, Jobs & Talent		
	<b>Digital City</b> \$28M Investment Smart city infrastructure: Campus-wide Fiber, Sensor Network, Advanced Operating System, Data & Analytics, Living Lab, Co-created by Consortium of Public & Private Stakeholders	<b>Tech &amp; Entrepreneurship</b> \$25M Investment Create jobs & upskill talent, Invest in startups/small business, corporate & government partners in Supply Chain. Home Services, Agtech	
	<b>Digital Inclusion</b> \$5M Investment Close the digital divide increase. Provide Internet, digital literacy & education, envelop youth & families with skills, support & a better environment for success. Technology Lab & Smart Park.	<b>Urban Campus of Innovation</b> \$45M Investment 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.	

[View past webinars.](#)

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



# Achieving Impact

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## **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



# 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.



# Sharswood Ridge

## NMTC Project

SOURCES AND USES			
<b>Sources:</b>			
Investor Equity	\$2,359,792	545,000	OZ
Redevelopment Assistance Capital Program (RACP)	\$2,000,000	150,000	Sponsor
PHA Resi Sub Debt	\$4,664,900	52,863	CF Investors
PIDC Subordinate Loan	\$600,000	1,361,930	OZ
NMTC Equity	\$8,166,900	250,000	OZ
NMTC Leverage Loan (PHA)	\$19,703,100		
MTF Grant	\$400,000		
<b>TOTAL</b>	<b>\$37,894,692</b>		
<b>Uses:</b>			
Hard Costs	\$31,322,099		
Soft Costs	\$1,955,809		
Financing Costs	\$4,616,784		
<b>TOTAL</b>	<b>\$37,894,692</b>		



# Sharswood Ridge

## Garage Project

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

# 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

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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

# Current RevOZ Project

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## **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.



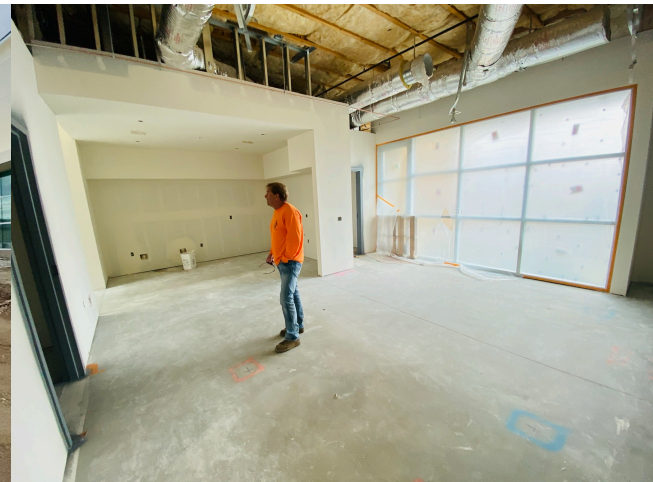


# San Bernardino Medical Center

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## 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**

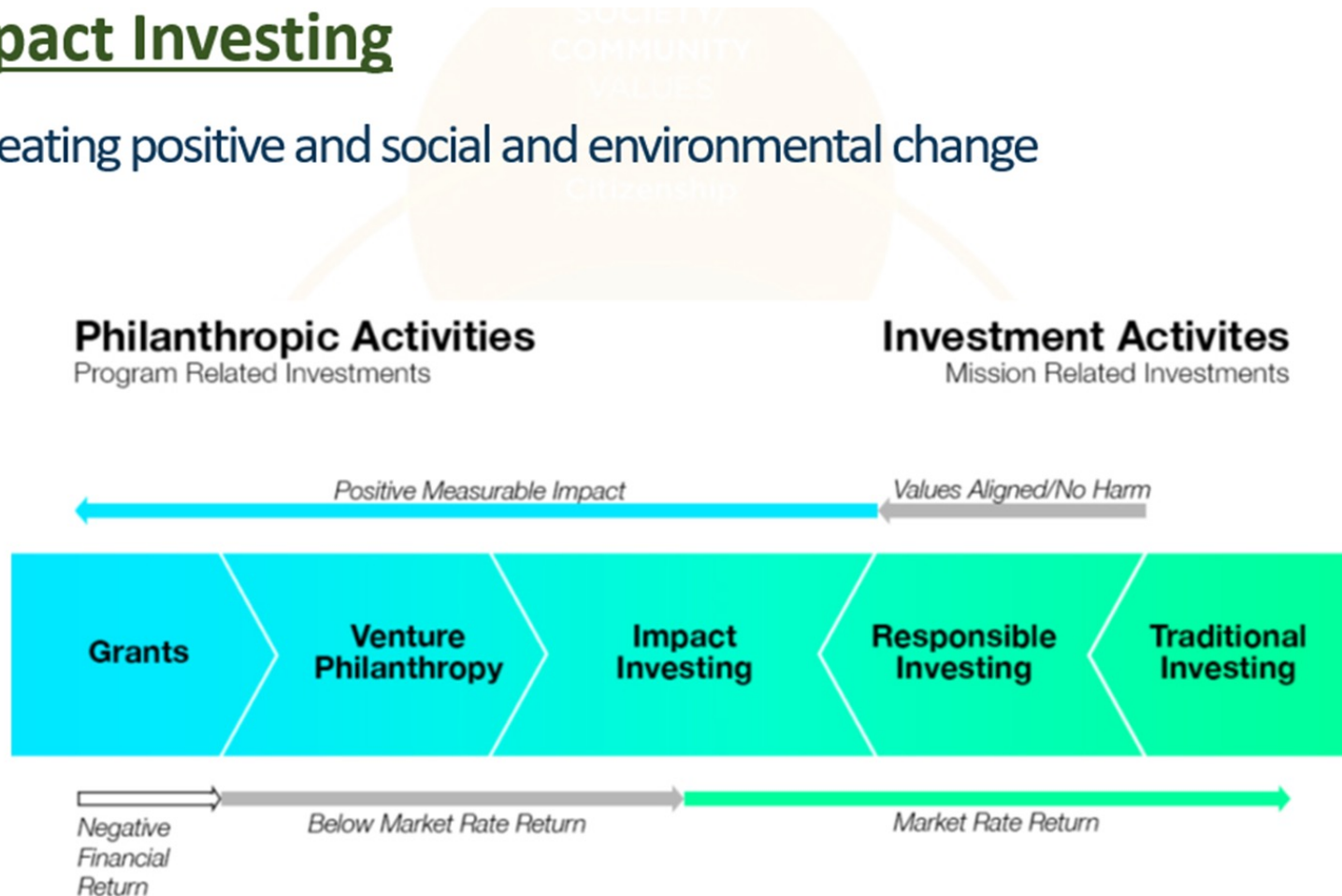
Opportunity Zone Development Group



# Financial and Social Return on Investment

## Impact Investing

Creating positive and social and environmental change



# 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

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*“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*

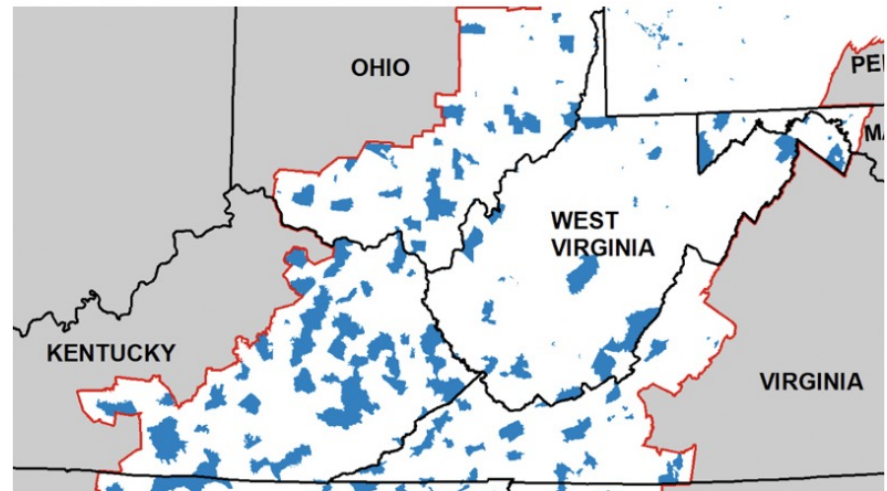
Opportunity Finance Network publication dated  
January 2016

# Opportunity Appalachia

## 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 OZs in Central Appalachian coal-impacted communities in WV, OH and VA.





# Opportunity Appalachia

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TA PROVIDERS



FRB - RICHMOND



THE  
OPPORTUNITY  
EXCHANGE



RIFFRAFF ARTS  
COLLECTIVE

# Opportunity Appalachia

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## 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

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## **Economic Innovation Group**

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