

December 11, 2019

**WHEREAS**, the City is committed to supporting enhanced economic development opportunities for low-income communities within the city and to low-income persons residing within those communities; and

**WHEREAS**, the United States Department of Treasury has established the New Markets Tax Credit (NMTC) Program to stimulate investments in predominately low-income communities; and

**WHEREAS**, the goals and purposes of the NMTC Program are consistent with and complementary to the economic development programs previously established by the City to support expanded economic development opportunities for low-income communities within the city and to low-income persons residing within those communities; and

**WHEREAS**, under the NMTC Program, tax credits are competitively awarded annually by the Treasury Department through its Community Development Financial Institutions (CDFI) Fund to qualified Community Development Entities (CDEs) after review and evaluation of applications submitted by CDEs, which are then made available to investors; and

**WHEREAS**, the City of Dallas created the Dallas Development Fund (DDF) as a non-profit Texas corporation in order to apply for an award under the NMTC program; and

**WHEREAS**, DDF was awarded a \$55 million NMTC allocation under the 2009 NMTC Program; and

**WHEREAS**, DDF was awarded a \$30 million NMTC allocation under the 2012 NMTC Program; and

**WHEREAS**, DDF was awarded a \$45 million NMTC allocation under the 2014 NMTC Program; and

**WHEREAS**, DDF was awarded a \$55 million NMTC allocation under the 2017 NMTC Program; and

**WHEREAS**, the DDF board has approved the awarding of up to \$7 million in NMTC allocation to Dallas Lite & Barricade, Inc. and its affiliates for improvements to the project located at 2727 North Westmoreland Road.

**Now, Therefore,**

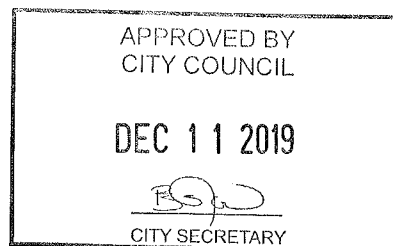
**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

191906

December 11, 2019

**SECTION 1.** That the City Council hereby authorizes a New Markets Tax Credit transaction between the Dallas Development Fund and its subsidiaries, Capital One N.A. and its subsidiaries, and Dallas Lite & Barricade, Inc. and its affiliates of up to \$7 million of DDF's \$55 million NMTC allocation for improvements to the Dallas Lite and Barricade facility located at 2727 North Westmoreland Road as further described in **Attachment A**.

**SECTION 2.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.



DATE: November 5, 2019

SUBJECT: Dallas Lite & Barricade

FROM: City of Dallas Office of Economic Development

## **Project Overview**

### **Project Sponsor: Dallas Lite & Barricade**

Founded in 1969, Dallas Lite & Barricade ("DLB") is the oldest family-owned traffic control company in Texas. DLB's areas of expertise include lane closures, crowd control, job site lighting, fabrication of crash trucks, large electronic equipment repair, and sign manufacturing. The company has grown substantially since its founding and now employs close to 140 people. Demand for DLB's services continues to grow and now exceeds the capacity of its existing 4-acre Dallas facility, forcing the company to turn down more than \$1 million in potential business opportunities. In order to expand its services and meet this demand, DLB bought a vacant 18-acre property in 2015 to serve as its future company headquarters.

### **Project Description**

The Project includes a newly constructed 16,000-square-foot corporate headquarters building will house administrative offices, a conference room, and a 50-person training facility large enough for trucks to be brought in. An additional 23,000 square feet of existing warehouse space will be redeveloped to serve as a warehouse and office space for DLB. Although the long-vacant 18-acre former EPA Superfund Site has already been fully remediated, the project's site work and drainage infrastructure will necessitate moving soil that will require minor amounts of additional remediation.

The Project is located at 2727 N Westmoreland Road in West Dallas. Quick turnarounds are vital in the traffic control business, and DLB chose the site for its central location and proximity to major roads and highways. The site is a half-mile from I-30 and less than a 10-minute drive from downtown Dallas.. The site qualifies as severely distressed based on a median family income of 51.7% of the regional median and an unemployment rate of 19.3% (2.3x national average).

Project renderings are provided in Exhibit 1.

### **Related/Sponsoring Entities**

The NMTC borrower, which will own the site and build the Project, is anticipated to be a newly created nonprofit affiliate of DLB. This new affiliate will be a Qualified Active Low-Income Community Business ("QALICB"). Dallas Lite & Barricade, Inc. is anticipated to be the Leverage Lender.

## Financing Terms

### NMTC Allocation

Dallas Development Fund ("DDF") will allocate up to \$7 million. Capital One Community Reinvestment Fund ("Capital One") is anticipated to provide up to \$2 million of additional allocation

### NMTC Investor

Capital One is anticipated to be the NMTC Investor.

### Anticipated Closing Costs and Fees

DDF will charge upfront fees totaling 4% of the Qualified Equity Investment ("QEI"), estimated at \$280,000. In addition, DDF will charge an annual Asset Management Fee of \$24,500 per year.

DDF will separately secure reimbursement for costs associated with closing this transaction, as well as audit and tax return preparation costs associated with maintaining the financing structure during the 7-year NMTC compliance period.

### Financing Structure

The NMTC Investor is anticipated to provide at least \$2.84 million in NMTC Equity (\$0.81 pricing) to support the \$7 million of DDF allocation and \$2 million of COCRF allocation. DLB is anticipated to provide approximately \$6.3 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan are anticipated to include a combination of Sponsor cash (from retained earnings, recent sale of existing headquarters facility, and recent expenditures) as well as an approximately \$2 million PACE loan.

The NMTC Investor will form a special-purpose investment fund entity and will be responsible for management of this fund. The equity and leverage debt will be combined to capitalize an investment fund (a subsidiary of Investor), which in turn will make a QEI of up to \$7 million into a subsidiary of Dallas Development Fund ("DDF Sub-CDE") and pay a 2% CDE Fee to DDF. In turn, the DDF Sub-CDE will make Qualified Low-Income Community Investment ("QLICI") loans to the QALICB. Pursuant to DDF's Allocation Agreement, DDF will take a fee of 2% of the QEI in order to finance its activities. The total QLICI loans to the QALICB from DDF will be \$6.86 million from DDF Sub-CDE "DDF QLICI Loan". DDF QLICI Loan is anticipated to be made alongside a \$2 million QLICI Loan from COCORF and a direct \$2 million loan from (the "Real Estate Loan"). DDF's QLICI loans are anticipated to be subordinate to the Real Estate Loan.

Project sources and uses and a preliminary transaction structure diagram are provided in Exhibit 2 and Exhibit 3, respectively.

### Closing Timeline

This Project financing is expected to close before January 31, 2020.

## Community Benefits and Need for Assistance

### Direct Community Benefits

**Quality, Accessible Job Creation.** The new headquarters site is almost five times the size of DLB's existing facility, which will allow the company to expand operations and hire additional employees. The Project will retain 135 full-time jobs and is anticipated to create 87 new full-time jobs over the next five years. DLB's average wage is \$18 per hour, and 93% of positions pay above Dallas' living wage. All employees are eligible for company-paid health insurance and a retirement plan with a 3% employer match.

These jobs are highly accessible with more than 90% of positions requiring a high-school diploma or less and 64% of employees coming from low-income communities. Additionally, DLB is background-friendly with approximately 28% of current employees having a criminal record. Employees receive up to 32 hours of onsite American Traffic Safety Services Association training in their first year. Reflecting investment in employee development, most DLB supervisors have worked their way up through the organization.

**Commercial Revitalization and Environmental Remediation.** DLB estimates its costs associated with additional environmental cleanup at the site will approximately \$200,000. The property is a former vehicle battery wrecking facility that has sat largely vacant since 1983. As a former EPA Superfund Site, the property has undergone extensive environmental remediation and received a Ready for Reuse certification in 2005. DLB performed environmental testing to ensure the site is ready for redevelopment and is participating in the Texas Commission on Environmental Quality's Voluntary Cleanup Program for the warehouse redevelopment. The company also received EPA approval to cap lead-contaminated soil on a southern portion of the site.

### Need For NMTC Assistance

NMTC is a critical financial tool to support DLB's expansion. After sitting vacant for decades, the 18-acre blighted site was purchased by DLB in 2015. Although the site had previously gone environmental remediation, in order to build on the site, it will require some additional cleanup that NMTC proceeds will help to support. Because of the distressed location, the appraised value of the project is expected to be lower than the construction costs, limiting the amount to market rate debt that DLB could borrow to build the facility. With NMTC financing, DLB will be able to expedite its growth, creating more jobs sooner.

**Exhibit 1: Project Rendering**



*Exterior*

**Exhibit 2: Proposed Project Sources and Uses (preliminary)**

<b>Total Sources</b>	
DDF B Note ("NMTC Gross Subsidy")	\$1,931,300
Capital One B Note ("NMTC Gross Subsidy")	\$631,800
DLB Cash in Hand	\$4,326,800
DLB Prior Spend	\$1,060,492
PACE Loan	\$1,970,100
Capital One Direct Real Estate Loan	\$2,018,250
<b>Total Sources</b>	<b>\$11,938,742</b>
<b>Total Uses</b>	
Site Acquisition	\$1,539,951
Shot Fab Building	\$2,776,895
HQ Construction	\$6,082,579
Contingency	\$304,129
Owner's Rep	\$120,000
Legal, Conveying, Permitting	\$95,946
Design and Architects	\$213,545
<u>Interest Prior to Closing</u>	<u>\$88,197</u>
<b>Base Project Costs</b>	<b>\$11,221,242</b>
Estimated Total Closing Costs	\$350,000
Reserve for DDF Ongoing Fees	\$267,500
Construction period interest	\$100,000
<b>Total Uses</b>	<b>\$11,938,742</b>