

Opportunity Zones and Catalyzing Community Investment

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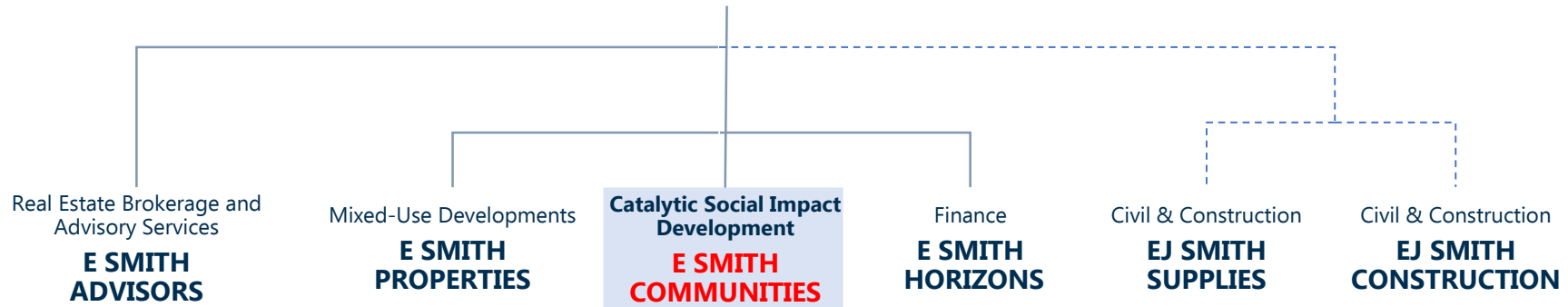
July 2019

WHO WE ARE

INTEGRATED SERVICE DELIVERY PLATFORM



E SMITH LEGACY HOLDINGS



Reinvestment and/or
Expansion
Opportunities



Patient Capital:
Flexible Investment
Horizon



Utilization of
Creative
Transaction
Structures



Alignment
of Interests

E Smith Legacy Holdings is an integrated solutions company that combines domain knowledge, experience and talent to create real estate solutions for the markets the company serves.

E Smith Legacy Holdings include operating companies specializing in commercial development, real estate services, commercial and civil construction, construction supplies and finance.



BUILDING TO A SUSTAINABLE FUTURE



From grocery stores and retail to medical services and hospital systems to colleges and universities, **E Smith Communities** unites key partners to deliver locally relevant projects. Each project we undertake seeks to provide the physical and catalytic infrastructure for self-gentrification in overlooked neighborhoods, building to a sustainable future

WHAT WE DO

E Smith Communities brings innovative, targeted real estate solutions designed to transform neighborhoods focusing on food security, healthy living, wellness, education and training. We are a socially responsible developer, with the overarching goal to help communities build and incubate talent, reinvest in the future, and inspire residents to thrive in a healthy, creative and conscious environment. Our services include strategic planning and analysis, site selection support and the assembly and management of other services like design, finance, and construction project management.

THE HEART OF THE COMMUNITY

Leveraging deep expertise in commercial real estate, the **E Smith Communities** team is able to bring parity in services to communities that have been overlooked due to demographics, underutilized or obsolete real estate or economically challenged areas. Our expertise spans all areas of retail development including:

- Mixed use (in collaboration with residential development partners)
- Redevelopment of existing buildings
- Build to Suit (NNN Investors)

E Smith Communities is an operating company of **E Smith Legacy Holdings**, an integrated real estate solutions company, developed to help its partners shape the identity of communities by being catalytic agents for commercial investment and development.



Grocery Store as OZ Catalyst

- Food access an issue for 17.6 million Americans*
- OZ Principle: Support investment in economically distressed communities, many of which are also food deserts.



- Grocery is a key component of a community development strategy
- Recognized anchor catalyst for investment with a broad multiplier effect
 - Food is fundamental to community stability and can instantly create demand for other retail
 - Presence of grocery can boost surrounding home values by 5-7%
- Gentrification vs Redevelopment without displacement
 - 50-75% of jobs are local, enhancing basic skill quality of local workforce
 - Revenue gains seed community infrastructure to support other private investment

Lisbon Innovation Campus

A Community Catalyst – Opportunity Zone Project



Lisbon Innovation and 4315 WorkIN fulfill Dallas’ Lancaster Corridor Vision for “A Community without Boundaries”. From the 4300 to 4600 blocks, Lancaster becomes a thriving, walkable, mixed-use core with High Density Retail, Medical, Education, and Residential uses with multi modal access.



Elevations

Lancaster Corridor - VA Station Development Concept

Updated: July 9, 2019

Created for: E. Smith Communities, LLC // Created by: Perkins&Will

Design a concept that is creative but can be built within a budget that supports current market rent realities and future potential.



Lisbon Innovation Campus

Cost Summary and Schedule



The total project cost is estimated at \$51.15 million . OZ investment by limited partner. Anticipate an 8% return on capital plus participation in sales proceeds in the 10th year.

Cost Summary	
Land Area (Acres)	7.53
Land Area (SF)	328,050
Total Land Cost	\$850,000
Total Land Cost (PSF)	\$2.59
Total Hard Costs	\$39,600,000
Total Hard Costs (PSF)	\$220.00
Total Project Costs	\$51,148,455
Total Project Costs (/Unit)	\$786,899

Project Schedule	
Land Close:	November-19
Construction Start:	March-20
First Unit Delivered:	July-21
Last Unit Delivered:	March-22
Stabilized Occupancy:	June-22
Disposition:	February-30

Capitalization			
	Amount	Per Unit	% of Cost
Senior Loan	\$28,131,650	\$432,795	55.0%
City of Dallas Mezzanine Loan	\$6,000,000	\$92,308	11.7%
New Market Tax Credits	\$8,588,167	\$132,126	16.8%
General Partners	\$250,000	\$3,846	0.5%
Limited Partners	\$5,178,638	\$79,671	10.1%
Grow South	\$3,000,000	\$46,154	5.9%
Total Sources	\$51,148,455	\$786,899	100.0%

Opportunity Zone Traits and Development Potential

BENEFITS

- Funds with \$22 billion committed investment capital available.
 - Grocery stores can potential benefit - Brand balance sheets / Wholesaler guaranty support can de-risks deals
- OZ Investments are essentially project-based
 - New capital improvement investment must equal value of property (excluding land)
 - Deals bring legitimate growth potential to generate incremental investment value and accelerate additional development
- “Safe Harbor” tests align with small business operation
 - 50% of hours employees’ work must be in the OZ
 - 50% of the company’s revenue from business services are in the OZ
 - Management / Operation are based in the OZ
- Investments can Unlock local capital – family offices, university endowments, pension funds
 - Recognized long term investments
 - Alignment with hold term required to maximize tax benefits

Opportunity Zone Traits and Development Potential

CHALLENGES

- No good method for capturing and reporting on small investments
 - Real estate investors usually look for qualified investment partners who understand / are comfortable with risk/return model
- Want sites where underlying fundamentals underwrite a deal and tax benefits become a “bonus”
 - Availability of other incentives - NMTCs
 - Other Tax abatements or infrastructure assistance
- Finding strategic partnerships to facilitate collective impact
 - Grants or other private sector support
 - Criteria to prioritize investments
- Assessing comfort with long term hold required to maximize tax benefits
- Gentrification vs Redevelopment without displacement
 - How to support “buy local” campaigns
 - Empowering local residents/stakeholders to embed change

Tamela Thornton

Chief Innovation Officer, E Smith Legacy Holdings, LLC

President/CEO, E Smith Communities



Tamela Thornton is a Partner with ESmith Legacy Holdings, LLC., a real estate solutions firm with offices in Philadelphia, Baltimore and Dallas. Ms. Thornton oversees E Smith Communities, focusing on the acquisition/development of catalytic assets for the development or redevelopment of urban communities. She has over 30 years of industry experience, including retail development and market/financial feasibility analysis. Her unique skillset evolved from work with Starbucks Coffee Company and PepsiCo / YUM Brands, as well as economic impact and financial feasibility consulting for public agencies and private developers. She has extensive knowledge of many domestic markets, as well as international markets including China, Brazil, South Africa, Mexico, most Latin American countries and the Caribbean.

Ms. Thornton holds Bachelor's and Master's degrees in Regional Science from the University of Pennsylvania. She is on the Advisory Board for the Trust for Public Land (Texas), and a member of Delta Sigma Theta Sorority, Inc.

- 30 Years Real Estate Development experience
- Real Estate Leasing experience
- Former Real Estate Executive, YUM Brands
- Former Real Estate Executive, Starbucks