Disaster Recovery Partnerships and Leveraging Resources including Opportunity Zones

2019 CDBG-DR Problem Solving Clinic

Kansas City – Overland Park | July 30 – August 1, 2019

Welcome and Speakers

- Session Objectives
  - Learn more about potential partners to engage with for general recovery
  - How to develop project specific or ongoing partnerships
  - Leverage additional financing vehicles related to recovery
  - Understand the resources available to learn more about each program
  - Share examples of effective partnership
- Speaker
  - Erika Ruiz, Enterprise Community Partners
  - Sue Southon, ICF

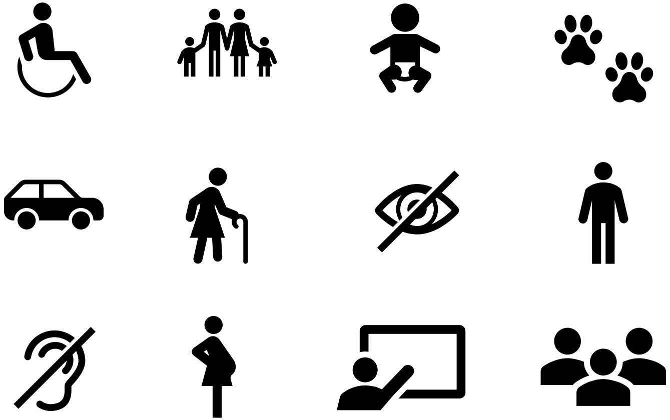
Agenda

- Partnership Types
  - Residents & Housing Authorities
  - Nonprofit Organizations
  - Foundations
- Financing Resources
  - Tax incentives such as Opportunity Zones
  - Other Federal resources such as EDA
- Information sharing/Q & A

Partnership Types

Residents

- Engaging Residents to address needs and work collaboratively on strategies



NYCHA Resident Demonstrating Contents of a Go Bag

Housing Authorities

- Collaborative Partners
  - Disaster Planning and Coordination
  - Risk Mitigation
  - Recovery Response
    - Housing
    - Section 3

Nonprofit Organizations

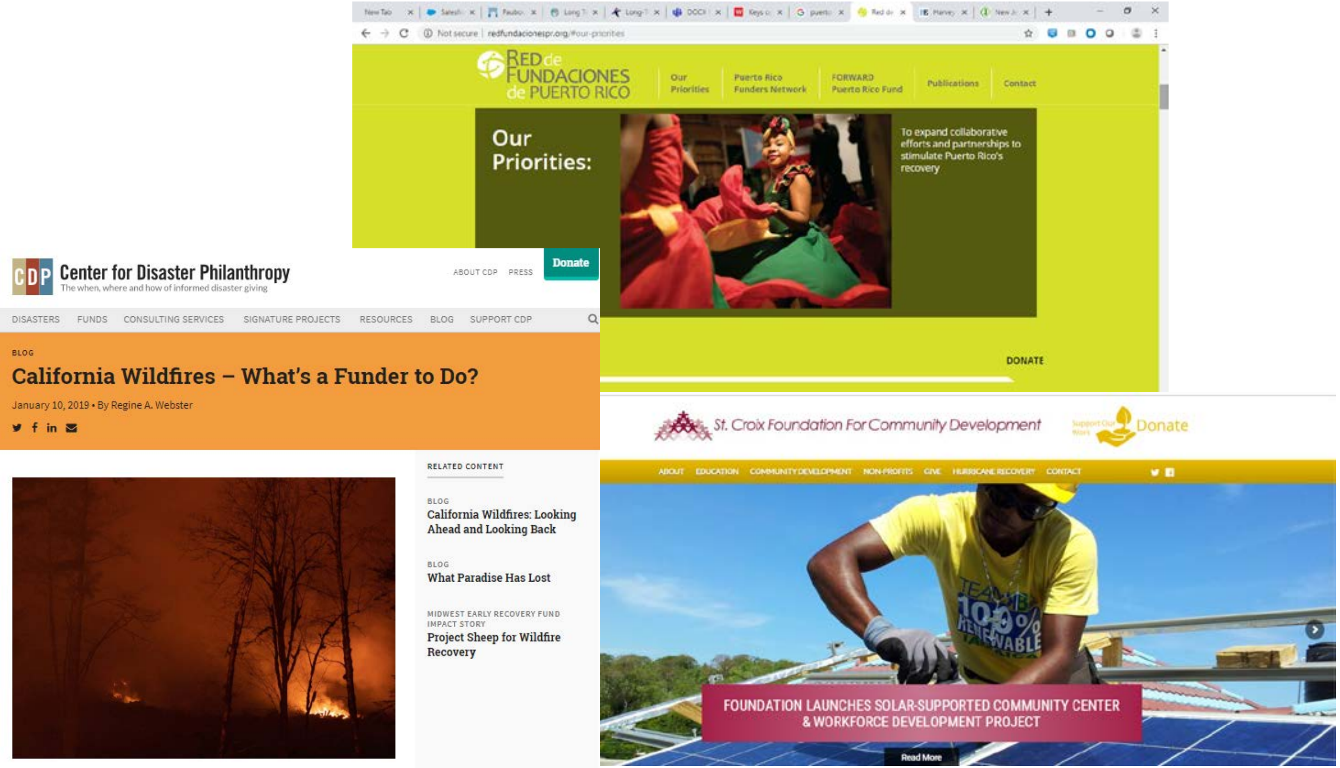
- Collaborative Partners
  - Disaster Planning and Coordination
  - Risk Mitigation
  - Recovery Response
    - Client Services
    - Housing
    - Data Gathering
    - Volunteers

Monroe County Commissioners Michelle Coldiron and David Rice, with past Commissioner George Neugent, tour one of the two Long Term Recovery Group's volunteer bunkrooms.

LEGACY COMMUNITY DEVELOPMENT CORP

Foundations

- Collaborative Partners
  - Recovery Response
    - Attract or provide funding for Recovery Activities
    - Support coordination activities
    - Fill in financial gaps
    - Support capacity building of partners
    - Elevate disaster needs outside of your jurisdiction
    - Serve as a convener or fund groups to serve as conveners



Financing Resources

New Market Tax Credits

Purpose: Encourage the investment of private & patient capital in low income communities

What is it: 39% tax credit (.39 for every $1) on the capital invested in a Community Development Entity (CDE), over 7 yrs (5% in yrs 1-3; 6% in yrs 4-7)

Who is eligible for the credit? Only a CDE can apply for an allocation of federal tax credits. Only investors who make a qualified investment can claim the credit

Who benefits from the credit? Investors get credits, CDEs further mission, Businesses / projects get financing in form of loans or equity

Eligible Property Types: Low-income community businesses, commercial properties or mixed-use projects

Disaster Recovery Projects: Rebuilt School (LA), Expansion of Food Bank (TX)

Historic Tax Credits (HTC)

- Incentive for developers and investors to restore older/historic buildings to productive use
- HTC adds an additional layer of equity financing to a project’s budget
- Credit is calculated based on qualified rehabilitation expenditures
  - 10% of QREs on buildings placed in service before 1936
  - 20% of QREs on buildings that are certified historic structures
- Qualified Rehabilitation Expenditures (QRE)
  - Any amount related to depreciable property that is chargeable to a capital account and
  - Incurred in connection with the rehab of a qualified rehabilitated building
  - QREs include: Demolition, hard costs, soft costs (architect, etc), developer fee; must be properly documented; capitalized interest and taxes during construction
  - Not a QRE: Land; building acquisition, site improvements, equipment, furniture, fixtures that have depreciable life of less than 12.5 years
- Disaster Recovery Projects: Restored School converted to Housing (Davenport, IA)

Low Income Housing Tax Credits

- Often combined with CDBG-DR funding for larger multi-family and mixed use developments
- Helpful as “gap” financing in today’s markets
- As long as 51% of the units are occupied by LMI households, the entire CDBG-DR investment is considered LMI
- Use of CDBG-DR funding in a multi-family project will trigger cross-cutting federal requirements otherwise not triggered by LIHTC alone

Opportunity Zones

- HUD supportive of CPD program use in designated Opportunity Zones
- Use CDBG-DR resources to encourage investment in Opportunity Zones
  - Planning
  - Infrastructure
  - Housing
  - Workforce training
- Urban vs Rural Opportunity Zones

Opportunity Zones

- 40% of Opportunity Zones are in rural areas, presenting additional development challenges:
    - Investment is riskier
    - Investors less familiar with players
    - Local officials often lack resources and experience necessary to position their communities to attract investment
    - Levels of economic gain perceived to be lower in rural areas
    - Market opportunities are less well-defined

Opportunity Zones

- CDBG-DR can be used to develop an economic development strategy for the rural zone which will:
  - Define locational strengths and assets
  - Provide awareness of the region’s economic relationship to the state and larger region
  - Provide information on factors that can impact economic performance (housing, health services, government operations)
  - Develop an inventory of available and marketable sites
  - Meet planning requirements necessary to access other resources

FEMA (Federal Emergency Management Agency)

What does FEMA fund?

- **Individual Assistance:** temporary housing, housing repairs, other needs medical, dental, funeral & burial costs, repair or replacement of some household contents, fuel, car repair or replacement, moving and storage costs, cost of NFIP to meet flood insurance requirements

- **Public Assistance:** debris removal, emergency protective measures, restoration of roads/bridges, flood control facilities, buildings/equipment, utilities, parks and recreational facilities

HMGP (Hazard Mitigation Grant Program)

Hazard Mitigation Grant Program is a FEMA Program

What does HMGP Fund?

- Projects that will reduce or eliminate losses from future disasters
- Project's potential savings must be more that the cost of implementation
- May be used to protect either public or private property or to conduct buyouts of repetitive flooding
- Examples: demolition and conversion of property to open space, elevation of structures, minor flood control projects, post-disaster building code activities

Economic Development Administration (EDA)

- Participates with FEMA and other federal agencies in National Disaster Recovery Framework
- Provides grants for Comprehensive Economic Development Strategy (CEDS) planning
- Supports economic recovery
- Provides staff and volunteer expertise to impacted jurisdictions
- Expanding role in disaster recovery

Other Federal Agencies

The Public Act that allocates disaster recovery resources defines which federal agencies receive funding and how it may be used

Agencies most frequently assisting:

- Army Corps of Engineers
- Federal Highway Administration
- Environmental Protection Agency
- Department of Labor
- Department of Agriculture

Questions?

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