

To: Greenville County Council Finance Committee Members
From: Michael J. Miller, Chief Financial Officer 10 Academy Street Opportunity Zone Fund I, L.L.C.
Re: Fee-in-Lieu of Tax Agreement and Special Source Credit Agreement dated August 18, 2020 by and between Greenville County and 10 Academy Street Qualified Opportunity Zone Fund I, L.L.C.
Date: February 23, 2022

Introduction and Background:

This memorandum is being provided as a follow-up to your request for additional information about this matter. Greenville County (the “County”) and 10 Academy Street Qualified Opportunity Zone Fund I, L.L.C. (the “Company”) entered into that certain Fee-in-Lieu of Tax Agreement and Special Source Credit Agreement dated August 18, 2020 (the “FILOT Agreement”).

The *Tax Cut & Jobs Act* of 2017 created a unique opportunity for meaningful improvement in what traditionally had been severely depressed census tracts, all throughout the United States. This legislation co-authored by Senator Tim Scott, is designed to provide significant long-term federal tax benefits to investors who provide investment capital for transformational real estate projects in areas that typically been bypassed by real-estate investors.

In 2019, the Company was formed to develop the 4.7 acres in downtown Greenville on a site along Academy Street bordered by McBee and Washington Streets. It is important to point out that the development plan in no way creates a gentrification issue, as the all new development will be built on surface parking lots. This particular site currently houses what is commonly known as the “AGFA” building, but also houses a division of St. Francis/Bon Secours, as well as other tenants. The original intent of the Company’s project was to have two assets, the existing office building and a new 260 unit multifamily residential complex, with the objective of building a “live-here...work here” residential environment.

The Project:

The multifamily component of the project has the following characteristics

- Class “A” residential multifamily complex with an integrated parking facility
 - Amenities include
 - Pool
 - Exercise Rooms
 - Work Space
- 260 Units
 - 49 (Studios)
 - 161 (1 Bedroom)
 - 49 (2 Bedrooms)
 - 1 (3 Bedroom)



The multifamily complex has been approved by the Greenville Design Review Board.

Company Performance Requirements under FILOT Agreement

1. The Company must invest at least \$50,000,000 within the first 5 years
2. Term of the Agreement is 20 years ; fixed millage rate; 6% assessment ratio
3. Special Source Revenue Credit of 50% for 20 years
4. The Project must provide 20 % of the units (52) as Work-Force Housing
 - a. 10% (26 Units) at 80 % Area Mean Income of Greenville County
 - b. 10% (26 Units) at 60% Area Mean Income of Greenville County
 - c. The workforce housing target market across the Greater Greenville County region consists of Teachers, EMS, Fire, Police & Sheriff personnel as well as other supporting personnel throughout the County.
5. The Company is required to pay \$100,000 annually to the **Greenville Housing Fund** for their use In supporting County-wide affordable housing initiatives.
6. Failure to meet performance requirements under the FILOT Agreement results in retroactive and prospective termination of the FILOT Agreement, including the clawback of any previously received Special Source Credits
7. The Company must submit to Greenville County an Investment Certification and an Affordable Housing Certification each year, and County has right to audit such certifications.

Company’s Desire to Transfer the Project to Lighthouse Living, LLC (“Lighthouse”):

The primary reason for the requested transfer is in response to global economic influences that affect commercial real estate development. The exit from a post-COVID environment has caused significant impacts on two fundamental mission critical components for a successful commercial real estate development, those components are:

- Access to long term equity capital, as post-COVID investors are focused on shorter term returns, and liquidity that is far shorter than the structure of Opportunity Zone project will provide. The ten year hold period of the Opportunity Zone investment requires investors to have a long-term perspective.
- Supply issues are front page news every day, and the impact on basic construction materials pricing and availability have a significant impact on the financial success of a project. The strategy to address these issues is to place forward contracts and sub-contractor deposits are required.

Lighthouse

Lighthouse Living, LLC is a multifamily property developer, with a national presence, coupled with a local position with the devolvement of The McClaren (1 Wardlaw Street, Greenville, South Carolina) a Greenville Class “A” multi-family complex (<https://lighthouseliving.com/property/the-mcclaren/>). Strategically, adding the 10 South Academy Street project to the portfolio, provides operational economies of scale that would not be experienced by a stand-alone project. Additionally, The McClaren also provides for 20% of the units as work-force housing.

Company’s Request to Finance Committee

The Company requests that Finance Committee approve a resolution consenting to the transfer of the Company’s interest in the FILOT Agreement to Lighthouse.

Conclusion:

If any of you have any questions about this request or need additional information, please contact me. My phone number is 704-533-0036 and my email address is mmiller@citisculpt.com.

I look forward to presenting this request in person to the entire Finance Committee at an upcoming meeting when this matter is placed on the Finance Committee’s agenda and to answering any questions you may have at the time of such presentation. Thank you for your consideration of this request.