

DV Community Investment 2015 Annual Report

DudleyVentures

© Dudley Ventures 2016

Table of Contents

Chairman’s Report	1
New Markets Tax Credit Program	2
DV Community Investment (“DVCI”)	3
DV Community Investment 2015 Project Summary	4
DVCI Advisory Board	5
About Dudley Ventures	6

Chairman's Report



As Chairman of DVCI's Advisory Board, I am pleased to report on our 2015 activities as a Community Development Entity under the CDFI Fund's New Markets Tax Credit Program. We have a 7 state focus: Arizona, California, Louisiana, Mississippi, New Jersey, New York, and Ohio with an emphasis on rural America and states that have been historically underserved in the NMTC Program.

We are extremely pleased to report that the \$680 billion Protecting Americans From Tax Hikes Act of 2015 was signed by President Barack Obama on December 18, 2015. The legislation includes a five-year extension to the New Markets Tax Credit through 2019, at \$3.5 billion annually. The CDFI Fund anticipates announcing the \$7 billion combined 2015 and 2016 NMTC allocation awards in late 2016.

DVCI was proud to have won the 2015 Novogradac Journal of Tax Credits Community Development QLCI of the Year Award, in the category of Real Estate, for the Crosstown Concourse project in Memphis, Tennessee. The Novogradac JTC Community Development QLCI of the Year Awards recognize outstanding qualified low-income community investments and honor community development entities that exhibit a well-executed vision and measurable community impact, as well as showing a commitment to establishing positive change in bringing more people and places into the economic mainstream.

DVCI's mission remains to invest in high impact projects to create a high number of quality jobs in areas of concentrated unemployment. To date, the average unemployment rate of DVCI's transactions is 14.72% or 1.86 times the national average. In total, 6,249 quality permanent jobs have been created or will be created with DVCI's total allocation to date as well as 5,469 construction jobs.

Our Advisory Board has continued to be an active participant in DVCI's activities. In 2015, we continued to implement the detailed survey process to track our effectiveness and meet community needs. We received a positive response and detailed feedback from local stakeholders, vested in the improvement of their communities. We also continue to review and approve the investments of DVCI, participate in site visits, examine the proposed pipeline and receive updates on outcomes of current investments and otherwise provide guidance to the Governing Board, to strive to maximize this valuable resource to the fullest in the low-income communities we serve.

We will continue to endeavor to make the NMTC Program the most effective tool for bringing jobs and capital to the neediest communities in America.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert K. Jenkins, Jr.', written over a horizontal line.

Robert K. Jenkins, Jr.
Chairman

New Markets Tax Credit Program

In the eleven allocation rounds to date 836 awards have been given, totaling \$40 billion of New Markets Tax Credit ("NMTC") allocation, awarded through a highly competitive application process. As of December 31, 2015, the CDFI Fund reports that New Markets Tax Credit investments have generated eight dollars of private equity for every dollar of federal funding, financed over 4,800 businesses, and created over 164 million square feet of manufacturing, office and retail space.¹

The tax-extending, \$680 billion Protecting Americans From Tax Hikes Act of 2015 was signed by President Barack Obama on December 18, 2015 and included an extension of the New Markets Tax Credit Program through 2019, at \$3.5 billion annually. The December 2015 press release from the Committee on Ways and Means noted, "This bill is an important step forward on the path to fundamental tax reform. Supporting permanent tax policies promotes certainty for American businesses and families generating economic growth and jobs."²

In 2015, the CDFI Fund received 238 applications from Community Development Entities requesting a total of \$17.6 billion in NMTC allocation authority. The combined 2015 and 2016 NMTC allocation awards of \$7 billion are anticipated to be announced in late 2016.

The NMTC Program has been a highly effective federal incentives program, bringing capital into low-income communities starved for these resources with minimum cost to the federal government. The New Markets Tax Credit provides a credit against federal income taxes of 39% over seven years to taxpayers who invest in Community Development Entities ("CDEs"). DV Community Investment, LLC ("DVCI") was formed in 2010 as a result of the track record of its parent, Dudley Ventures, investing in highly impactful projects in low-income communities throughout its 20 year history.

NMTCs provide an immediate and positive effect and are available to a wide-range of businesses including manufacturing, food, retail, housing, health, technology, energy, education, and childcare located in low-income communities. The investment in these projects creates a catalytic effect, as the development makes them even more attractive to investors and spurs additional growth. According to the New Markets Tax Credit Coalition³, between 2003 and 2014, \$38 billion in direct NMTC investments were made to businesses and revitalization projects in communities with high rates of poverty and unemployment. Between 2003 and 2012, the NMTCs generated approximately 750,000 jobs, at a cost to the federal government of less than \$20,000 per job.



¹ <http://waysandmeans.house.gov/more-details-on-the-protecting-americans-from-tax-hikes-act-of-2015/>

² <https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-credit/Pages/default.aspx>

³ <http://nmtccoalition.org/fact-sheet/>

DV Community Investment

Our Mission

DV Community Investment has been awarded \$220,000,000 in NMTC allocation to date. DVCI's focus is to invest in high-impact projects to create quality jobs in areas of concentrated unemployment, targeted to low-income persons, by investing in businesses such as manufacturing and distribution facilities, projects which deliver quality health care, education, social services, retail and housing, and emerging industry sectors, such as alternative energy, with strong growth potential.

In total, 6,249 quality permanent jobs and 5,469 construction jobs have been created with DVCI's NMTC allocation to date. On average, 90% of jobs are quality jobs and 54% of aggregate jobs have gone to low-income persons.

Investing in Excellence

Every potential borrower of DVCI is required to complete an Intake Form and Community Impact Questionnaire ("CIQ"). The Intake Form and CIQ request financial data concerning the funding requests and examine, in a series of detailed questions, whether jobs will be filled from members of the low-income community, the nature of the jobs, and whether the jobs will create additional demand for goods and services, thus creating indirect jobs as well.

To ensure that all investments align with DVCI's mission, we carefully review each Intake Form and CIQ, scoring each potential project on a 100 point scale. DVCI only invests in the highest scoring projects. Projects that do not score high and which do not directly benefit the low-income community are not chosen for investment. Priority is given to projects that provide quality jobs in highly distressed areas.

2015 Community Development Real Estate QLCI of the Year

Crosstown Concourse



The \$200 million Crosstown Concourse project in Memphis, Tennessee consists of the redevelopment of the 1.5 million square-foot, historic Sears distribution facility into a mixed-use facility with 269 units of residential housing, arts, education and healthcare tenants, including a charter school, a wellness and fitness center, multi-media studios, and a cancer treatment center.

Located in a severely disinvested area where the poverty rate is 37.6% and the unemployment rate is 18.1%, 2.29 times the national average, the Project boasts an enormous amount of local support from the surrounding communities. The Project will create up to 1,000 construction jobs and approximately 800 permanent, full-time jobs.

Makers Village



Newark, New Jersey

\$10,000,000 Qualified Equity Investment

AeroFarms, a mission-driven company, is developing a 69,000 square-foot industrial site into the world's largest indoor vertical farm for baby leafy greens, producing up to 2 million pounds annually. AeroFarms has a patented aeroponic process that produces greens all year long, without pesticides, sun, soil or washing, setting a new standard for culinary freshness and flavor. The produce is packaged on-site and sold locally to retail and food service.

The \$30 million project will create 69 new, permanent, quality full-time jobs in an area with an unemployment rate of 12.8% that is 1.6 times the national average. Approximately 70-90% of these positions are expected to be filled by low-income persons or by residents of the low-income community. AeroFarms will be initial key anchor for RBH's broader development called "Makers Village" that will be home to other artisan, specialty food manufacturers. Goldman Sachs previously provided NMTC allocation and acquired the New Markets Tax Credits.

Community Need:

Poverty Rate – 12.8%

Median Income – 51.88% of area median

Unemployment Rate – 12.8% or 1.6x nat. avg.

Secondary Qualifiers – Food Desert, Urban Enterprise Zone

Investor – Goldman Sachs

Projected Community Impact:

69 FTE jobs anticipated, 9 FTE jobs retained

48 FTE construction jobs

48-62 new jobs to low-income persons or residents of the low-income community

DVCI Advisory Board



Chairman - Robert K. Jenkins, Jr.
Renaissance Equity Partners
Senior Managing Director



Richard Clinch
Jacob France Institute
Director



Tomas Duran
Concerned Capital
President



John Ramirez
Chicanos Por La Causa
Executive Vice President



James D. Howard, Jr.
Dudley Ventures
Principal



James R. Klein
Finance Fund
Chief Executive Officer



Dale Royal
Atlanta Emerging Markets - Senior
Project Manager & President



Carlos N. Sanchez
City of Plainfield - Deputy City
Administrator for Economic Development



Alex Stillpass
Ross Sinclair & Associates
Investment Banker



Joel Superfon
Dudley Ventures - Director of Investment
Management & Advisory Services



Ann Vogt
The National Development Council
Managing Director



Joseph Wesolowski
Enterprise Community Investment
Senior Vice President

DVCI would like to sincerely thank Edmundo Hidalgo for his dedication and hard work on the DVCI Advisory Board. Mr. Hidalgo's service is greatly appreciated and has been a vital part to the success of DVCI's mission to finance highly impactful projects, creating full-time, quality jobs in low-income communities. Congratulations to Mr. Hidalgo on his new role as Vice President of Outreach Partnerships at Arizona State University, leading efforts to develop a comprehensive approach to outreach to include private and public-sector partnerships.

DVCI would like to welcome John Ramirez to the DVCI Advisory Board. John Ramirez, joined Chicanos Por La Causa ("CPLC") in 2003 and currently serves as Executive Vice President for Business Enterprises. He previously has served in various management positions for CPLC, including oversight of the Real Estate Development Group, Economic Development Group and Residential Housing/Housing Counseling Departments. His current oversight includes CPLC's Small Business Loan Programs; New Market Tax Credit (NMTC) Program activities, joint ventures and equity investments and social ventures and for CPLC service offerings in Arizona, Nevada, and New Mexico.

About Dudley Ventures

Through its direct affiliates, Dudley Ventures (“DV”) has been providing equity and debt capital to low-income communities nationwide since the inception of the New Markets Tax Credit Program. DV has been a leading syndicator of NMTC Equity to the Program, and has been involved in transactions totaling over \$1.4 billion. DV’s investment focus has been innovative, high community impact transactions, which include community facilities such as theatres, educational institutions, hospitals, health care clinics and charter schools.

Dudley Ventures has a team of seasoned experts in tax credit investing and development, including the New Markets Tax Credit Program, the Historic Tax Credit Program, the Low-Income Housing Tax Credit Program, Renewable Energy Tax Credits, and various State corollaries.

Key Personnel

Johanna G. Kato
Chief Operating Officer

Barbara Beaudoin
Chief Financial Officer

Karen Reen
Controller

D’Anna Elsey
Chief Compliance Officer

Stephanie Hiatt
Associate Director of IMAS

Angelina O’Connor
Transaction Support

For more information, please feel free to contact us at:

Dudley Ventures
22 East Jackson Street
Phoenix, AZ 85004
p. 602-759-5300
www.dudleyventures.com

DVCI welcomes you to submit comments/feedback online at: dudleyventures.com/dvci

This institution is an equal opportunity provider.