

Opportunity Appalachia

*BRINGING OPPORTUNITY ZONE INVESTMENT TO CENTRAL
APPALACHIAN COMMUNITIES, CREATING NEW JOBS AND
BUSINESSES FOR SUSTAINABLE GROWTH*



Donna Gambrell, President
Appalachian Community Capital



Tim Thomas
ARC Federal Co-Chairman



Appalachian Community Capital

CDFI Members

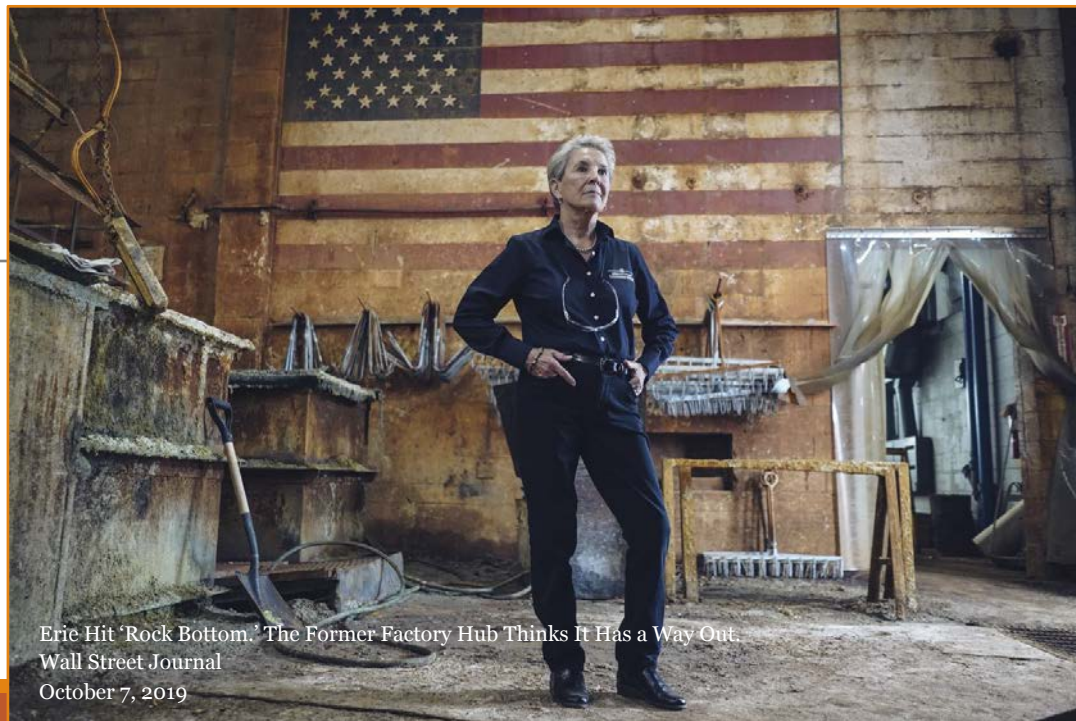


Opportunity Appalachia:



Opportunity Zones

ECONOMIC INNOVATION GROUP / Washington, DC



Erie Hit 'Rock Bottom.' The Former Factory Hub Thinks It Has a Way Out.
Wall Street Journal
October 7, 2019



Rachel Reilly
Director of Impact Strategy
Economic Innovation Group

A Tax Incentive for Investing in Communities and Businesses



**Temporary
Deferral**



**Step-Up
In Basis**



**Permanent
Exclusion**

Day-one:

Defer capital gains from taxable income if reinvested into an Opportunity Fund within 180 days. Last day of deferral is 12/31/2026.

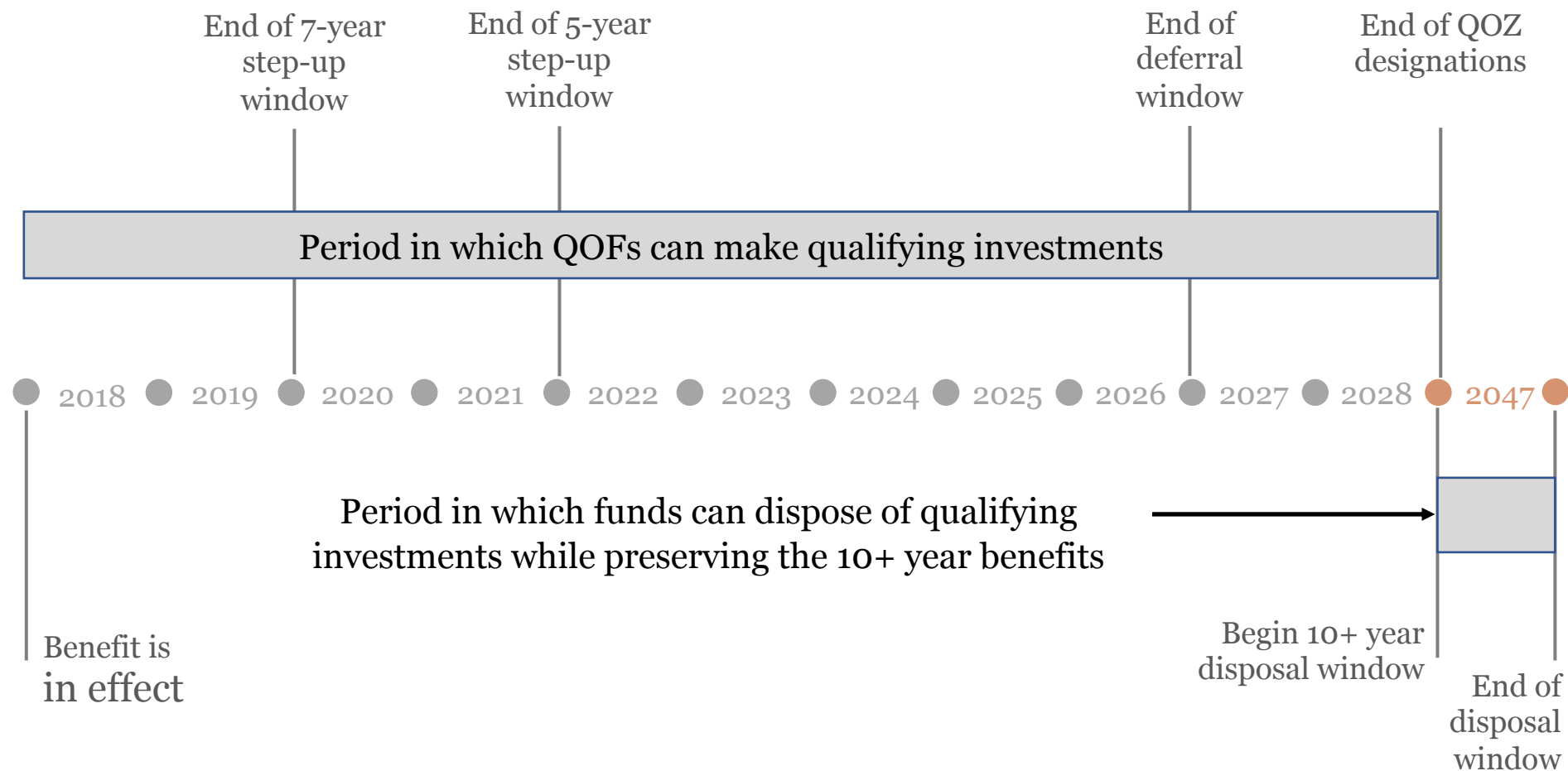
Year-5 and Year-7:

Reduction of tax liability on deferred capital gain if invested in Opportunity Fund. 5-year benefit equivalent to 10% reduction; 7-year benefit equivalent to 15% reduction.

Year-10:

Appreciation of investment in Opportunity Fund is tax exempt.

The Potential for Generational Impact



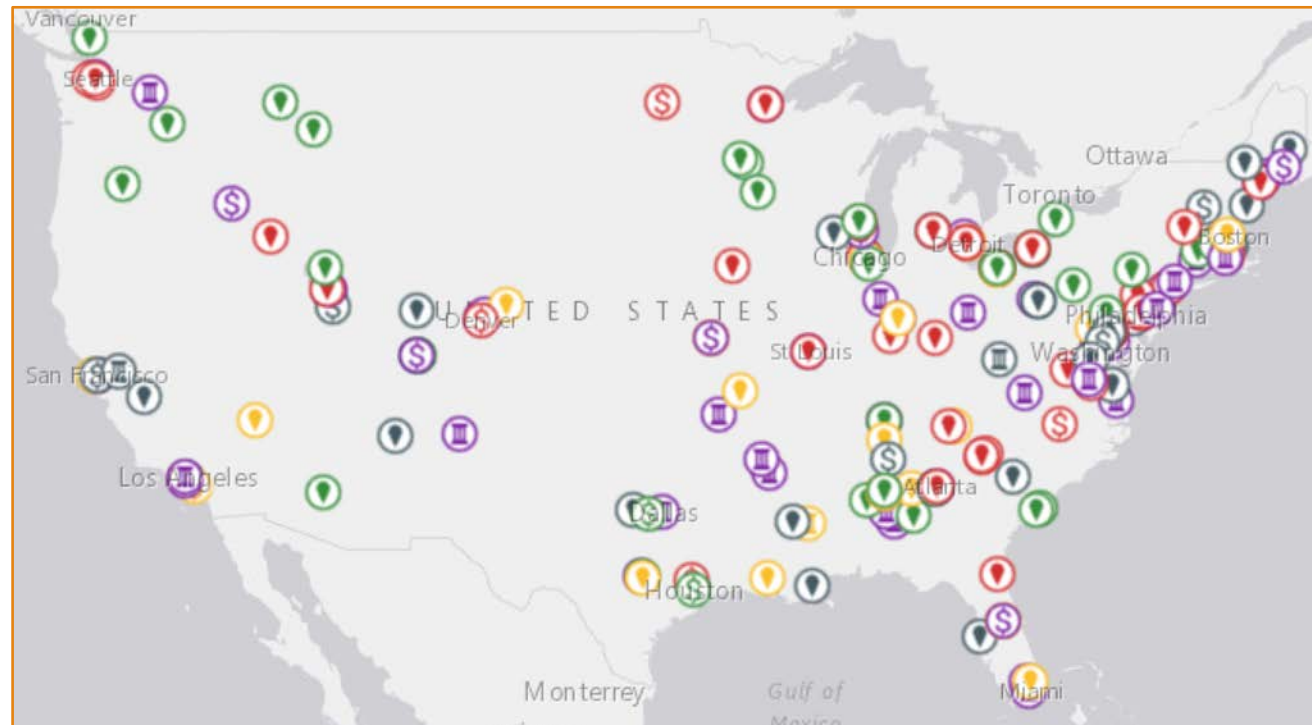
Early Indicators of Success

EIG's Opportunity Zones Activity Map

The goal of this project is to shape the Opportunity Zones marketplace towards deep social impact and broad geographic reach by sharing information and best practices with the public.

Features: Opportunity Zone investments, state and local initiatives, and Opportunity Funds

<https://eig.org/oz-activity-map>



Investment Examples

Investment Type	Examples
Business Start Up and Expansion	Proximity – Grand Junction, CO Native American Ventures – Lummi Island, WA and Tse Bonito, NM Fifth Season – Braddock, PA
Business Infrastructure	Ready Seafood – Saco, ME Safe Foods – Little Rock, AR South Shore Industrial Park – South Shore, KY
Housing	Ox Fibre – Frederick, MD Carillon Oaks – Heflin, AL Garden Walk at Gunnison – Gunnison, CO
Recreational/Tourism Economy	Colorado Outdoors Pearl Fund – Montrose, CO Under the Stars Farm – Petsworth, VA
Broadband	Neighborly – OH, CA, and FL Alphametric
Agriculture	DCA Outdoors – Sugar Creek, MO Heart Ridge Farms – Madera, CA
Engagement with Eds and Meds	Stillman College – Tuscaloosa, AL MetroHealth – Cleveland, OH

Blending Grants, Debt, and Opportunity Zone Investment

Opportunity Zone Development Profile



Ox Fibre Apartments

Location: **Frederick, MD**
Congressional District: **Maryland 6th**
Opportunity Fund Manager: **BCC Opportunity Zone 1, 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%



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.



Total Development Cost: Approximately \$27 million

“

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



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.

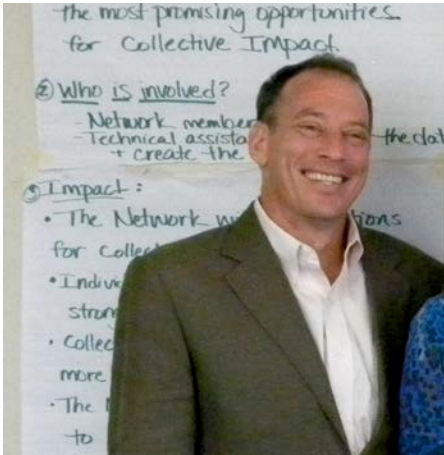
The state of Maryland, like the federal government, aligned resources to Opportunity Zones, and the guaranteed, long-term, and subordinate debt provided at all levels was key in attracting Opportunity Zone investment needed to provide desperately needed affordable homes in this vibrant community.

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.

Opportunity Zone Development Profiles - <https://bit.ly/2Lw8RII>

Opportunity Appalachia: Project Partners



Ray Daffner
Project Director



Opportunity Appalachia: Anticipated Outcomes

15 - 20 OZ communities in Central Appalachia receive technical assistance to:

- Structure investable transactions
- Create prospectus and pitch decks
- Outreach to OZ investors, both local and national

Investments to support economic restructuring and diversification:

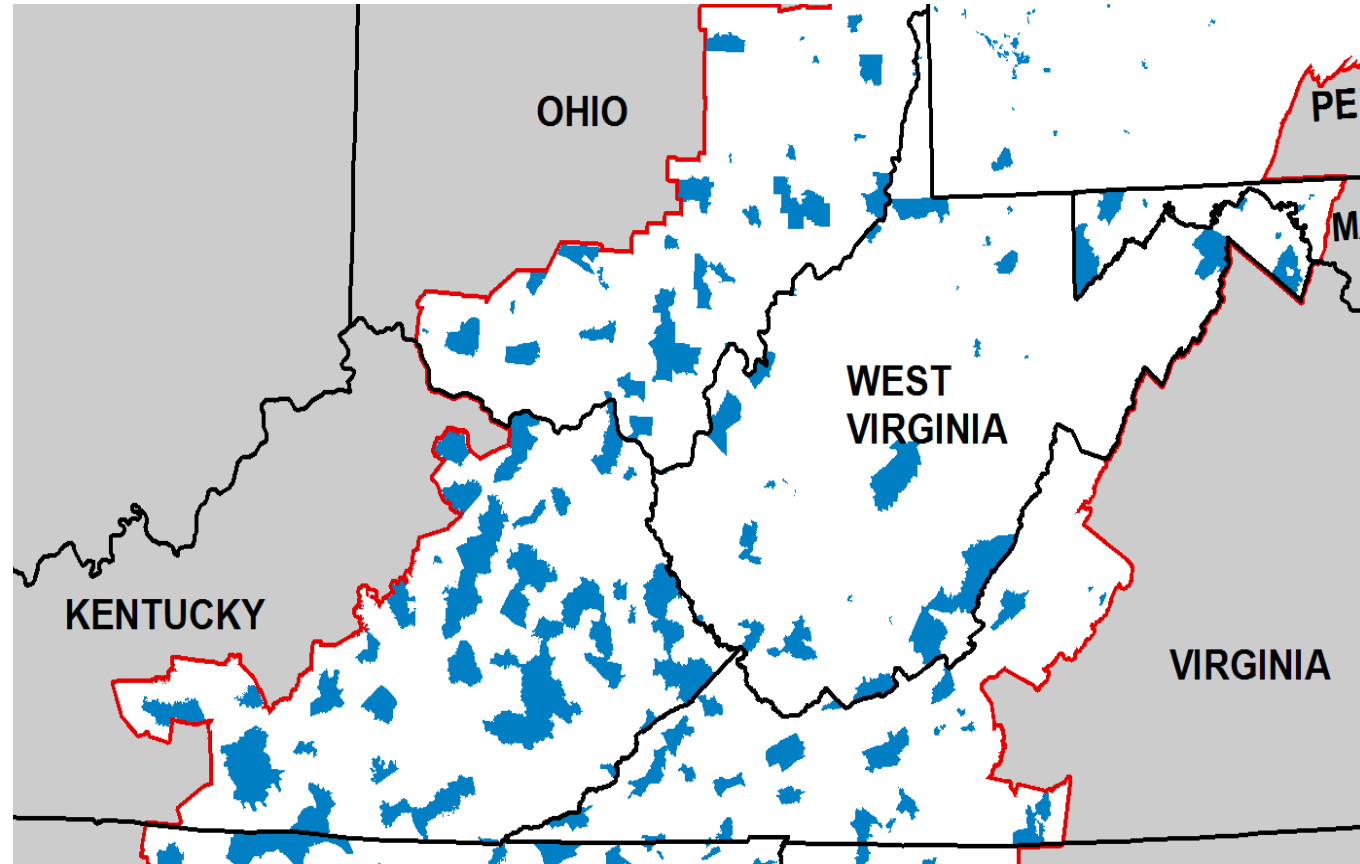
- Manufacturing
- Health
- Education
- Tourism / recreation
- Downtown Development
- Food Systems
- ... and other community development strategies

Bring \$7.5M of new Opportunity Fund capital to 15 targeted OZ communities.
Create 720 jobs.

Opportunity Appalachia: Target OZ Communities

- Appalachian Ohio
- Southwest Virginia
- West Virginia

Excludes ARC Competitive Counties



Opportunity Appalachia: Technical Assistance

\$750,000 contractual TA support provided for investable projects

15 communities / transactions anticipated

\$50,000 contractual support per project on average; \$30,000 to \$70,000 range

TA provided for: market assessment, developer identification, design, financial projections, capital structuring, prospectus development, outreach for capital raise, other activities ...

TA providers can include:

- National – Coastal Enterprises/CCML, Main Street America, LISC, Enterprise Community Partners, CDFA, NDC, and others.
- State - LOCUS, VCDC, People Inc, WV Brownfields Center, and others.
- Local - accounting, legal, design, and others.

Opportunity Appalachia: Timeline

- January – State outreach meetings targeting developers, business owners, municipal leaders, economic development professionals, investors, ...
 - January 13, Bridgeport, WV
 - January 14, Marietta, OH
 - January 27, Abingdon, VA

To Register <http://appalachiancommunitycapitalcdfi.org/oa-program/>

- January / February – Opportunity Appalachia application process and community selection
 - Application for Participation: <http://appalachiancommunitycapitalcdfi.org/oa-program/>
- March thru December – TA teams work with communities, develop prospectus etc
- August thru December – capital raise / outreach
- Q4 2020 / Q1 2021 – OZ Investor Convening
- Q1 2021 – Assessment of impact

Opportunity Appalachia: Application for Participation

Application available January 2020 on ACC web site:

<http://appalachiancommunitycapitalcdfi.org/oa-program/>

Application process to be reviewed at State Outreach Meetings

Application to be submitted in February / March (date tbd)

Eligible to Apply

- For-profit Project Sponsor including:
 - Developer
 - Operating business
- Multi-county region
- County
- Municipality
- Economic and community development organization
- Non-profit organization
- Educational institution

Opportunity Appalachia: Lead State Partners

Ohio

Katy Farber, Vice President
Appalachian Partnership for Economic Growth (APEG)



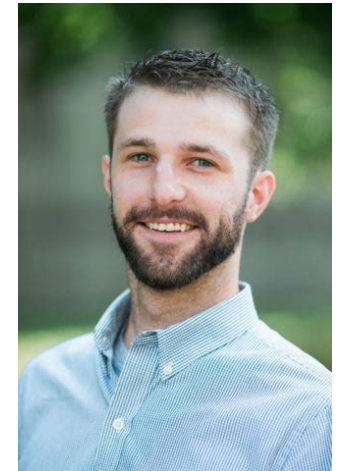
Virginia

Becki O'Quinn, Director - Economic Development
UVA Wise



West Virginia

Andy Davis, Special Projects
WV Community Development HUB



Opportunity Appalachia: **State Collaborators and Local Project Partners**

Ohio:

APEG, Governor's Office of Appalachia, Ohio Development Services Agency, JobsOhio, Ohio University Voinovich School of Leadership & Public Affairs, Buckeye Hills Regional Council, Ohio Valley Regional Development Commission (OVRDC), Ohio Mid-Eastern Governments Association (OMEGA) and Eastgate Regional Council of Governments.

Virginia:

UVA-Wise, LOCUS, Opportunity Virginia, VA Department of Housing and Community Development, LENOWISCO Planning District Commission, Cumberland Plateau Planning District Commission, Thompson Charitable Foundation, City of Wise, People Inc, Virginia Coalfields Economic Development Authority, Virginia Community Capital.

West Virginia:

WV Community Development Hub, West Virginia Development Office, WV Municipal League, New River Gorge Development Authority, Advantage Valley, City of Huntington, City of Charleston, WV Forward, WV Brownfields Center, West Virginia University, U.S. Senators Manchin and Capito offices, Benedum Foundation.

Opportunity Appalachia: National Technical Assistance Partners

Coastal Enterprises

Charlie Spies

CEO, CEI Capital Management LLC



National Main Street Center

Matt Wagner

Vice President, Revitalization



Opportunity Appalachia

Questions? Please use text box.



<http://appalachiancommunitycapitalcdfi.org/oa-program/>

Opportunity Appalachia: For more information

Appalachian Community Capital
Opportunity Appalachia landing page:

<http://appalachiancommunitycapitalcdfi.org/oa-program/>



Ohio

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