



# Arizona CDFI Network and Community Lending Landscape Analysis

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## Opportunity Zones 2.0

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# **Arizona CDFI Network & Community Lending Landscape Analysis**



# The Arizona CDFI Network

- **Launched in 2025 as an answer to the fragmented community lending ecosystem in Arizona**
  - **7 CDFI members including leading Latino, Native & African-American led organizations**
  - **2024 - met informally, developed a mission and strategic plan & obtained 501c3 status**
  - **Relationship building & overcoming distrust was the biggest challenge**
  - **Monthly board meetings & committees drive the mission forward**
- **The Network goals are to**
  - **Influence Arizona Governor's Office, state legislature, corporate philanthropy & banks**
  - **Create a \$50M revolving loan fund with patient, low-interest capital**
  - **Create a loan guarantee program**
  - **Increase TA dollars available to lenders & service providers**



# AZ Landscape Study Project Goals

## Develop & Deliver Two Products

1. Arizona Community Lending Landscape Report – Who’s lending, where, to whom, & how.

- Surveys, Interviews, Audits & Transaction Level Reports
- Identification of major themes & challenges
- Inventory of financial products, borrower profiles, & loans dispersed
- Lender performance ratios & metrics compared to other states

2. Investment Playbook – Actionable recommendations for funders & policymakers to support Arizona community lenders & their borrowers

- To be presented to the Arizona Governor’s Office, foundations & large banks

# Core Data Sources

- **16 community lenders provided organizational & financial data for their last 3 fiscal years**
  - **11 CDFIs**
  - **2 Credit Unions**
  - **15 business lenders**
  - **7 mortgage lenders**
- **Interviews with over 30 lenders, stakeholders, funders, government officials & service providers**
- **Interviews and surveys with over 60 small business owners across the state**

# Preliminary Qualitative Findings

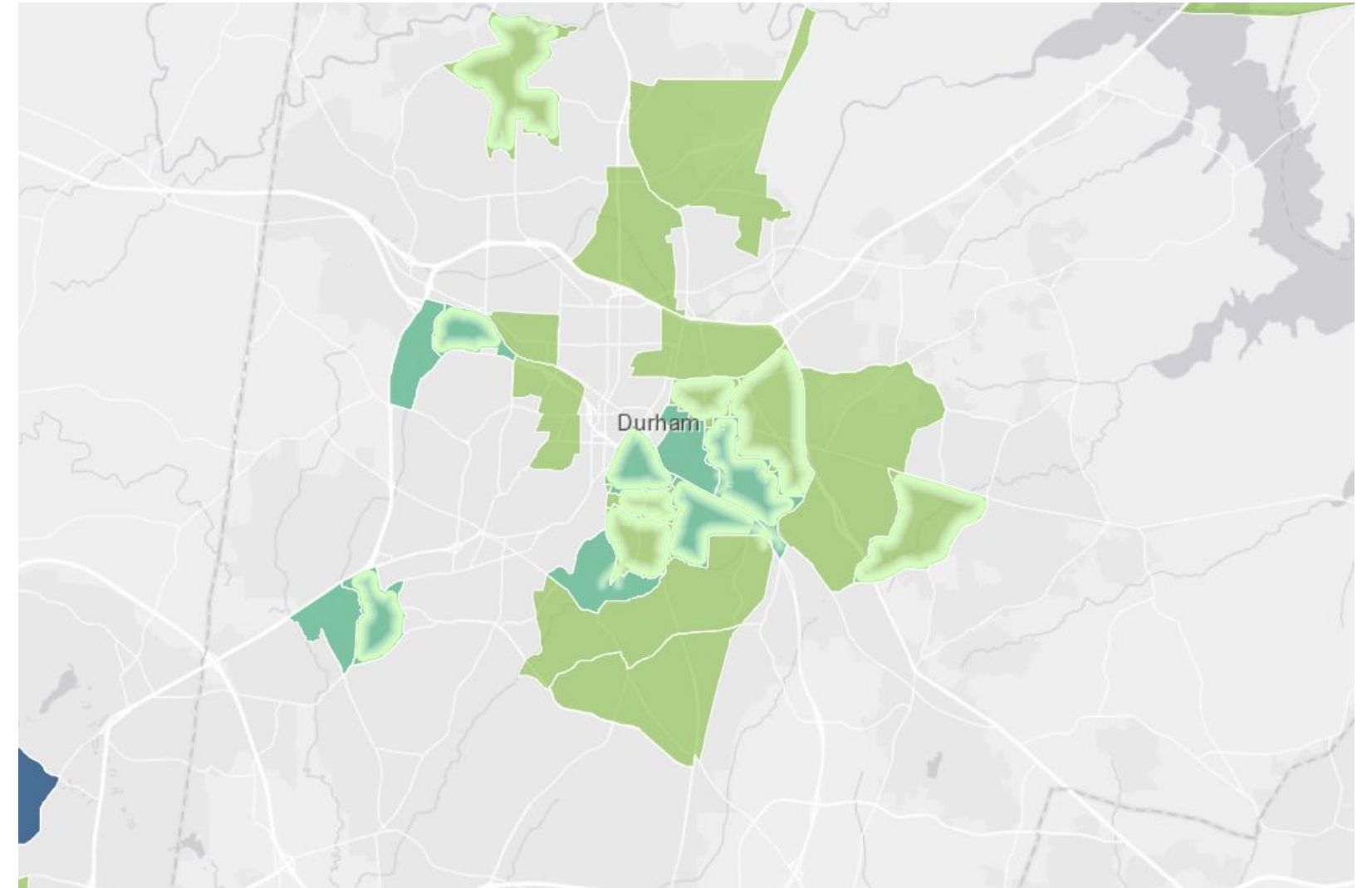
- The state lending ecosystem is fragmented, but the degree greatly depends on geography
  - Collaboration is limited by competition for scarce capital & resources
  - Arizona's population growth & lack of established institutions complicate cohesiveness
- There is a severe lack of understanding in the community on what is 'community lending'
- There is a strong disconnect & general distrust among minority, rural & border communities
  - Bank consolidation – only 14 community banks remain & 8 counties have no presence
  - History of inequity, harmful/unpopular federal actions & exploitation
  - Lack of cultural relevancy
- The State of Arizona's support for community lending is fragmented
  - State legislators generally do not understand CDFIs or community lending
  - Community lenders were not engaged on design of key State programs for CDFIs
- Many entrepreneurs are not loan ready & lenders don't have resources to get them there
- Mortgage borrowers are loan ready, but can't afford a home
- Business borrowers need working capital and are getting battered by the economy
  - They want quick decisions & are turning to higher cost online lenders & MCAs

# Opportunity Zones 2.0



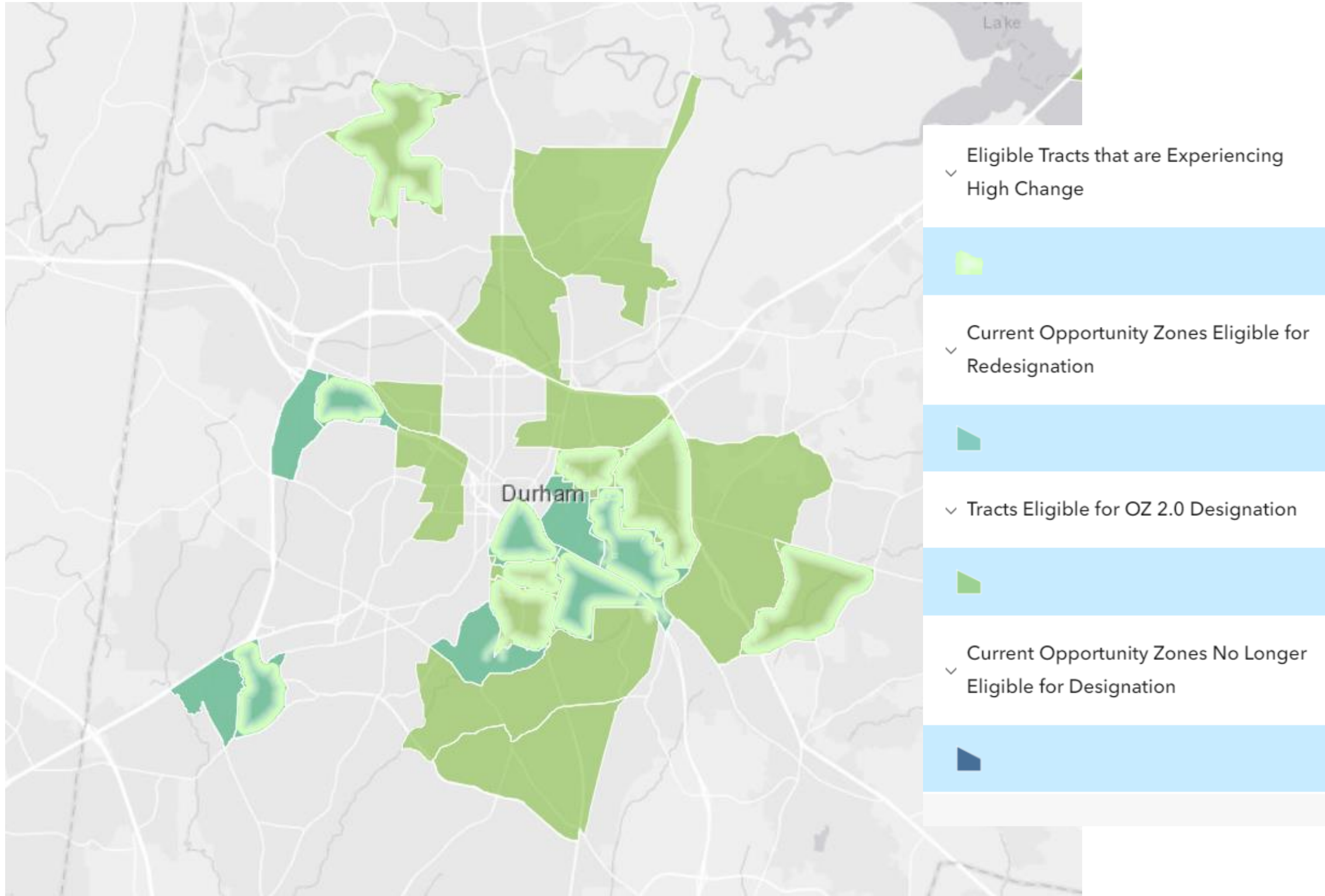
# OZ Census Tract Selection

- **Governors will nominate up to 25% of eligible OZ tracts to Treasury to become new QOZs**
- **Tracts must be 70% of MFI or below *or* have a poverty rate over 20% with MFI under 125%**
- **Each state will have its own selection process**
- **Once selected, QOZs will be in place for the next 10 years**
  - ***April – June* - Tract selection process**
  - ***July 1* - Governors will have 90 days to submit their tracts.**
  - ***Nov 28* - Treasury approves new tracts**
  - ***Jan 1, 2027* – QOZ 2.0 tracts take effect**



**In NC, the public, local government and economic development orgs will have a 30-day period starting in April to submit tract nominations through the Dept of Commerce based on posted guidelines**

<https://www.commerce.nc.gov/data-tools-reports/opportunity-zones-north-carolina>



**View the  
National Map!**

*data sources: NALCAB,  
data.census.gov, US Treasury*

<https://nalcab.maps.arcgis.com/apps/instant/interactivelegend/index.html?appid=926ee0a173fb4e6cae571fde11f58856>

# **Why Opportunity Zones Matter to Community Development**



# Acknowledging the Reality

- **OZs are not designed to drive affordability or equitable development – it needs to be intentional**
- **QOFs seek a minimum ROI and lower risk investments – market-rate, non-rural projects are a path of lesser resistance**
- **QOFs tend to invest in tracts with fastest growth and not into lowest income areas**
- **Many QOF projects probably would have happened without the tax benefits**
- **CDFIs and nonprofit developers were largely absent as partners in OZ's first round**
- **Employment and housing units in OZ tracts increased faster than non-OZ tracts, but did not necessarily result in accessible jobs or affordable units**
- **There was over \$100 billion invested in OZ 1.0 and 75% went to residential housing**
- **The permanency of OZ 2.0 will result in greater investments and interest in lower-income tracts in our communities**
- **EOs are mandating agencies to align community development programs with OZ goals – this will continue to be refined**
- **US HUD and other Departments/Agencies will give preference points for OZ projects going forward**

# Acknowledging the Possibility

- **Some QOFs actively seek deals with higher community impact but need nonprofit partners to maximize affordability in the projects**
- **Because many QOFs don't work in the nonprofit space, they often have trouble finding local partners and understanding how to make projects work with community impact goals**
- **Nonprofit lenders and developers can leverage their knowledge and resources to earn a place at the OZ table through debt investments, tax credits, subsidy, and local insights**
- **Federal program alignment could make it easier to pair grants and tax credits with OZs**
- **Nonprofit partnerships can result in deeper affordability and social impact while still delivering ROI acceptable to investors**
- **It can be hard to pair non-profit community goals with for-profit goals, but not impossible - and it has been successfully done through OZ 1.0**

# OZ Mixed-Use/Reentry Housing with CDFI Loan



## The Phoenix Community

Location: **Columbus, OH**

Congressional District: **OH-3**

Opportunity Fund Name: **Cargominiums**

**Opportunity Fund, LLC.**

Opportunity Fund Manager: **Opportunity Zone Development Group**

Investment Date: **Q4 2019**

Project Details: **Mixed-use building with reentry housing and support services**

Total Development Cost: \$5.8 million



■ \$3 million - Opportunity Zone equity from OZDG

■ \$2.8 million - CDFI loan

- **Local nonprofit & 3 CDFIs participated together**
- **50-bed residence with office space**
- **Backed by State of Ohio contract for services**
- **Nonprofit will lease for 15 years**
- **After 10-years the investor will exit, and nonprofit has right of first refusal on purchase**

# OZ Rural Student Housing with CDFI Loan



## 698 Prospect Phase I

Location: **Pembroke, NC**

Congressional District: **NC-9**

Opportunity Fund Name: **Woodforest CEI-Boulos Opportunity Fund**

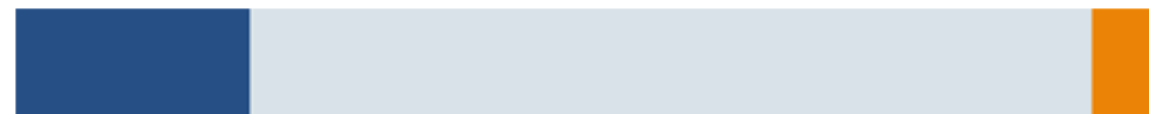
Opportunity Fund Investor: **Woodforest National Bank®**

Opportunity Fund Manager: **CEI-Boulos Capital Management, LLC**

Investment Date: **Q3 2020**

Project Details: **Housing for students attending a rural state university**

Total Development Cost: Approximately \$14,610,000



■ \$3 million Opportunity Zone equity investment from Woodforest CEI-Boulos Opportunity Fund

■ \$10.77 million loan from Self-Help Credit Union

■ \$840,000 developer equity from PB Pembroke Owner, LLC

- **Woodforest Bank, Coastal Enterprises Inc (CDFI) and a commercial real estate company, Boulos, formed a QOF**
- **CEI/Boulos act as the fund manager**
- **Self-Help provided \$10.77M loan**
- **Local developer filled in remaining gap**
- **192-bed student housing in rural NC**
- **Allows UNC-Pembroke to increase enrollment**

# OZ Affordable Apartments with 4% LIHTC



## Ox Fibre Apartments

Location: Frederick, MD

Congressional District: Maryland 6th

Opportunity Fund Manager: BCC Opportunity Zone I, LLC

QOZ Business: 400 Church Street Owner, LLC

Investment Date: Q3 2019

Project Details: Adaptive reuse of historic warehouse into 83 new affordable apartments



■ Federal Housing Administration (FreddieMac) debt – \$10.5 million

■ Housing Credit equity – \$7.1 million

■ Historic Tax Credit equity – \$4.4 million

■ Opportunity Zones equity – \$830,000

■ State and County debt – \$3.4 million

■ Deferred Developer Fee – \$670,000

Total Development Cost: Approximately \$27 million

- **Both 4% and 9% LIHTC work with OZ projects if they include new construction which can match the 30-month substantial improvement requirement for QOFs**
- **4% credits may be easier because they are non-competitive and easier to secure**
- **OZs offer a tax-free exit after 10 years, so any deal will need to plan to fill the remaining gap for LIHTC's 15-year compliance**

# OZ Business Corridor with NMTC & CDFI Loan



## MLK Gateway I

Location: **Washington, DC**

Congressional District: **DC At-Large**

Opportunity Fund Name: **eMpower Qualified Opportunity Zone Fund**

Opportunity Fund Manager: **Menkiti Group - MG Capital**

Investment Date: **Q4 2019**

Project Details: **Street corner transformation creates office space and neighborhood-serving retail**

**Total Development Cost: Approximately \$21,750,000**



■ \$1.7 million pre-development loan from LISC

■ \$250,000 credit enhancement provided by LISC DC

■ \$13.5 million leveraged loan & construction loan from PNC Bank

■ \$700,000 DMPED Neighborhood Prosperity Fund grant

■ \$15 million NMTC:

- \$8 million - New Market Support Corporation, an investment company of LISC
- \$2 million - PNC Bank
- \$5 million - Other

■ \$2.78 million OZ investment

■ \$500,000 equity from LISC

