

LIFECCHANGE CENTER UNION GOSPEL MISSION



Union Gospel Mission LifeChange Center
3 NW 3rd Avenue, Portland, OR 97209



“People grow through experience if they meet life honestly and courageously. This is how character is built.”

— Eleanor Roosevelt

NEW MARKETS TAX CREDITS PROGRAM

The New Markets Tax Credit (NMTC) program, established by Congress in 2000 (Omnibus H.R. 4577), was created to encourage private investment in underserved communities in the United States. The NMTC program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

The appeal of the NMTC program is financing availability for projects in underserved geographic areas, with extremely favorable terms, for businesses and real estate developers or owners. The result of these investments is to enable non-financeable projects to be completed, and often to allow projects to be enhanced with community-oriented components, both of which generate measurable community impacts as described in this report.

METHODOLOGY

The economic, employment and fiscal impacts shown in this Community Impacts Report were generated using IMPLAN® Professional, the industry standard econometric software used by over 1,000 companies, organizations and government agencies to estimate the impacts of an economic event. IMPLAN® uses “input-output accounting” and closely follows the accounting conventions used in the “Input-Output Study of the U.S. Economy” by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations. Results shown in this report are based on total construction costs and a New Markets Tax Credits allocation amount that are not final. Actual results will vary according to local economic conditions, wages, materials costs, tax rates, and more.

The community impacts contained herein are based on a \$7.1 million total project cost. Jobs are measured in hours worked and, using a multiplier, are represented as FTEs (full time equivalents). Construction jobs are temporary and will be spread out over the construction period, depending on the level of construction spending in each year. Operations jobs are permanent. The fiscal impact figures represent the Federal and State/Local tax revenue resulting from the direct, indirect and induced economic activity during the discrete construction period and the first ten years of facility operations. The total impact figure represents the direct, indirect and induced economic impacts of the discrete construction period plus the first ten years of operations. The total impacts figure does not include the fiscal impact, which is considered separately. All output is in 2007 dollars.

United Fund Advisors serves as the financial consultant for Portland Family of Funds (“PFF”). PFF is the controlling entity for the New Markets Tax Credits allocatee, Portland New Markets Fund I, LLC.



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SITE DESCRIPTION

Union Gospel Mission is located in Portland's Old Town, a targeted distressed community with poverty rates of 41.3% and unemployment rates of 50.5%, according to 2000 data from the US Census Bureau. The area is known for high rates of crime and homelessness, and is home to numerous social service agencies. The Mission provided social services including LifeChange, a long-term addiction recovery program for 35 residents who lived and worked at the Mission for four years to recover from drug addictions, primarily methamphetamine, and train to return to the workforce.

LOW INCOME COMMUNITY METRICS

- + Targeted Distressed Community
- + Census Tract poverty rate: greater than 30 percent
- + Unemployment rates at least 1.5 times the national average
- + Federally-designated Enterprise Community
- + Small Business Administration designated HUB Zone
- + CDFI Hot Zone
- + Urban Renewal Area

PROJECT GOALS

- + Double resident capacity in the LifeChange drug and alcohol recovery program
- + Provide classrooms, computer labs, library and administrative offices
- + Create new jobs and job training
- + Develop all of these important community benefits using New Markets Tax Credits financing, thus preserving city resources for additional projects

ECONOMIC IMPACTS SUMMARY

An allocation of \$7 million in New Markets Tax Credits leveraged a total project cost of \$7.1 million. The construction and 10 years of operations of the Union Gospel Mission LifeChange Center are predicted to produce a total economic impact of \$21.9 million. Investment of these funds are associated with the provision of 135 temporary jobs during the 12-month construction period, and 13 permanent jobs created and then retained during operations of the new LifeChange facility. An estimated total of \$9.6 million in direct, indirect and induced wages will be paid during the construction period and ten years of operations. \$2.7 million in Federal, State and Local tax revenues will be generated over eleven years, including \$1.8 million during the 12-month construction period, and \$97K annually over ten years when fully operational.

BENEFIT OF TAX CREDITS

Union Gospel Mission began fundraising for this project just before 9/11 which, along with the ensuing recession, made the fundraising goal unachievable. In 2005, the financing gap was filled through the utilization of \$7.0 million of New Markets Tax Credits from Portland New Markets Fund I, LLC. Use of the \$0.39 tax credit effectively allowed \$2.7 million in foregone federal taxes to help generate \$1.8 million in new federal taxes over 11 years and, more importantly, \$21.9 million in total economic impact to Multnomah County during the same period through this project in one of Portland's most challenged communities.



**NEW MARKETS TAX CREDITS
 ECONOMIC IMPACTS:**

3BLSM

United Fund AdvisorsSM is a financial services firm that provides triple bottom line returns to partners, projects, and communities nationwide.

TRIPLE BOTTOM LINE RETURNS

FINANCIAL UFA transactions are structured to deliver appropriate yields to all types of investors, lenders and project developers. Whether it's a green building or a wind farm, a strong financial foundation allows UFA and its partners to be financially rewarded for building projects that deliver more deeply to the community and the natural environment.

SOCIAL While a single UFA project cannot change the fortunes of a city or the world, it is hoped that strong focus on what's best for the people who live there can be a magnet for ideas, improvements and investment. UFA projects create jobs and job training, build wealth and property ownership, deliver healthy buildings and clean energy, provide access to transit, enable historic preservation, and support education and culture.

ENVIRONMENTAL Buildings are responsible for approximately 48% of the energy use and emission of greenhouse gases in the United States, and the demand for clean, renewable energy is increasing rapidly. UFA is making change by creating tax-advantaged investment opportunities which result in financing for projects with reduced energy costs and enhanced property values.

**PARTNERS IN
 THE UNION GOSPEL MISSION PROJECT:**

- Portland Development Commission
- US Bancorp Community Development Corporation
- Portland Family of Funds
- Portland New Markets Fund I, LLC

Location	3 NW Third Avenue, Portland, OR
Development Type	Drug Rehabilitation, Job Training, Residential
Size	28,000 SF
Owner / Developer	Union Gospel Mission
Total Project Cost	\$7,100,000
Allocation Required	\$7,000,000
CDEs	Portland New Markets Fund I, LLC
Low Income Community	Unemployment Rate: 5 times the national average Poverty Rate: 41.3%
Project Timeline	HUD Enterprise Community, CDFI Hot Zone, Urban Renewal Area
LEED Certification Level	
	Project Complete: December 2006
	NA; green features include over 90% construction debris recycled, natural ventilation, efficient water and lighting systems, local and low-emitting materials used

JOBS*
+148

WAGES*
\$9.6M

FISCAL IMPACT*
\$2.7M

TOTAL IMPACT*
\$21.9M

* Figures shown are direct, indirect, and induced impacts of construction and first 10 years of operations. Please see www.unitedfundadvisors.com for more information.

**+
 ADDITIONAL
 COMMUNITY
 IMPACTS**

+ Quality of life: Methamphetamine addiction has been chronicled in local and national media as a scourge of inner cities, with Oregon's problem nearing the top. Negative effects of meth-use include increased panhandling and crime (as addicts seek money to stay high), and homelessness, (affecting users, their families, neighborhoods and area businesses)

+ Enabling greater scope of treatment and job retraining for more drug addicts, the new facility more than doubles the Mission's current capacity and upgrades treatment and training

+ The LifeChange Center occupies a key corner lot at an entrance into Old Town, giving the area a more welcoming appeal. The larger size helps move disadvantaged people indoors, off the street, improving pedestrian safety and the retail environment