

DV Community Investment 2018 Annual Report



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Chairman's Report



As Chairman of DVCI's Advisory Board, I am pleased to report on our 2018 activities as a Community Development Entity under the CDFI Fund's New Markets Tax Credit Program. In Round 14, we received \$50,000,000 of NMTC Allocation.

The NMTC was extended for five years by the PATH Act of 2015, and it expires on December 31, 2019. We continue to advocate for permanency of the New Tax Credits Program, through major lobbying efforts of the NMTC Coalition advocates and many hours of work with our bipartisan Congressional allies on the New Markets Tax Credit Extension Act of 2019. In addition to making the NMTC a permanent part of the Internal Revenue Code, the NMTC Extension Act of 2019 would increase the annual NMTC allocation, and index the allocation to inflation in future years.

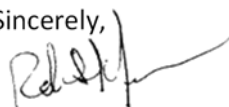
Since its authorization, over \$40 billion in direct NMTC investment has created about 1,000,000 jobs. These NMTC investments leveraged more than \$90 billion in capital from other sources for businesses, healthcare centers, manufacturing expansions, and revitalization projects in communities with high poverty and unemployment rates.

DVCI has committed to the renewal and revitalization of low-income communities in both rural and urban areas, with a particular emphasis on those in Arizona, Georgia, Indiana, Mississippi, Nevada, New Jersey, and New York. DVCI continues to work in those areas consistently left behind in the economic recovery. We continue to create, with our financing activities, living wage, quality, permanent jobs, which are accessible to the low-income and provide a means to escape poverty through economic advancement.

In 2018, we continued our efforts to serve non-metro areas, providing NMTC allocation to the highly impactful Thomasville Regional Medical Center project, located in a Persistent Poverty County in rural Alabama. This 68,320 square foot new hospital will dramatically expand healthcare services in a severely distressed census tract that lost its previous hospital in 2011, leaving the region's residents to travel as far as 100 miles for healthcare services.

Our Advisory Board has continued to be an active participant in our community development activities. DV Community Investment would like to warmly welcome Angelina O'Connor to the Advisory Board. Ms. O'Connor is a Senior Transaction Manager at Dudley Ventures and has been directly involved in the evaluation of community impact, project coordination, and closing process of over \$400 million of NMTC transactions.

We look forward to 2019 and will continue to strive to make the NMTC Program the most effective tool for bringing quality jobs and needed capital to low-income communities in America.

Sincerely,

Robert K. Jenkins, Jr.
Chairman

New Markets Tax Credit Program

The New Markets Tax Credit (“NMTC”) Program is a highly effective federal incentives program, bringing capital into low-income communities starved for these resources with minimal 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”).

214 Community Development Entities submitted 2018 NMTC allocation applications to the CDFI Fund, requesting a total of approximately \$14.8 billion in allocations, 323% higher than the \$3.5 billion in NMTC allocation available.¹

In the fifteen allocation rounds to date, 1,178 awards have been provided, totaling \$57.5 billion of NMTC allocation, including \$3 billion in Recovery Act awards and \$1 billion that was specifically set aside for recovery and redevelopment in the wake of Hurricane Katrina.

As of December 31, 2018, the CDFI Fund reported that New Markets Tax Credit investments have generated \$8 of private investment for every \$1 of federal funding, and created 205 million square feet of manufacturing, office, and retail space.²

\$49 billion in New Markets Tax Credits have been invested in low-income communities since the program’s inception through FY 2015.³

Tax Reform & The New Markets Tax Credit Program

NMTC investments through FY 2015 have leveraged more than \$90 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment. The NMTC generated well over 1,000,000 jobs at a cost to the federal government of less than \$20,000 per job.⁴

Although each NMTC investment must be made in economically distressed communities, more than 72 percent of all NMTC investments are reported to have been in communities exhibiting severe economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median.⁴

While the NMTC is currently set to expire on December 31, 2019, bipartisan extension legislation was recently introduced in the House and Senate to secure the future of the NMTC Program. Congresswoman Terri Sewell (D-AL) and Congressman Tom Reed (R-NY), introduced the House bill. In the Senate, the bill was introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD).⁵

The bills, titled The New Markets Tax Credit Extension Act of 2019, would permanently extend the NMTC to ensure that low-income communities and rural neighborhoods left behind during times of economic growth, continue to have access to NMTC financing which acts as a catalyst for economic growth and stimulates job creation.⁵

¹ US 2018 NMTC Program Award Book, CDFI Fund. May 23, 2019

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

³ CDFI Fund’s FY 2018 Agency Financial Report

⁴ NMTC Economic Impact Report, NMTC Coalition (December 2017)

⁵ <https://nmtccoalition.org/2019/03/12/house-and-senate-members-move-to-make-new-markets-tax-credit-permanent-3/>
NMTC Coalition, Rapoza & Associates. 2019

DV Community Investment

Our Mission

DV Community Investment is proud to have been awarded \$350,000,000 in NMTC allocation from the CDFI Fund in Rounds 8 through 14.

DVCI's mission remains consistent, to bring capital not otherwise available to areas of profound economic distress; communities which continue to slip behind despite the ongoing economic recovery and to bring a large number of living wage, permanent jobs targeted to low-income persons. Projects include: manufacturing and distribution facilities which are proven strong engines for accessible high quality jobs; projects that deliver high quality health care, education, social services, retail and housing which, when brought to a LIC, result in quality job expansion; and emerging industry sectors where innovation is projected to result in rapid expansion and substantial quality job growth.

DVCI has a national footprint and is committed to the renewal and revitalization of low-income communities in both rural and urban areas.

In total, 9,660 quality permanent jobs and 7,834 construction jobs have been created, or are anticipated to be created, with DVCI's NMTC allocation to date.



Investing in Excellence

Requests for funding from DVCI has been sizeable from a multitude of diverse projects types. In 2018, DVCI reviewed over 230 funding appeals for a total requested investment of over \$4.5 billion, a 90x oversubscription of DVCI's \$50,000,000 allocation award.

Every potential borrower of DVCI is required to complete Intake Form and Community Impact Questionnaire. We score each project using a 100 point scale and prioritize each opportunity measuring whether the QLICI: creates a high number of quality jobs in areas of high poverty and unemployment; demonstrates strongly that "but for" NMTCs the project would be unable to be financed; targets at least 50% of jobs created to LIPs; meets demonstrated community needs and serves low-income persons or low-income community residents; contains environmentally sustainable attributes; and has clear and strong support from the community.

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. Priority is given to projects that provide quality jobs in highly distressed areas and create the greatest community impact.

2018 Investment Summary

Projected Community Impact DVC I 2018 Projects¹

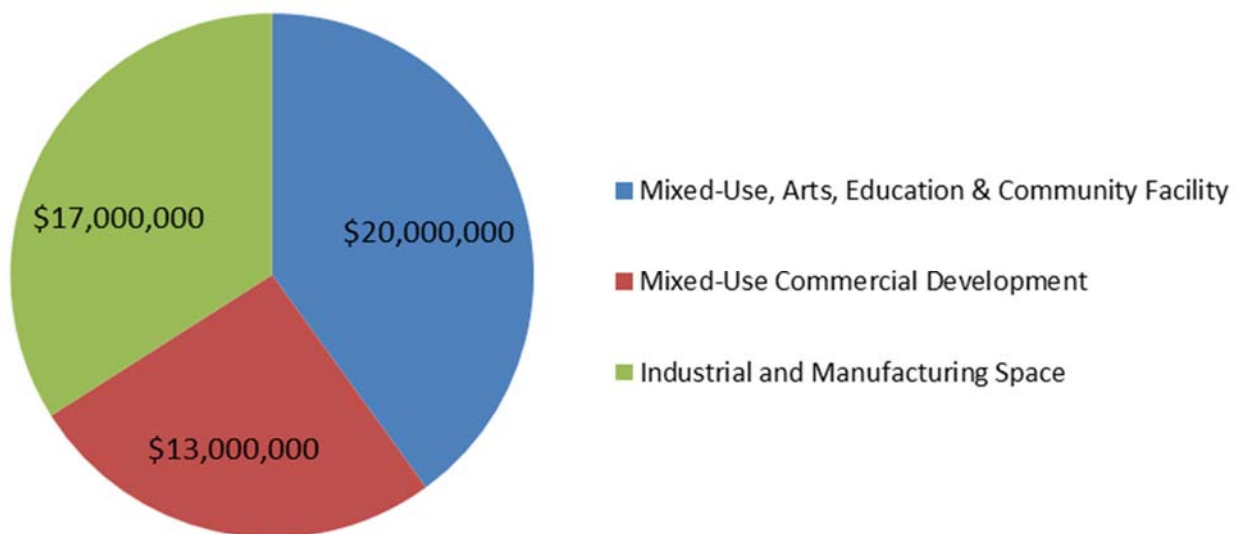
2,789
Full-Time
Jobs Created

34,925
Low-Income
Community Members
Served Annually

166,325
Square Feet of
Community Space

239,000
Square Feet of
Mixed-Use²

Qualified Equity Investments 2018 Distribution by Project Type¹



¹ As of 01/31/2019. \$21MM of R14 allocation deployment is underway.

² Mixed-Use – Office, Retail, Arts, Education, Community Facilities, etc.

First Place-Phoenix



Phoenix, Arizona

\$8,000,000 Qualified Equity Investment

First Place-Phoenix (the “Project”) is a first of its kind, 81,000-square-foot property which houses independent living residential units, a transition academy and a training and leadership institute. First Place-Phoenix includes 67 studio one- and two-bedroom apartments, with 16 units targeted to low-income tenants, and a suite of independent living services and amenities.

The First Place Transition Academy is operated by the Southwest Autism Research & Resource Center and is located onsite serving 32 students/year who are transitioning to more independent living and who reside at First Place-Phoenix in year one and off-campus in year two. The First Place Global Leadership Institute is also on campus, led by a international faculty, advancing the continued education and training of support service providers, professionals and physicians, and serving as a robust site for research and public policy advancements.

The Global Leadership Institute is also getting ready to announce the expansion of a major east coast back office/IT benefit corporation to the area that will produce 500 jobs for people with autism and other neurodiversities over the next five years.

With no marketplace comparable for residential living of this kind, the Project was unable to obtain conventional financing. First Place AZ successfully raised cash and pledges to support the Project, but was not able to support the entire budget without New Markets Tax Credit Financing filling the gap. The NMTC financing increased the viability and efficiency of the operations further improving the Sponsor’s services provided to adults with autism.

Co-CDE: Clearinghouse Community Development Financial Institution
Investor: US Bank

Community Need:

Poverty Rate: 24.7%

Unemployment Rate: 8.3%, 1.05x the national avg.

Median Family Income: 49.7%

Projected Community Impact:

- 33 FTE jobs created
- 9 FTE retained jobs
- 100 FTE construction jobs
- A \$200,000 Scholarship Awards Program is place to support low-income persons

Flex-N-Gate

Detroit, Michigan

\$7,000,000 Qualified Equity Investment

Flex-N-Gate is the construction, development and equipping of an approximate 494,000 square foot advanced manufacturing facility in Detroit, Michigan (the "Project"). The NMTC financing directly supported equipping the facility. Minority-sponsored Flex-N-Gate Group ("FNG") is a global automotive component manufacturer that supplies original equipment vehicle manufacturers with critical systems, assemblies and components, including complex structural metal stampings, mechanical assemblies, advanced vehicle lighting systems and painted exterior and interior injection molded parts. The Project will be the largest auto supplier investment in the City in over two decades and will initially provide world-class quality, time-sensitive components to Ford Motor Company. The Project's operations will include stamping, welding, injection molding and assembly. Training will encompass advanced manufacturing skills that include robotics, lift truck operation, tool and die, equipment repair, and manufacturing safety certifications.

FNG worked with the City and Ford to locate the Project in the I-94 Development District, one of the most distressed neighborhoods with one of the highest unemployment rates. With an unemployment rate of over 32.9% or 4.16x the national average, the Project will create 480 FTEs upon start of production with up to 800 total FTEs created at production capacity and 100 new construction jobs. 88% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income communities. The Project's jobs will include extensive training, health and retirement benefits, fresh/healthy choice meal subsidies, transportation subsidies and potential childcare subsidies. Unskilled workers will participate in a Production Worker Training program provided by a local non-profit Focus: HOPE.

Without the New Markets Tax Credit equity, 800 high-quality, permanent jobs would not have been brought to one of the most highly distressed communities within a city that has been in persistent economic decline.. This transformative investment in the City by an automotive company would not be possible without the use of NMTC financing.



Co-CDEs: Wells Fargo Community Development Enterprises, Inc., National New Markets Fund, LLC, HEDC New Markets Inc., Stonehenge Community Development, LLC

Investor: Wells Fargo Bank, N.A.

Community Need:

Poverty Rate: 29.3%

Median Family Income: 47.16%

Unemployment Rate: 32.9%, 4.16x the national avg.

Projected Community Impact:

- 800 direct FTE jobs created
- 259 FTE construction jobs
- FNG will provide employees with subsidies for childcare, and transportation, and healthy meals, as well as providing healthy food options in a 6,400 SF onsite kitchen.

BNY 127

Brooklyn, New York

\$5,000,000 Qualified Equity Investment

Brooklyn Navy Yard Development Corporation (“BNYDC”) will rehabilitate and renovate Building 127, approximately 100,000 SF, at the Yard, restoring it to an active manufacturing use and creative workspace that supports the Yard’s job-creation and economic development mission (the “Project”). Building 127 was built in 1903 as a boat construction and repair facility for the US Navy. Most recently, it was used by Cumberland Sugar Packing as a packing facility until the company’s 2016 departure from Brooklyn. Over the course of the 20th century, various non-historical mezzanines were added to the building, and the historic windows were closed up. The building has been vacant since Cumberland’s departure, and requires significant investment to attract a job-dense, mission-consistent user for the Yard.



BNYDC will re-open and replace the historic windows, remove mezzanines and demising walls in order to restore the wide-open floorplates, and install all new building systems and modernized vertical transportation. The end product will be a modernized industrial building with three single-unit floors of approximately 30,000 square feet each. BNYDC will lease these spaces to manufacturing and creative workspace tenants.

The community in which the Project is located has a high poverty of 25.2% and an unemployment rate which is 1.2x the national average. The Project tenants will provide approximately 300 permanent, quality jobs and the Project will provide 75 construction jobs in the severely distressed community. It is anticipated that all of the new jobs will pay a living wage and offer health and retirement benefits. In addition, it is anticipated that all of the jobs will offer career advancement opportunities, advanced education, and will offer technical training opportunities. About 50% of the jobs are expected to be filled by low income persons with lower levels of education and those who face persistent barriers to employment.

Due to a financing gap, without the New Markets Tax Credits, BNYDC, a nonprofit, would not be able to move forward with the renovation of Building 127, restore essential jobs at a living wage, offer below-market lease rates to local businesses and impact the lives of the surrounding low-income community.

Co-CDEs: GS New Markets Fund GRP LLC
NYCR-CDE, LLC
MBS Urban Initiatives CDE, LLC
NYC Neighborhood Capital Corporation
Investor: Goldman Sachs Group, Inc.

Community Need:

Poverty Rate: 25.2%

Unemployment Rate: 9.5%, 1.2x the national avg.

Projected Community Impact:

- 300 direct FTE jobs created
- 75 FTE construction jobs
- Science, Technology, Engineering, Arts, and Mathematics Center launched in partnership with the Department of Education with half day instruction and internships with companies at the Brooklyn Navy Yard.

DePaul Cristo Rey



Cincinnati, Ohio

\$4,000,000 Qualified Equity Investment

DePaul Cristo Rey High School (“DPCR”), a college preparatory high school that serves low-income students, will build new campus buildings and renovate existing space to expand its operations and service offerings to its students. Since it opened in 2011, the school has seen tremendous growth and success, and the existing school building and modular trailer classroom units are strained to accommodate the physical and functional needs of its 325 students. The expansion will allow for an increase in enrollment by more than 25% to serve approximately 425 students, improve the quality of education and improve critical services it delivers to its low-income students.

Located in Cincinnati, Ohio, in a community with a poverty rate of 22.4% and unemployment of 10.3% (1.3 times the national average), DPCR serves a targeted population of low-income persons having an income, adjusted for family size, of not more than 80% of the area median family income. DPCR is successful in serving this population by providing rigorous college preparatory curriculum, professional work experience through its nationally recognized Corporate Work Study Program (“CWSP”), educational resources, and social services that assist the disadvantaged low-income students.

Absent New Markets Tax Credits, DePaul Cristo Rey High School would not have been able to move forward with expanding capacity and services to impact the lives of the students, families, and community members. Despite a successful capital campaign and strong community support, there was a financing gap to complete the expansion. DPCR is a non-profit organization that receives its funding from donations, pledges, grants, and CWSP. The increased services and resources required in this educational model do not support conventional financing.

Co-CDE: Cincinnati Development Fund, Inc.
USBCDE, LLC

Investor: US Bancorp Community Development Corporation

Community Need:

Poverty Rate: 22.4%

Unemployment Rate: 10.3%, 1.3x the national avg.

Targeted Populations

Projected Community Impact:

- 10 direct FTE jobs created
- 75 FTE construction jobs
- 82.8% of student families are designated as low-income persons
- DPCR has established a Rescue Food & Toiletry Pantry, which provides students with food and toiletries in a discreet manner, a dedicated hygiene space with showers and laundry facilities, and health services including a private nurse’s office

Stadler Rail

Salt Lake City, Utah

\$10,000,000 Qualified Equity Investment

Stadler Rail will construct a new 226,000 square foot, state-of-the-art manufacturing facility for light rail passenger cars in Salt Lake City where they will build and assemble trains for transit properties throughout the US (the "Project"). The Project will create quality jobs, an apprenticeship training program, develop infrastructure, and have a substantial economic impact on the severely distressed community. The initial phase began in 2018 with the construction of new roads, utilities, a test track, and a manufacturing plant and office building. Additional expansions will include the construction of a warehouse and assembly halls and welding and fabrication facilities to support the operations.

With an unemployment rate of over 13.2% or 1.59x the national average, the Project will create approximately 1,250 within seven years. 80% of new jobs are anticipated to be filled by low-income persons or residents of the surrounding low-income community. The Project will partner with Davis Technical College to create a railcar manufacturing apprenticeship program. The apprenticeship is a hybrid program with the on-the-job learning (provided by Stadler Rail in the workplace) as well as, competency-based instruction (provided by Davis Technical College at its training site).

Stadler Rail had a financing gap to offset locating in this highly distressed low-income community due to additional infrastructure expenses and the lack of skilled labor in the community. Despite the support from the Redevelopment Agency of Salt Lake City, without the NMTC equity, the Project would not have been feasible in the distressed community due to the increased costs associated with the subject site infrastructure issues, and lack of skilled workforce.



Co-CDE: Waveland Community Development, LLC
Midwest Renewable Capital, LLC
Investor: Wells Fargo Bank N.A.

Community Need:

Poverty Rate: 24.7%

Median Family Income: 69.01%

Unemployment Rate: 13.9%, 1.59x the national avg.

Projected Community Impact:

- 1,250 direct FTE jobs created
- 183 FTE construction jobs
- 80% jobs to be filled by low-income persons or residents of the low-income community
- A railcar manufacturing apprenticeship program with Davis Technical College will be established

Thomasville Regional Medical Center



Thomasville, Alabama

\$8,000,000 Qualified Equity Investment

Thomasville Regional Medical Center, LLC (“TRMC”), in partnership with the City of Thomasville, is constructing, developing, and operating a \$44.3 million, 68,320 SF new hospital in rural Thomasville, Alabama (the “Project”). This public-private partnership project will dramatically expand healthcare services in a severely distressed non-metropolitan census tract that lost its previous hospital in 2011, leaving the region’s residents to travel as far as 100 miles for healthcare services. The Project will be a 29-bed acute care hospital and anchor facility for a 40-acre Medical Park development. The newly constructed facility will contain acute care inpatient beds, patient diagnostic and treatment spaces, central support functions, and other ancillary services.

The Project will provide health education services, health screenings and other services that will serve essential community needs in this Persistent Poverty County. The new hospital will provide centralized health services to an estimated 40,000 patients annually, including 25,500 low-income persons. The Project will create up to 110 much needed, full-time quality jobs and 221 new construction jobs. It is anticipated that 75% of new jobs will be filled by low-income persons or residents of the surrounding low-income community. The Project will utilize the State of Alabama’s Development and Training Program for pre-employment selection and training. TRMC plans to work with Community Colleges to establish recruiting efforts and use Workforce Development Grants.

Without the New Markets Tax Credit financing, the funding gap could not be filled due to the high percentage of low-incomes persons served, projected revenue does not support conventional financing and the medically unserved population of Clarke County would continue to have unmet medical needs and TRMC would not have been able to bring the needed high-quality, permanent jobs, and construction jobs to this rural and distressed community.

Co-CDE: Empowerment Reinvestment Fund
Hancock Whitney New Markets Fund

Investors: Wells Fargo Bank
Hancock Whitney Bank

Community Need:

Poverty Rate: 22.5%

Unemployment Rate: 8.1%, 1.03x the national avg.

Non-Metro QCT

Projected Community Impact:

- 110 direct FTE jobs created
- 221 FTE construction jobs
- 75% jobs to be filled by low-income persons or residents of the low-income community
- Will provide needed health education services, and health screenings that serve essential needs in the rural, Persistent Poverty County

The Monarch Mixed-Use Redevelopment

Ogden, Utah

\$8,000,000 Qualified Equity Investment

The Monarch Mixed-Use Redevelopment involves the adaptive reuse of the now-vacant 58,000 square-foot historic Ben Lomond Garage in Ogden, Utah into a creative and arts-focused mixed-use development (the “Project”). The building was originally constructed in 1927 and placed on the national historic register in 2012.

The Project will provide a unique shared rental space for artists and creative professionals, private event space, exhibit space, a coffee roaster, and other restaurant and retail space. A “makerspace” will be included, providing local small businesses with access to valuable shared space, resources and equipment at a low monthly rate. The reuse of the historic Ben Lomond Garage is a key element in Ogden City’s plan to revitalize the area, which has also included acquiring the crime-ridden hotel which will be demolished, as well as creating the “Art Corridor” connecting two historical districts. The Project not only acts as a catalyst for additional development in the area, but also closes the “gap” to form a single walkable corridor between the two districts. The Project is located in a severely disinvested area where the poverty rate is 34.5% and the unemployment rate is 20.1%, 2.54x the national average. In total, the Project is expected to create 50 construction jobs and 160 new jobs, including 60 artist jobs. The majority of the jobs created will be filled by residents of the low-income community.

Despite the building's beloved history, this redevelopment would not have been possible without utilizing New Markets Tax Credits and Historic Tax Credits due to the unique nature of the Project, its tenants, increased costs associated with rehabilitating an historic building, and location within a blighted community.

DVCI is extremely proud that The Monarch Mixed-Use Redevelopment was a winner of The Novogradac Journal of Tax Credits 2018 Community Development QLICI of the Year Award in the Real Estate category.



Co-CDEs: Chase New Markets Corporation
Investor: Chase Community Equity, LLC

Community Need:

Poverty Rate: 34.5%

Median Family Income: 65.87%

Unemployment Rate: 20.1%, 2.54x the national avg.

Projected Community Impact:

- 100 direct FTE jobs created
- 60 independent contractor jobs created
- 50 FTE construction jobs created
- 80% jobs to be filled by 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



Monica Edwards
President
BRIDGE Impact Capital



James D. Howard, Jr.
Dudley Ventures
Principal



James R. Klein
Ohio Finance Fund
Emeritus



John Ramirez
Chicanos Por L a Causa
Executive Vice President



Dale Royal
Atlanta LISC
Executive Director



Carlos N. Sanchez
City of Plainfield
Business Administrator



Alex Stillpass
Ross Sinclair & Associates
Director



Angelina O'Connor
Dudley Ventures
Senior Transaction Manager



Joseph Wesolowski
Enterprise Community Investment
Senior Vice President



Ann Vogt
The National Development Council
Managing Director

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 \$1.6 billion. DV also syndicates the Investment Tax Credits in renewable energy transactions in low-income communities. DV’s investment focus has been innovative, high impact transactions, which include manufacturing and distribution facilities, community facilities such as theatres, educational institutions, hospitals, health care clinics and charter schools.

Dudley Ventures has a team of seasoned professionals 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

D’Anna Elsey
Chief Operating Officer
Director of Investments

Barbara Beaudoin
Chief Financial Officer

Karen Reen
Controller

Jake Lewis
Chief of Compliance

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

DVCI is an equal opportunity provider.