

Ohio-based Nonprofit Uses NMTCs to Expand Business, House Charter School

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To lay down its roots in Franklinton, Ohio, a suburb west of downtown Columbus, Central Ohio Youth for Christ (COYFC) purchased a historic, vacant city school in 2001. At that time, the nonprofit redeveloped the school's 14,000 square-foot annex building and turned it into a new headquarters while leaving the 36,000 square-foot main building untouched.

With the goal of expanding again, COYFC, a faith-based nonprofit organization that works with a diverse group of teenagers and provides positive life role models, recently rehabilitated the 36,000-square-foot vacant building, which now houses increased community service space for the nonprofit, along with a new tenant: Franklinton Preparatory Academy. The charter school occupies the second and third floors of the building, while COYFC uses the first and fourth floors. The rehabilitation was completed in September, with the grand opening Oct. 16.

"We saw this large structure as an educational vehicle for the neighborhood," said Scott Arnold, executive director at COYFC, of the 117-year-old building. Arnold said enhanced educational tools are needed in Franklinton, where only 26 percent of sixth-graders pass reading-proficiency exams and only 24 percent pass math-proficiency exams. For that reason, Arnold was excited to expand COYFC's services and have Franklinton Prep as a tenant.

COYFC will use the space to expand its after-school and weekend programs, which include classes and one-on-one time in recording arts, automotive, textiles and ceramics. The nonprofit also offers vocational training, tutoring and mentoring programs for youths. The expanded space also houses a computer lab. Because all of COYFC's programs run after school hours, the nonprofit shares its extended learning space and weight room with Franklinton Prep.

Franklinton Preparatory Academy

Franklinton Prep operates in the middle two floors of the four-story building under a 30-year lease. Michael

Reidelbach, CEO and superintendent of Franklinton Prep, said the purpose of the charter school is to prepare each student for life after high school. Students have four pathways: college, trade schools, living wage-paying careers or the military. The school also partners with a number of local businesses to give students the opportunity to gain work experience.

Franklinton Prep's physical footprint includes 10 classrooms, including a science lab; four small conference rooms; and one large central room on each floor that is used for larger classroom opportunities. When Franklinton Prep moved into the new development in April 2014, the school served fewer than 100 students, most of who were in the ninth and 10th grades. This year, the school's population grew to 140 students, as it welcomed a number of high school juniors. And, Reidelbach anticipates that the school will grow to 250 students over the next two years when Franklinton Prep serves full class sizes of ninth- through 12th-graders.

Franklinton Prep operates under a blended learning model that supplements traditional classroom learning with a computer-based learning program. Reidelbach said that this individualized computer program allows teachers to customize each student's educational plan. This helps students who need time to catch up in certain subjects, as well as those who need to be challenged academically, he said. Also, to help students catch up, the school offers longer days. Reidelbach said that the state of Ohio requires that each student receive 920 hours of time with a teacher per year. Franklinton provides an additional 240 hours. Reidelbach said the purpose of the extra time is to ensure that these students have the necessary tools to succeed and to "break the chain of generational poverty."

While Reidelbach acknowledges the importance of an education, he said that these children often need more than traditional schooling; they need role models. Reidelbach said that all of Franklinton Prep's students live below the poverty rate. The Ohio Community

continued from page 43

Development Finance Fund, which provided federal and state new markets tax credit (NMTC) allocations to this development, found that among 15- to 18-year-olds in the area, only 48 percent are in school or have a job, 9 percent are pregnant or have gotten a girl pregnant and 40 percent use drugs or alcohol. Furthermore, it found that this ZIP code is the highest for teen misdemeanors and third highest for teen felony arrests in Franklin County. Ohio Community Development Finance Fund estimated that only 20 percent of children in the neighborhood graduate from high school.

"We recognize that we may be the best role models in these kids' lives," said Reidelbach. "[Working at Franklinton prep] is not a job, it's a mission ... We care for the students and they know it."

Financing the Rehabilitation

The development was primarily financed using NMTCs. The Ohio Community Development Finance Fund provided a \$7 million federal NMTC allocation and a \$2.56 million state NMTC allocation. Diana Turoff, vice president and chief financial officer at the Ohio Community Development Finance Fund, said that this

development was attractive because of the effect it would have on this low-income community. Turoff said that this neighborhood has a 30 percent poverty rate and a 13 percent unemployment rate. Furthermore, she said that the school could help break this poverty cycle by preparing the students for life after high school.

Huntington National Bank was the end investor for both the federal and state NMTCs as well as the leverage lender. It provided a \$2.18 million federal NMTC equity investment and a \$590,000 state NMTC equity investment. Huntington National Bank also provided a \$2.3 million leverage loan and a \$280,000 direct loan.

"They found a good idea for the adaptive reuse of the building," said Timothy Smith, vice president and community development banker at Huntington National Bank. "Once we got to know more about COYFC and learn their story, we shared their vision." But that doesn't mean this development didn't face any challenges. "Charter schools are tough. It's hard to underwrite a charter school. What gave us confidence was the charter school was only a part of a larger development plan," said Smith.

continued on page 46

Photo: Courtesy of Central Ohio Youth for Christ

Central Ohio Youth for Christ is a faith-based nonprofit organization that works with a diverse group of teenagers and provides positive role models.



continued from page 44

Ruth Sparrow, shareholder of Future Unlimited Law PC, represented the sponsor as NMTC counsel. She was responsible for vetting the structure of the transaction and addressing the concerns of the nonprofit sponsor with the tax credit compliance requirements. Sparrow said she enjoyed working on this investment because of the "great need that this project addresses," both in terms of helping a local nonprofit expand and by providing disadvantaged youth with quality education and vocational training to provide opportunities not otherwise available.

To round out the financing, the development received a \$750,000 loan from the Columbus Foundation and a \$750,000 loan from a private family foundation, while COYFC provided a \$4.2 million leverage loan. "This was a

very high-impact project. It needed both federal and state NMTCs to make the deal happen," said Ariel Ventures partner Radhika Reddy, who worked as a financial consultant for COYFC. She said that obtaining the many sources of financing was vital because nonprofits typically have tight margins.

Buck Mallory of Mallory Law Office LLC, who is also on the board of trustees for COYFC, issued the Ohio NMTC and loan opinion letters. "The charter school gave COYFC the ability to take its mission to an entirely new level," said Mallory. He said that the investment also enabled COYFC to rehabilitate a few other smaller buildings on the property as well, which gives the nonprofit room to expand a few of its programs in the future. ♦

COYFC and Franklinton Prep FINANCING

- \$7 million federal NMTC allocation from the Ohio Community Development Finance Fund
- \$4.2 million leverage loan from Central Ohio Youth for Christ
- \$2.56 million state NMTC allocation from the Ohio Community Development Finance Fund
- \$2.3 million leverage loan from Huntington National Bank
- \$2.18 million federal NMTC equity investment from Huntington National Bank
- \$750,000 loan from the Columbus Foundation
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