

# Memorandum



CITY OF DALLAS

DATE August 9, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **August 14th Upcoming Agenda Item: Authorize a New Markets Tax Credit (NMTC) transaction for Cristo Rey Dallas**

At your August 14<sup>th</sup> Council Meeting, you will consider an agenda item to authorize a New Markets Tax Credit (NMTC) transaction between the Dallas Development Fund (DDF), Capital One N.A., and Cristo Rey Dallas, for improvements to the Cristo Rey Dallas campus located at 1064 N. St. Augustine Drive (Project).

The City of Dallas authorized the creation of the Dallas Development Fund (DDF), a non-profit Community Development Entity (CDE), by Resolution No. 09-0461 on February 11, 2009, to apply for a New Markets Tax Credit (NMTC) allocation from the U.S. Department of Treasury's Community Development Financial Institutions Fund in its 2009 funding cycle. DDF was awarded \$55 million in the 2017 allocation cycle, and was previously awarded \$130 million in allocation from the 2009, 2012 and 2014 cycles. DDF has closed \$153.5 million in allocation to date.

The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. These investments must be used by the CDE for projects and investments in low-income communities, as defined by the NMTC program. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a 7-year credit allowance period.

On July 30, 2019, DDF considered and approved a NMTC transaction between DDF, Capital One, and Cristo Rey Dallas. This NMTC allocation will use up to \$3.5 million of DDF's \$55 million NMTC allocation. Capital One will invest up to \$3.5 million in NMTC allocation from DDF which will in turn generate approximately \$ 1.1 million in gross NMTC equity for the benefit of the Project. Raza Development Fund intends to provide \$11 M in allocation and Capital One Community Renewal Fund intends to provide \$2 M in allocation, for a total allocation amount to the project of \$16.5 M.

Cristo Rey Dallas College Prep ("CRD") is a nonprofit private Catholic high school providing high-quality college prep education to low- and moderate-income students of all faiths. CRD's mission is to see its student graduate high school, enroll in college, and graduate from college. CRD is the 30<sup>th</sup> independent school within the Cristo Rey Network, a national network of Catholic high schools serving low-income students. Key to the Cristo Rey model is its innovative Corporate Work Study Program ("CWSP") where students work one day a week at a professional services firm that subsidizes tuition while providing students with hard and soft skills and access to professional networks.

Across the network, Cristo Rey graduates are completing college at a rate of four times

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non-Cristo Rey students of the same income cohort.

Located in Pleasant Grove, CRD was founded in 2014 and now enrolls almost 480 students in grades 9 through 12. CRD's student body is nearly exclusively minority (approximately 94% Hispanic) with a median gross family income of \$38,000. CRD has a family income cap of 75% of the national median household income (per capita), or \$17,076 per household member. CRD determines income eligibility using a formula involving the national per capita Median Household Income (\$17,076) times the number of family members. For a family of four, the maximum household income is \$68,304. Tuition is based on a sliding scale, with an average cost of \$804 and a cap of \$2,500 per year. Roughly 75% of the student body would be eligible for free or reduced lunch.

Cristo Rey Dallas is located on the campus of the former St. Augustine Elementary School, consisting of two existing school buildings designed for up to 250 elementary school children and the recently completed Academic Center, which was a previous DDF NMTC project. The Phase I Academic Center is a 31,000 square-foot building that houses 15 classrooms, 4 state of the art science labs, and offices for academic administration. Cristo Rey Dallas anticipates a second-phase facility to provide the required amenities for a campus of approximately 560 students, a number that the school expects to reach in the next 2-3 years. The cafeteria remains in the original structure that has been deemed unsalvageable by structural engineers and has, at best, three to four years of useful life. The gym only seats 1/5 of the student population and lacks what's needed for a vibrant extracurricular experience.

The new NMTC project will fund the Phase II improvements. The 41,000 square-foot Innovation Center will include a premier dining facility that allows for healthy options to be prepared on campus and athletic facilities that expand the potential of the student-athletes at Cristo Rey Dallas. Beyond that, the Innovation Center will allow dedicated space for a Fine Arts program, an office suite for a premier Counseling/Social Work Department, an office suite for the Corporate Work Study Program, and much more. The building will be LEED certified.

The Project is located at 1064 North St. Augustine Drive in Pleasant Grove. The Project qualifies as highly distressed with median family income less than 60% of regional median (57.5%) and a poverty rate over 30% (36.2%).

Cristo Rey Dallas combines a rigorous, college-prep curriculum with a Corporate Work Study Program. The CWSP pairs students with an entry-level, professional services job in a range of industries (including legal, financial, nonprofit, and real estate). A team of four students "share" one job, so that each student works one day a week, plus an extra day every 4th week. CRD's 150 current partners include companies like AT&T, The Dallas Morning News, Lincoln Property Company, and PricewaterhouseCoopers. Students are employed in a variety of functions including accounting, human resources, office services, finance, information technology, and marketing/business development.

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The CWSP program has multiple benefits for the students. Each employer pays CRD \$36,000 per year per job team, which helps to deeply subsidize the tuition for students. The positions provide valuable work experience with a strong emphasis on development of soft skills, such as time management, working on teams, and communicating with adults. The CWSP also provides access to professional contacts and networks that can help students advance their careers post high school.

The Cristo Rey Network is a proven model for increasing the number of low-income high school graduates who complete college. Across the network, 100% of students graduate and are accepted into to 2 or 4-year universities, and 95% of students are first generation college students. Approximately 73% of entering freshmen are from the City of Dallas and 62% are from Southern Dallas. CRD has significant neighborhood support and a close relationship with DISD middle schools. CRD hosts recruiting events throughout Dallas.

But for NMTC financing, CRD would be unable to complete the capital campaign in time to open the Phase II facility by September 2020 and meet the needs of additional incoming students.

If you have any questions, please do not hesitate to contact me.



Michael A. Mendoza

Chief of Economic Development and Neighborhood Services

- c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager
- Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
M. Elizabeth Reich, Chief Financial Officer  
Laila Alequresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors