

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 awarding of up to \$4 million in NMTC allocation to Recleim TX, LLC and its affiliates for improvements to the project located at 1515 Big Town Boulevard.

Now, Therefore,

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

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, SunTrust Community Capital, LLC and its subsidiaries, and Recleim TX, LLC (Reclim) and its affiliates for improvements to the Recleim facility located at 1515 Big Town Boulevard 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, and it is accordingly so resolved.



DATE: November 5, 2019

SUBJECT: Recleim De-manufacturing Facility

FROM: City of Dallas Office of Economic Development

Project Overview

Project Sponsor: Recleim, LLC

Founded in 2012, Recleim, LLC ("Recleim") operates 3 existing locations employing more than 320 people. Sourcing from nearly every major manufacturer, these facilities recycle large appliances, through a proprietary "closed-loop" process that captures and destroys 99.9% of greenhouse gases contained within. Recleim has successfully executed another NMTC transaction in South Carolina and is seeking to expand to Dallas, a key growth market for the company.

Project Description

This non-real estate transaction will support Recleim's expansion into the Dallas market on the site of a former electronics scrap recycling facility that went bankrupt and left 300 people unemployed. The project includes the purchase of equipment, including one manufacturing line for freezers and refrigerators and one manufacturing line for other appliances. A portion of the equipment will come from previous activity on site and be acquired below market costs, significantly reducing acquisition costs.

The Project is located at 1515 Big Town Boulevard. The Census tract in which the project is located, 48113012207, is highly distressed, with Median Family Income of 50.69% of the metro median. The site will include the Recleim de-manufacturing facility, a cross-docking/aggregation point for feedstock, and space for an external tenant. The Project's site is divided between City of Dallas and City of Mesquite. All of the Project's equipment will be located in the Western portion of the site and completely within the City of Dallas.

Related/Sponsoring Entities

The NMTC borrower is anticipated to be Recleim TX, LLC, an operating entity that will own the equipment, have employees, and lease the subject property. This entity will serve as a Qualified Active Low-Income Community Business ("QALICB"). An entity affiliated with Recleim anticipated to be the Leverage Lender.

Financing Terms

NMTC Allocation

Dallas Development Fund ("DDF") will allocate up to \$4 million. AMCREF Community Capital, LLC ("AMCREF") is expected to provide up to \$8 million of NMTC allocation authority to support the Project.

Between DDF and AMCREF's allocation, a total of \$12 million in allocation is anticipated.

NMTC Investor

SunTrust Community Capital, LLC ("SunTrust") 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 \$160,000. In addition, DDF will charge an annual Asset Management Fee of \$14,000 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 \$3.9 million in NMTC Equity (\$0.84 pricing) to support the \$4 million in total allocation from DDF and \$8 million of allocation from AMCREF. Recleim will provide approximately \$8.5 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan are anticipated to be bridge financing from SunTrust at closing that will be taken out by longer term equipment financing.

The NMTC Investor will form a single 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 \$4 million into a subsidiary of Dallas Development Fund ("DDF Sub-CDE") and pay a 2% CDE Fee to DDF. This fund will also make a QEI of up to \$8 million into a subsidiary of AMCREF ("AMCREF Sub-CDE").

DDF and AMCREF, through the aforementioned Sub-CDEs, will in turn 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 will be up to approximately \$11.92 million, including a \$3.92million from DDF Sub-CDE and \$8 million from AMCREF Sub-CDE.

Project sources and uses and a preliminary transaction structure diagram are provided in Exhibit 1 and Exhibit 2, respectively.

Closing Timeline

This Project financing is expected to close by December 31, 2019.

Community Benefits and Need for Assistance

Direct Community Benefits

Creation of Quality, Accessible Jobs: The Reclaim de-manufacturing facility will create 105 Full-Time positions, 100% of which will be paid a living wage and provide access to a full benefits package including healthcare, PTO, and an allowance to purchase a variety of other benefits such as vision insurance. Positions will support an average wage of \$18.67/hour, 1.6x the living wage in Dallas. In addition to good wages and benefits, Reclaim will provide on-site training to prepare people for job-specific tasks as well as to ensure a safe and healthy workplace.

86% of jobs will be accessible with a high school degree or less and without certifications. In addition to providing accessible opportunities to people with lower levels of education, Reclaim will target veterans to fill vacancies as it does at its existing sites. Reclaim is anticipated to partner with local organizations, such as Workforce Solutions of Greater Dallas, as well as host job fairs and participate in external job recruitment events in an effort to source employees from the community. Accessible jobs are important for this neighborhood, where only 14% of the population age 25 and older has a bachelor's degree or higher, 19 percentage points lower than the Dallas-Fort Worth-Arlington MSA.

Sustainability: The project will facilitate the responsible disposal of nearly 275,000 appliances annually at stabilization, meeting EPA requirements for the safe and legal de-manufacturing and waste disposal. Through its proprietary process, Reclaim will safely isolate and destroy 99.9% of refrigerants and greenhouse gases trapped in appliances in compliance with the Montreal Protocol, recovering approximately 95% (by weight) of the commodity components in the appliances it recycles which it will sell for reuse.

Need For NMTC Assistance

NMTC is necessary to support Reclaim's continued growth. Without NMTC, Reclaim would delay and/or scale back its equipment purchases. These delays would limit the number of appliances it is able to recycle each year and would limit the number of employees that Reclaim is able to hire.

Exhibit 1: Proposed Project Sources and Uses (preliminary)

| Total Sources | |
|---|---------------------|
| DDF B Note ("NMTC Gross Subsidy") | \$1,150,400 |
| AMCREF B Note ("NMTC Gross Subsidy") | \$2,240,800 |
| Equipment Financing | \$8,528,800 |
| Reclim, LLC Equity | \$644,356 |
| Total Sources | \$12,564,356 |
| | |
| Total Uses | |
| Purchase Appliance Equipment | \$1,150,000 |
| Purchase Refrigeration Equipment | \$8,000,000 |
| Mixed Processing Equipment & Installation | \$2,350,000 |
| <u>Contingency</u> | <u>\$117,500</u> |
| <u>Base Project Costs</u> | <u>\$11,617,500</u> |
| Estimated Total Closing Costs | \$500,000 |
| Reserve for DDF Ongoing Fees | \$194,000 |
| Reserve for AMCREF Ongoing Fees | \$252,856 |
| Total Uses | \$12,564,356 |