

Federally Qualified Health Centers (FQHCs) and Opportunity Zones

March 21, 2019



A CATALYST FOR COMMUNITY HEALTH

SPEAKERS TODAY

- CJ Eisenbarth Hager, Director, Healthy Community Policies – Vitalyst Health Foundation
- Ian Galloway, Director, Center for Community Development Investments – Federal Reserve Bank of San Francisco
- Terry Benelli, Executive Director – LISC Phoenix

FQHCs and Opportunity Zones

- Overview of Opportunity Zones (30 minutes) (Ian Galloway, Federal Reserve Bank of San Francisco)
- FQHCs and Opportunity Zones (10 minutes)(C.J. Eisenbarth Hager, Vitalyst Health Foundation)
- How might you get more involved? (Terry Benneli, LISC Phoenix) (20 minutes)
- Q&A

SPEAKER

Ian Galloway, Director

Center for Community Development
Investments

Federal Reserve Bank of San Francisco



Ian Galloway

Ian Galloway directs the Center for Community Investments at the Federal Reserve Bank of San Francisco. Ian researches and presents regularly on a variety of community development topics including crowdfunding, investment tax credits, the social determinants of health, impact investing, and Pay for Success (social impact bonds). He holds a master's degree in public policy from the University of Chicago and a bachelor's degree in political science and philosophy from Colgate University.

**THE
OZ
OPPORTUNITY**

**IAN GALLOWAY
FEDERAL RESERVE BANK OF SF**

PRESENTATION OVERVIEW

PLACE MATTERS FOR ECONOMIC MOBILITY

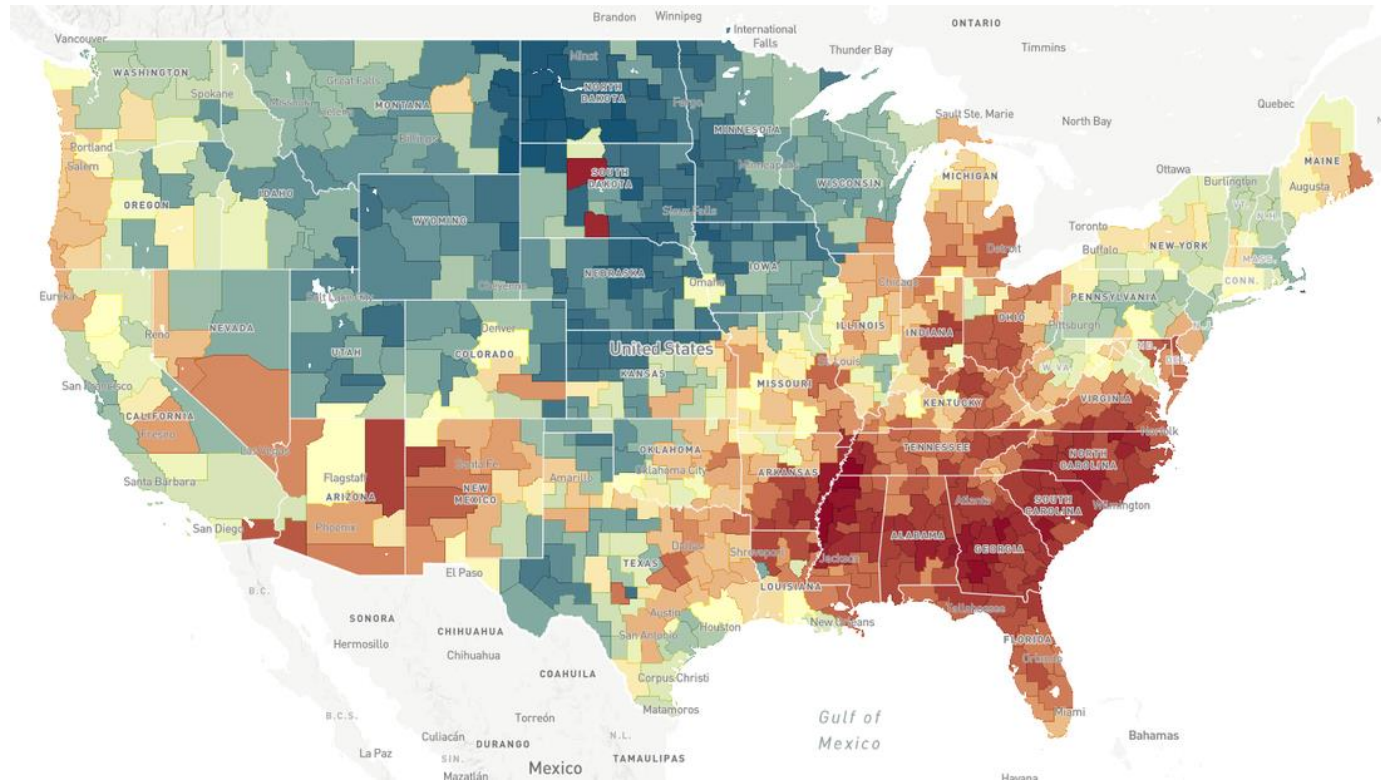
PLACE MATTERS FOR HEALTH

INTRODUCTION TO OPPORTUNITY ZONES

PARTNER WITH COMMUNITY DEVELOPMENT

DO WELL BY DOING GOOD

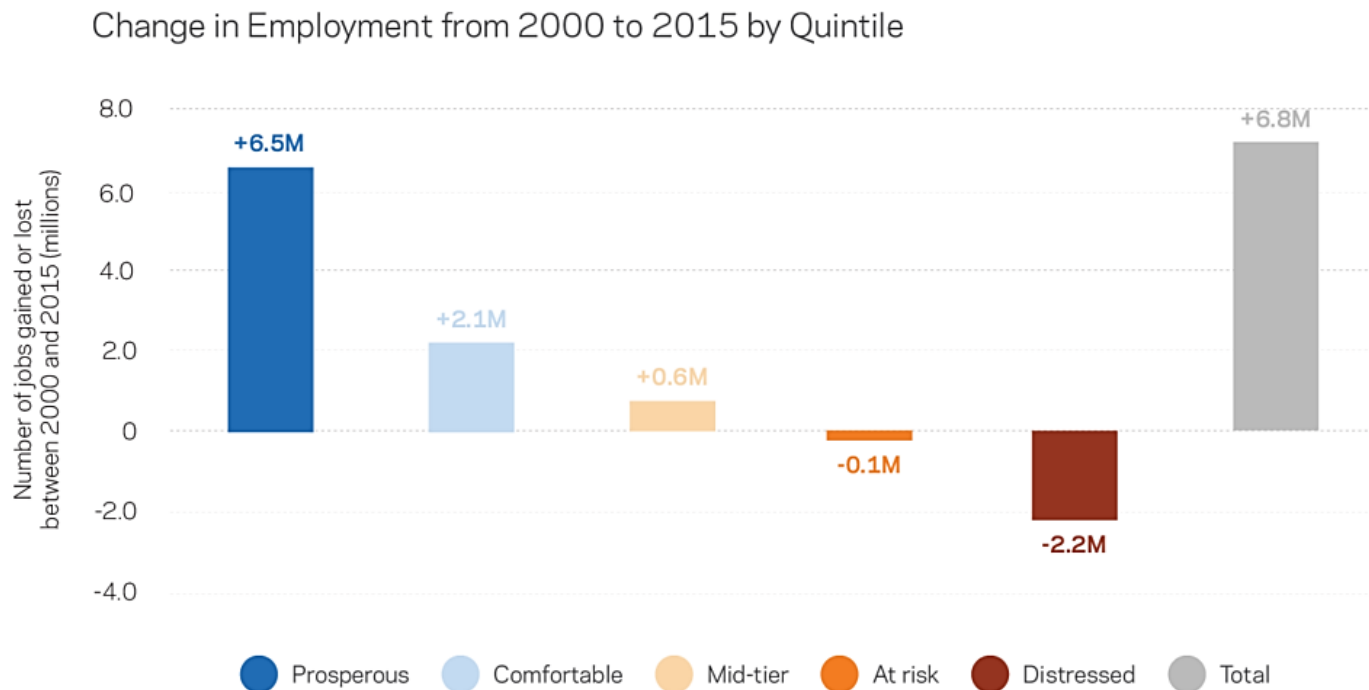
PLACE MATTERS FOR MOBILITY



Source: Raj Chetty,
Opportunity Atlas

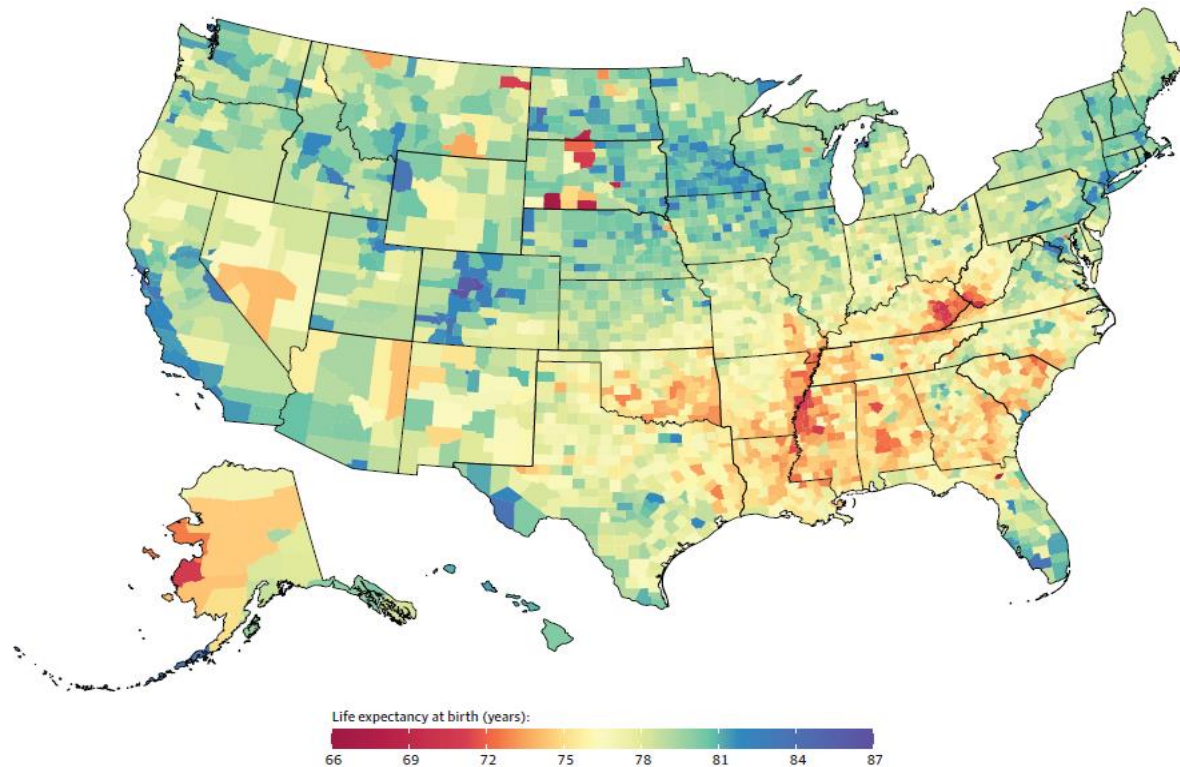
PLACE MATTERS

LABOR MARKET



Source: Economic Innovation Group

PLACE MATTERS FOR HEALTH

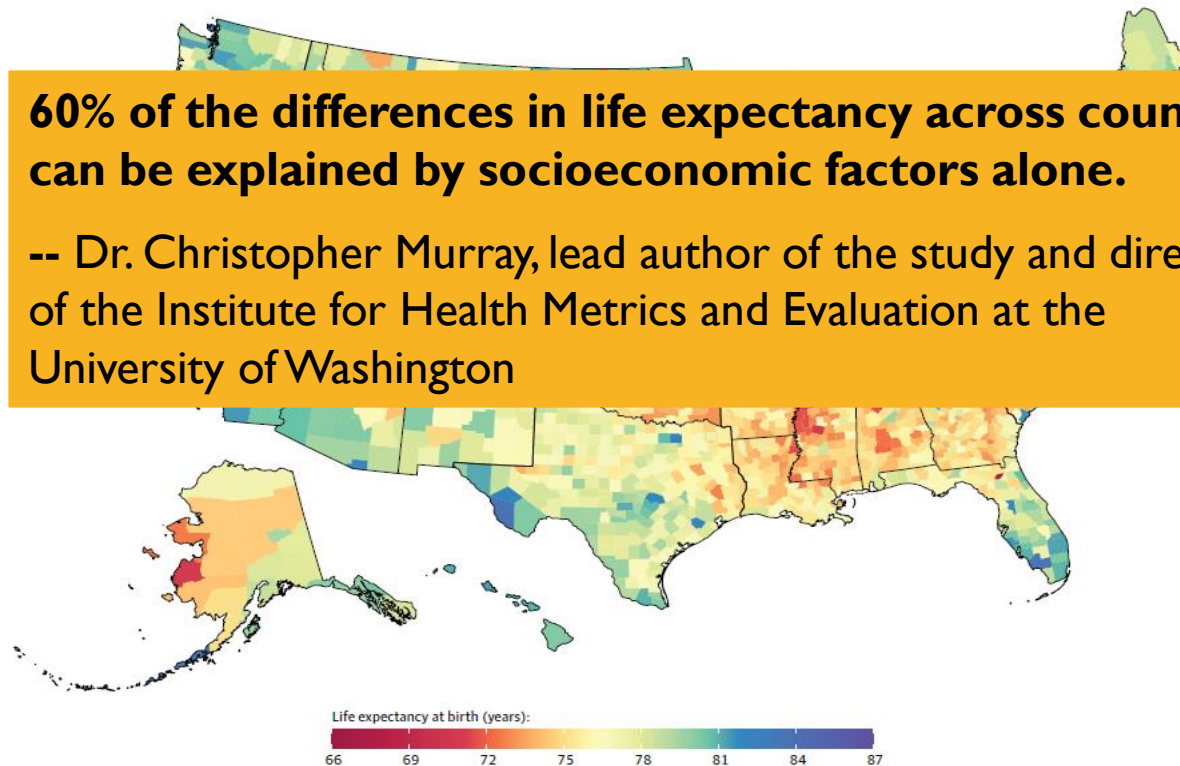


Source: Dwyer-Lindgren L et al., *Inequalities in Life Expectancy Among US Counties, 1980 to 2014 Temporal Trends and Key Drivers* JAMA Intern Med.

PLACE MATTERS FOR HEALTH

60% of the differences in life expectancy across counties can be explained by socioeconomic factors alone.

-- Dr. Christopher Murray, lead author of the study and director of the Institute for Health Metrics and Evaluation at the University of Washington



Source: Dwyer-Lindgren L et al., *Inequalities in Life Expectancy Among US Counties, 1980 to 2014 Temporal Trends and Key Drivers* JAMA Intern Med.

PLACE MATTERS FOR HEALTH



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To have a gap of twenty years in a country as wealthy as ours is absurd.

-- Ellen Meara, professor and health economist at the Dartmouth Institute for Health Policy and Clinical Practice



Source: Dwyer-Lindgren L et al., *Inequalities in Life Expectancy Among US Counties, 1980 to 2014 Temporal Trends and Key Drivers* JAMA Intern Med.

OPPORTUNITY ZONES

PROGRAM PARAMETERS

Part of 2017 Tax Reform Act

Purpose

Encourage investors with capital gains tax exposure to invest in economically distressed communities.

Two Program Elements

1. Opportunity Zones
2. Opportunity Funds

OPPORTUNITY ZONES

PROGRAM PARAMETERS

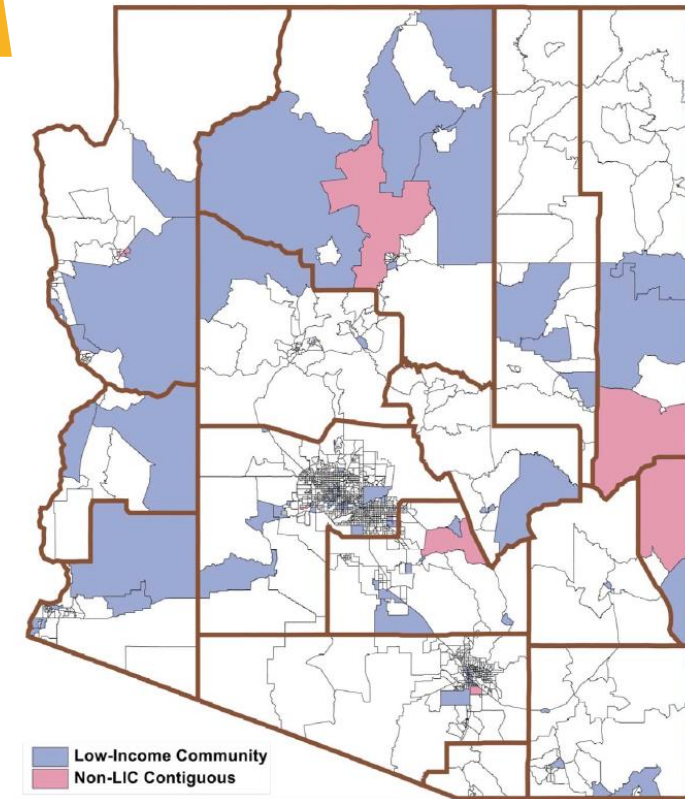
- Opportunity Zones were designated by governors of all 50 states and territories, certified by US Treasury.
- Up to 25% of all LMI census tracts (NMTC definition) were eligible to be designated as Opportunity Zones.
- 8,700+ OZs have been certified and designation will remain in place for duration of 10 year program.

OPPORTUNITY ZONES

STATE OF ARIZONA

168

Opportunity
Zones



Source: Arizona Housing Coalition, "Arizona's Qualified Opportunity Zones: Balance of the State (Non-Metro Areas)"

OPPORTUNITY FUNDS

PROGRAM PARAMETERS

- Opportunity Funds are investment vehicles that solicit and deploy rolled-over capital gains from individual and corporate investors.
- Funds must make equity investments in businesses or real estate development. Investments must be “substantially improved” within 30 months of acquisition.
- Funds can be managed by financial institutions, nonprofits, governmental entities, companies, or individuals.
- Funds must invest minimum of 90% of solicited capital gains in designated OZs.

BENEFITS TO INVESTORS

- Deferral of federal capital gains tax for duration of Opportunity Fund investment until December 31, 2026.
- 10% reduction in capital gains taxed **after five years** on original rolled-over investment.
- 15% reduction in capital gains taxed **after seven years** on original rolled-over investment.
- No new taxes on any accrued capital gains if investment is deployed for **at least ten years**.

BENEFITS TO COMMUNITIES

- Increased access to equity capital for business and community development.
- Place-based emphasis may concentrate investment in historically disinvested regions.
- Low-barrier to fund creation may offer opportunities for communities to invest in their own strategic priorities.
- Public process informed selection of priority census tracts.

QUESTIONS AND CONCERNS

- Very few guardrails around project type.
- No public transparency around fund investment activity.
- Significant potential gentrification and displacement risk.

“We want Opportunity Funds to be used by communities; we don’t want communities to be used by Opportunity Funds.”

Debby Kasemeyer, Northern Trust Bank

LEVERAGE EXISTING CD TOOLS/PARTNERS

“TWIN” W/:

Low Income Housing Tax Credits

New Markets Tax Credits

Historic Tax Credits

PARTNER W/:

Community Development Financial Institutions

Community Foundations

CRA-Motivated Banks

Local/State Government

DO WELL BY DOING GOOD

FORM IMPACT-ORIENTED OZ FUNDS

CONTRIBUTE TO A STATEWIDE INVESTMENT DATABASE

HELP COMMUNITIES BANK ASSETS

LOWER RETURN EXPECTATIONS

SOLICIT COMMUNITY INPUT

BE CREATIVE

IAN GALLOWAY
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SPEAKER

CJ Eisenbarth Hager, Director

Healthy Community Policies

Vitalyst Health Foundation



C.J. Eisenbarth Hager

C.J. Eisenbarth Hager is Director of Healthy Community Policies for Vitalyst Health Foundation. She oversees Vitalyst Health Foundation’s healthy eating and active living activities. She works with partners to bring health into the public policy decision-making process through tools like health impact assessments and health in all policies. She interacts with partners to change the environment to make it healthier for all, including increasing access to healthy food in “food deserts” and working with coalitions to pass policies that make public streets safer and healthier for pedestrians, cyclists and transit-users.

Why pay attention to this?

Opportunities

- Focus on Census tracts with high need; social determinants of health
- New capital source
- Could address SDoH
- Long time horizon

Challenges

- Constructed from the vantage point of investors
- Complex, especially for nonprofits
- Little guidance from public sector

Vitalyst's Roles and Tools

Roles

- Convener
- Capacity Builder
- Matchmaker
- Policy Advocate

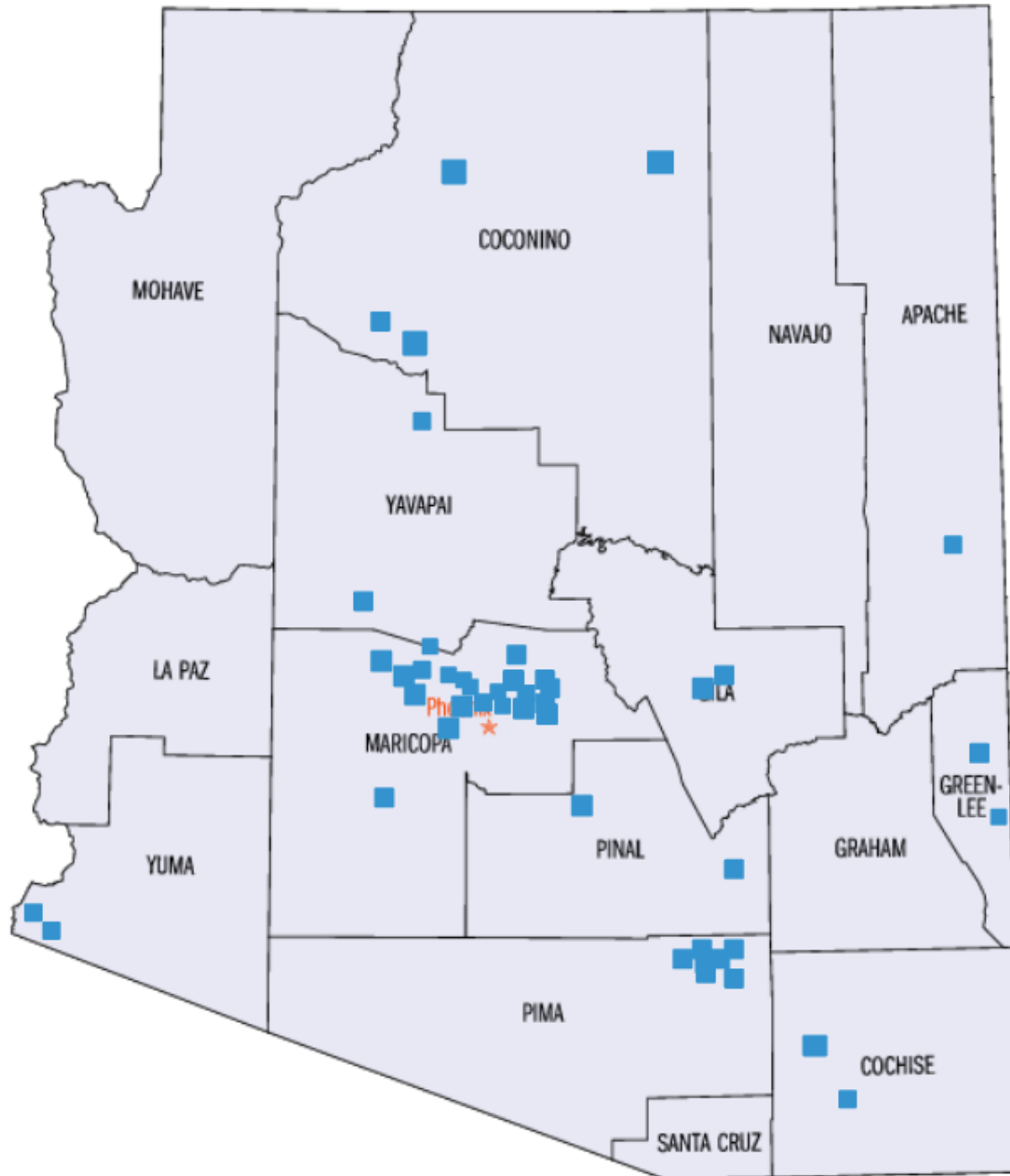
Tools

- Pre-Community Engagement Toolkit: Setting the Stage for Authentic Community Engagement



FQHC Sites in Opportunity Zones


Federally
Qualified Health
Center (FQHC)



Arizona Health Centers in Opportunity Zones

- Health Centers retrieved from:
<https://www.aachc.org/communityhealthcenters/health-centers/>
- Opportunity Zones retrieved from:
<https://eig.org/opportunityzones>
- Arizona Commerce Authority:
www.azcommerce.com

Arizona Health Centers in Opportunity Zones

- Adelante Healthcare
 - Gila Bend, Mesa and Wickenburg
- Canyonlands Healthcare
 - Clifton, Duncan and Globe
- Chiricahua Community Health Centers
 - Bisbee and Sierra Vista

Arizona Health Centers in Opportunity Zones

- Community Health Center of Yavapai
 - Prescott Valley
- El Rio Community Health Center
 - Tucson (multiple locations)
- MIHS
 - Avondale, Chandler, El Mirage, Glendale, Mesa and Phoenix

Arizona Health Centers in Opportunity Zones

- MHC Healthcare
 - Tucson
- Native Health
 - Mesa and Phoenix
- Neighborhood Outreach Access to Health
 - Scottsdale

Arizona Health Centers in Opportunity Zones

- North Country Healthcare
 - Ash Fork, Grand Canyon, Seligman and St. Johns
- Sun Life Family Health Center
 - Coolidge and San Manuel
- Sunset Community Health Center
 - San Luis

Arizona Health Centers in Opportunity Zones

- Terros (Look-Alike)
 - Phoenix
- Tuba City Regional Health Care Corporation
 - Tuba City
- Valle del Sol
 - Phoenix, Mesa, Tempe and Avondale
- Wesley Health Center
 - Phoenix

Potential Uses

- Equipment (substantial purchase)
- Expansion of facilities

SPEAKER

Terry Benelli, Executive Director

LISC Phoenix



Terry Benelli

Terry Benelli, Executive Director of LISC Phoenix believes comprehensive community development is not possible without targeted investments. She is dedicated to ensuring residents of marginalized neighborhoods acquire assets they desire for upward mobility – jobs, safe and stable housing and communities designed to promote health. Terry oversees the community development operation of LISC Phoenix and is the Chairperson of the San Francisco Federal Reserve Community Advisory Council, a Board member of Artspace, the Maricopa Integrated Health System Governing Council, Governor Ducey’s Long Term Housing Solutions Workgroup and past City Councilperson of the City of Mesa. She is especially honored to be a part of the Flinn Brown Civic Leadership Fellows.



Opportunity Zones

Investment Opportunities

March 2019

An affiliate of LISC

NMSC

New Markets Support Company

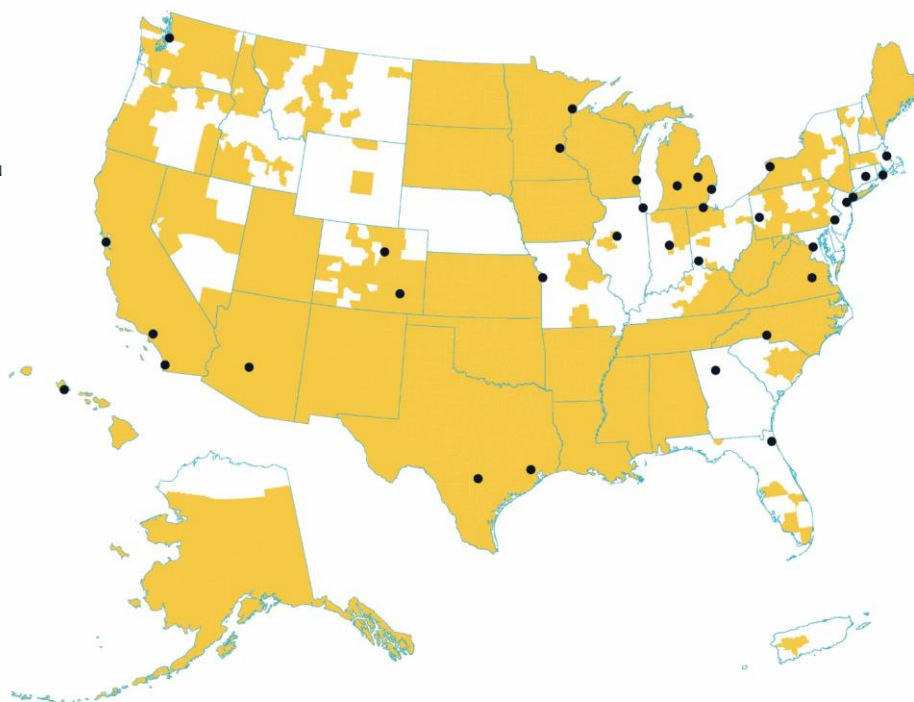


LISC
*Helping neighbors
build communities*

Our Reach

Office Locations

Atlanta, GA	Kansas City, MO
Boston, MA	Los Angeles, CA
Buffalo, NY	Milwaukee, WI
Charlotte, NC	Minneapolis/St. Paul, MN
Chicago, IL (LISC, NEF, NMSC)	New York, NY
Cincinnati, OH	Newark, NJ
Denver, CO (immito)	Peoria, IL
Detroit, MI	Philadelphia, PA
Duluth, MN	Phoenix, AZ
Flint, MI	Pittsburgh, PA
Fowler, CO (Rural HQ)	Providence, RI
Hartford, CT	Richmond, VA
Honolulu, HI	San Antonio, TX
Houston, TX	San Diego, CA
Indianapolis, IN	San Francisco, CA
Jacksonville, FL	Seattle, WA
Kalamazoo, MI	Toledo, OH
	Washington, DC



2,000 Partners

Our national network includes nonprofits, businesses and government agencies in both rural and metropolitan areas

3 National Affiliates

National Equity Fund
www.nefinc.org

New Markets Support Company
www.newmarkets.org

immito
www.immito.com

Our Comprehensive Approach



Empower people

- Job skills training & career development support
- Financial coaching
- Educational facilities
- Investments in access to healthcare, healthy food & recreation



Transform places

- Preservation & construction of affordable housing
- Commercial, industrial & community facilities & district development
- Creative placemaking
- Transit oriented development
- Stewardship of sustainability & disaster resiliency
- Community / law enforcement partnerships



Support enterprises

- Small business lending & coaching
- CBO capacity building
- Leadership development
- AmeriCorps deployment



Drive systems innovation

- Resource advocacy & coalition building
- Partnership facilitation across sectors
- Advocacy to increase protections, change policies & practices at national, state & local levels

Our Model

LISC is an investor, capacity builder, convener and innovator.



Pool public and private dollars

We raise funds from philanthropies, corporations and financial firms, federal, state and local governments and through the capital markets.

We also generate income from consulting, and lending services.



Work with local partners

Through a network of local offices and community-based partners across the country, we provide grants, loans, equity and technical assistance.

We also lead advocacy efforts on local, regional and national policy.



Support people and places

By investing in housing, businesses, jobs, schools, public spaces, safety, youth, health centers, grocery stores and more, we catalyze opportunities in communities nationwide.

LISC Track Record in Opportunity Zones

924

number of Opportunity Zones where LISC, NEF and NMSC have made investments

10.5%

total number of census tracts designated by the states

36%

percentage of Opportunity Zones in LISC program markets accounted for in LISC's Quality of Life planning

LISC Deals In Opportunity Zones since 2008	638
NEF Deals In Opportunity Zones since 2008	178
NMSC Deals In Opportunity Zones since 2008	49

LISC has invested \$2.3 Billion in Opportunity Zones since 2008

LISC Roles in Opportunity Zones



**Impact
Investors**

Raise, Deploy & Manage
Impact Equity



**Developers &
Business
Owners**

Finance & Co-Develop
Projects & Businesses



**Local
Stakeholders**

Policy, Community
Planning & Advocacy



**Community
Development**

Research, Metrics &
Industry Leadership

Economic Development Examples

1 Business infrastructure real estate funds:

- Industrial
- Retail
- Mixed use
- TOD

2 Venture capital funds:

- Seed stage investments
- Series A investments

3 Operating business private equity:

- Businesses moving or expanding into an Opportunity Zone
- Equipment financing

4 Enhancement for other federal tax credit transactions:

- NMTCs
- Historic Tax Credits

Sample Economic Development Deal

Supra Office Solutions

Located in Philadelphia, PA

Minority-owned business creating 80 quality, accessible jobs for community residents..

LISC Potential Involvement:

- Acquisition Loan
- Pre-Development Loan
- NMTC
- OZ Equity
- Fund Management / Asset Management
- Business Lending



\$5 million

Equity Investment

\$3.6 million

New Market Tax Credit

\$16.4 million

Total Project Budget

Investment Considerations

- ❑ **Project risk/return** - depends on market, and how investment matches to investor goals and other potential investment options.
- ❑ **Substantial Improvement Requirement** means that substantial rehab and new construction deals are what will work best with this new program.
- ❑ **Perm debt** preferred to be structured as non-recourse
- ❑ **Exit Issues** – plan for liquidity event in year 11 – either sale or refinancing (Non-LIHTC investments)

Investment Details

Project State	Project City	Project name	Project Asset Class	AMI Range
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Potential OZ Investment	Estimated Pre-Tax IRR	NMTC	Estimated Closing Dates	Square feet
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Developer Name	Developer Experience	Developer Financial Strength	Site Control (Y/N)	Project Financing Secured (y/n)	Financing projections reviewed by LISC (y/n)
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Pro Forma

DESCRIPTION	COSTS
Land costs	
Pre construction services (Soils, Plat Map, ALTA, Fees)	
Architectural & Engineering Fees	
Financing Fees	
Rezoning fees and City Permits	
Demolition & Site Prep	
Construction Contract	

Opportunity Zones – Playbook Series



Navigating Opportunity Zones:

A LISC Playbook Series

Opportunity Zones promise to drive billions—even trillions—of dollars in long-term investment into under-resourced urban and rural Census tracts across the country. The goal of this new tax incentive is to achieve a double bottom line: fueling inclusive local economies in targeted neighborhoods that benefit the

Step by Step Guide to Making Opportunity Zones:

- Sequencing steps to ensure success
- New ideas and suggested strategies
- Best Practices with real world examples

The first three publications are directed to:

Playbook #1 - Community Stakeholders – *due out late February*

Playbook #2 - Impact Investors

Playbook #3 - Impact Developers

RESOURCES

OPPORTUNITY ZONES

Resources and Tools

Visit [NMSC's Opportunity Zones pages](#) for:

- A [mapping tool](#) of designated census tracts
- Federal and state [government resources](#) and updates
- [LISC and partner resources](#), including presentations and webinar recordings
- Opportunity Zones and Opportunity Funds [FAQ](#)
- A sign-up form for our Opportunity Zones [email updates](#)

opportunityzones.newmarkets.org

Other Opportunity Zones resources:

- The [Investing in Opportunity Act](#)
- Community Development Financial Institutions [\(CDFI\) Fund Opportunity Zones updates](#) and resources
- Economic Innovation Group [\(EIG\) Opportunity Zones pages](#) for related news, background information, and a list of bipartisan supporters

Contact Information

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An affiliate of LISC



New Markets Support Company

QUESTIONS?

Vitalyst

HEALTH FOUNDATION



A CATALYST FOR COMMUNITY HEALTH

602.385.6500 www.vitalysthealth.org