

Regional Initiative Council Meetings  
Financing the Vision – Lunch Discussion  
August 27, 2015



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- **TUCKER BARTLETT** – Executive Vice President, Self-Help
  - Self-Help is a nonprofit community development lender, real estate developer, and credit union, creating and protecting ownership and economic opportunity for all, especially people of color, women, rural residents and low-wealth families and communities
- **DANA BOOLE** – President & CEO, Community Affordable Housing Equity Corporation
  - CAHEC has worked since 1992 with developers, investors, property managers, financial institutions, and state and local officials with a vision for improved affordable housing. (i) Raising and investing equity capital in a variety of tax credit products and (ii) providing capital through a series of Community Investments, is at the core of CAHEC's business.
- **KEVIN DICK** – Director, Office of Economic and Workforce Development, City of Durham
  - OEWD helps ensure that Durham has a strong and diverse economy by: helping to increase Durham's commercial tax base; promoting long-term economic growth; providing financial assistance for business; assisting cultural development; and preparing and placing Durham's workforce to meet the demands of businesses
- **KEN REITER** – Founder & CEO, Belmont Sayre
  - Belmont Sayre is a privately held real estate investment and development company, providing comprehensive real estate solutions for development and investment in urban neighborhoods with particular attention to adaptive reuse and environmentally challenged sites



- Explain basics of tax credit financing often used on revitalization projects
  - Historic Tax Credits (HTCs)
  - New Markets Tax Credits (NMTCs)
  - Low-Income Housing Tax Credits (LIHTCs)
- Recap financing highlights from American Tobacco Campus
- Illustrate through case studies ripple effects from American Tobacco Campus
- Welcome questions and input from the audience
  - Parallels to projects in other areas of our region
  - Ways in which we can work with and/or learn from each other

	<u>Slide(s)</u>
Tax credit basics (NMTC, HTC, LIHTC)	5
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Ripple effects of American Tobacco Campus in Durham	
Downtown Durham (contiguous)	11
Maureen Joy Charter School (nearby neighborhood/area)	13
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<u>Examples of similar projects in region</u>	
Revolution Mill (Greensboro)	
Contemporary Art Museum (Raleigh)	
<u>Illustrations of basic tax credit structures</u>	



## Overview of Tax Credit Programs

	<b>New Markets (NMTC)</b>	<b>Historic (HTC)</b>	<b>Low-Income Housing (LIHTC)</b>
<b>Tax Lvl.</b>	Federal	Federal	Federal
<b>Agency</b>	CDFI Fund, US Dept. Treasury	US National Parks Service w/ NC SHPO	US Dept. Treasury
<b>Purpose</b>	Spur investment in low-income communities	Rehabilitation of historically significant properties	Spur development of affordable housing
<b>Total \$\$ Avail.</b>	Limited annually	Unlimited (for now...)	Limited annually, currently \$2.30/capita
<b>Access</b>	Via certified CDE that wins award in competitive process	May be directly accessed by property owner	Indirect, through state housing finance agencies

## Tax Credit Program Eligibility

	NMTC	HTC/Rehab	LIHTC
Eligibility	Key rule: qualifying census tract (are other rules, too)	Nat'l Reg. listing <u>or</u> listed as contributing in a Nat'l Reg. District	Various criteria, but key element is level of affordability
Typical Uses	Commercial rental Mixed use Charter school Community facility Hotels	Same as NMTC plus: Multifamily rental	Multifamily rental
Exclusions	"Sin" businesses Limited res. rental	No ownership change	Non Housing

## Tax Credit Calculations

	NMTC	HTC	LIHTC
Credit Basis	Qualified Equity Investment (QEI) into CDE	Qualified Rehab. Expend. (QREs)	Depreciable Basis

### EXAMPLE:

Basis	\$10,000,000	\$10,000,000	\$10,000,000
Credit %	39%	20%	9%
Credits	\$3,900,000	\$2,000,000	\$900,000
Credits taken over (compl. period)	7 years	5 years	10 years
Price	\$0.80	\$0.98	\$.98
Aggregate equity for project (BEFORE fees)	\$3,120,000	\$1,960,000	\$8,820,000



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## American Tobacco Phase 1

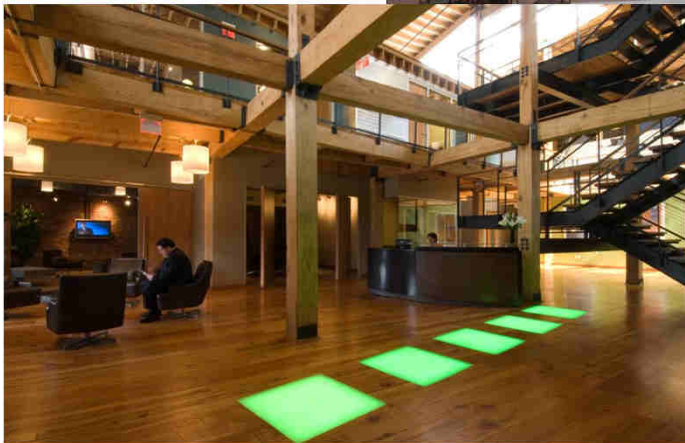






# Urban Land Institute Carolinas

## American Tobacco Phase 2



# American Tobacco Financing

(\$ in Millions)

SOURCE	PHASE I		PHASE II		TOTAL	
	\$	%	\$	%	\$	%
Debt / Loans from Private Sector	\$ 40.00	37%	\$ 33.00	36%	\$ 73.00	36%
Federal Historic Tax Credits	\$ 9.00	8%	\$ 16.83	18%	\$ 25.83	13%
State Historic Tax Credits	\$ 5.00	5%	\$ 11.95	13%	\$ 16.95	8%
New Markets Tax Credits	\$ 2.50	2%	\$ 13.39	15%	\$ 15.89	8%
Equity from Tax Credit Investors	\$ 16.50	15%	\$ 42.17	46%	\$ 58.67	29%
North Parking Deck	\$ 15.00	14%	\$ -	0%	\$ 15.00	7%
Infrastructure, Land and Cash	\$ 8.00	7%	\$ -	0%	\$ 8.00	4%
City of Durham	\$ 23.00	21%	\$ -	0%	\$ 23.00	11%
South Parking Deck (Durham County)	\$ 15.00	14%	\$ -	0%	\$ 15.00	7%
City and County Investment	\$ 38.00	35%	\$ -	0%	\$ 38.00	19%
Land Lease (AJ Fletcher Foundation)	\$ 4.75	4%	\$ -	0%	\$ 4.75	2%
Other Equity	\$ 10.00	9%	\$ 16.75	18%	\$ 26.75	13%
Total Sources	\$109.25	100%	\$ 91.92	100%	\$201.17	100%



### Five Points Development:

- Four businesses plus residential on second floor; total development costs of \$2.2 million
- Separate SBA 504 Financing used for each business: 50% senior bank debt; 35-40% subordinated SBA loan from Self-Help; 10-15% owner equity
- Over \$200,000 discounted for sale of building on historic intersection
- Additional \$41,600 in City grants for signage, equipment and space upfit that matched over \$226,236 in private investment







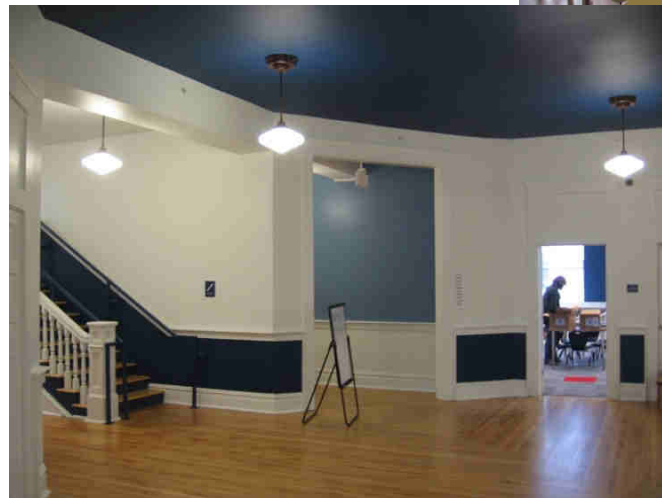
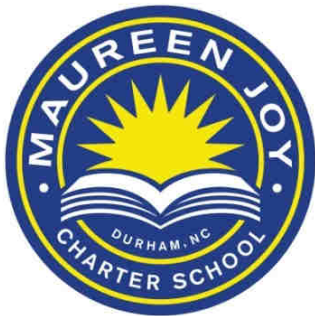
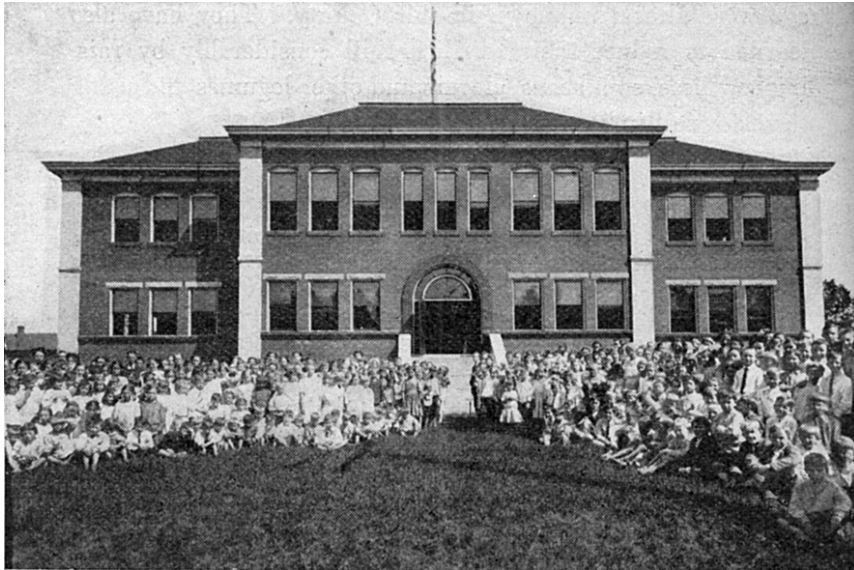
## 21c Museum Hotel:

- 125 Room Boutique Hotel with a restaurant and museum
- Over 150 new jobs created
- \$5.7M City investment and \$2M County investment along with state and federal historic tax credits, new markets tax credits, Self-Help debt and borrower equity in a \$50M+ development



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# Maureen Joy Charter School





## Maureen Joy Financing

(\$ in Millions)

SOURCE	PROVIDER	TOTAL	
		\$	%
Debt / Loans from Private Sector	Chase	\$ 4.18	36%
Federal Historic Tax Credits	CAHEC	\$ 1.45	13%
State Historic Tax Credits	CAHEC	\$ 0.75	7%
New Markets Tax Credits	Chase	\$ 2.70	23%
Equity from Tax Credit Investors		\$ 4.90	43%
Grant	City of Durham	\$ 0.24	2%
Grant	AJ Fletcher Foundation	\$ 0.25	2%
Other Equity	Self-Help	\$ 1.95	17%
Total Sources		\$11.51	100%





- \$8.8M in Sect. 108 CDGB loan
- Other funding from a variety of federal and local sources



## Southside - Phase 1

(\$ in Millions)

SOURCE	PROVIDER	TOTAL	
		\$	%
First Mortgage	US Bank	\$ 2.60	12%
Second Mortgage	City of Durham (NSP)	\$ 0.95	4%
Third Mortgage	City of Durham (bond)	\$ 1.46	7%
Fourth Mortgage	City of Durham (HOME)	\$ 2.03	10%
Fifth Mortgage	City of Durham (bonds)	\$ 0.80	4%
Sixth Mortgage	NC Housing Finance Agency (STC)	\$ 1.23	6%
Total Debt / Loans		\$ 9.07	43%
Federal LIHTC	US Bank	\$12.16	57%
Total Sources		\$21.23	100%



## Slide(s)

### Examples of similar projects in region

Revolution Mill (Greensboro)	18
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Contemporary Art Museum (Raleigh)	19
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### Basic Structures for Tax Credit Transactions

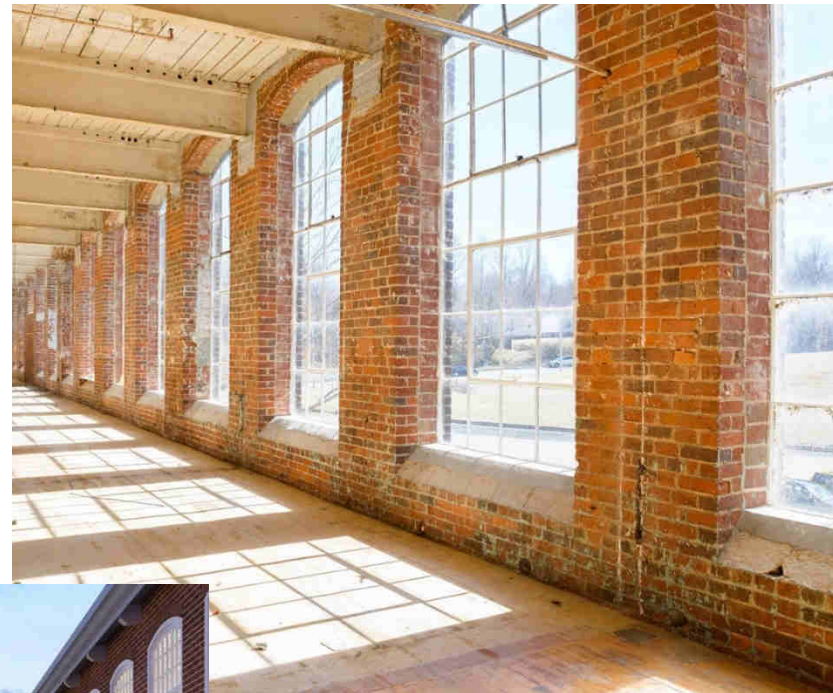
Historic Tax Credit (HTC)	20
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New Markets Tax Credit (NMTC)	21
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Low-Income Housing Tax Credit (LIHTC)	22
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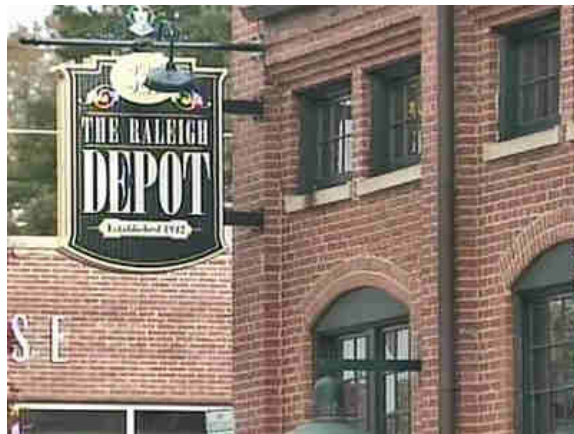


## Greensboro's Revolution Mill

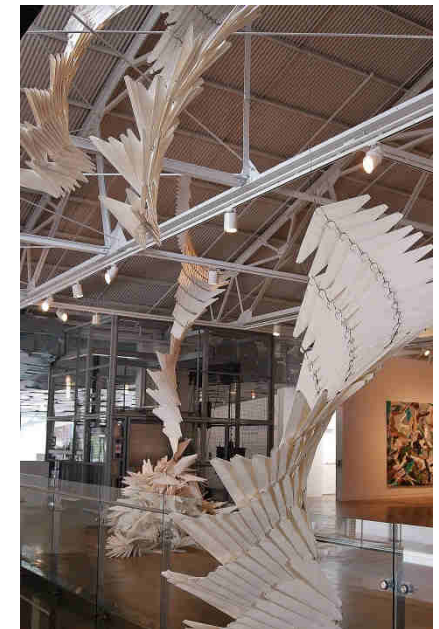


- Textile mill built in late 1800s
- Numerous mill expansions over years
- Mill closed in 1982
- Partial renovations over ensuing two decades
- Self-Help new owner as of 2012, with vision of restoring and revitalizing the entirety of the campus for creative work and living space

## Raleigh's Contemporary Art Museum



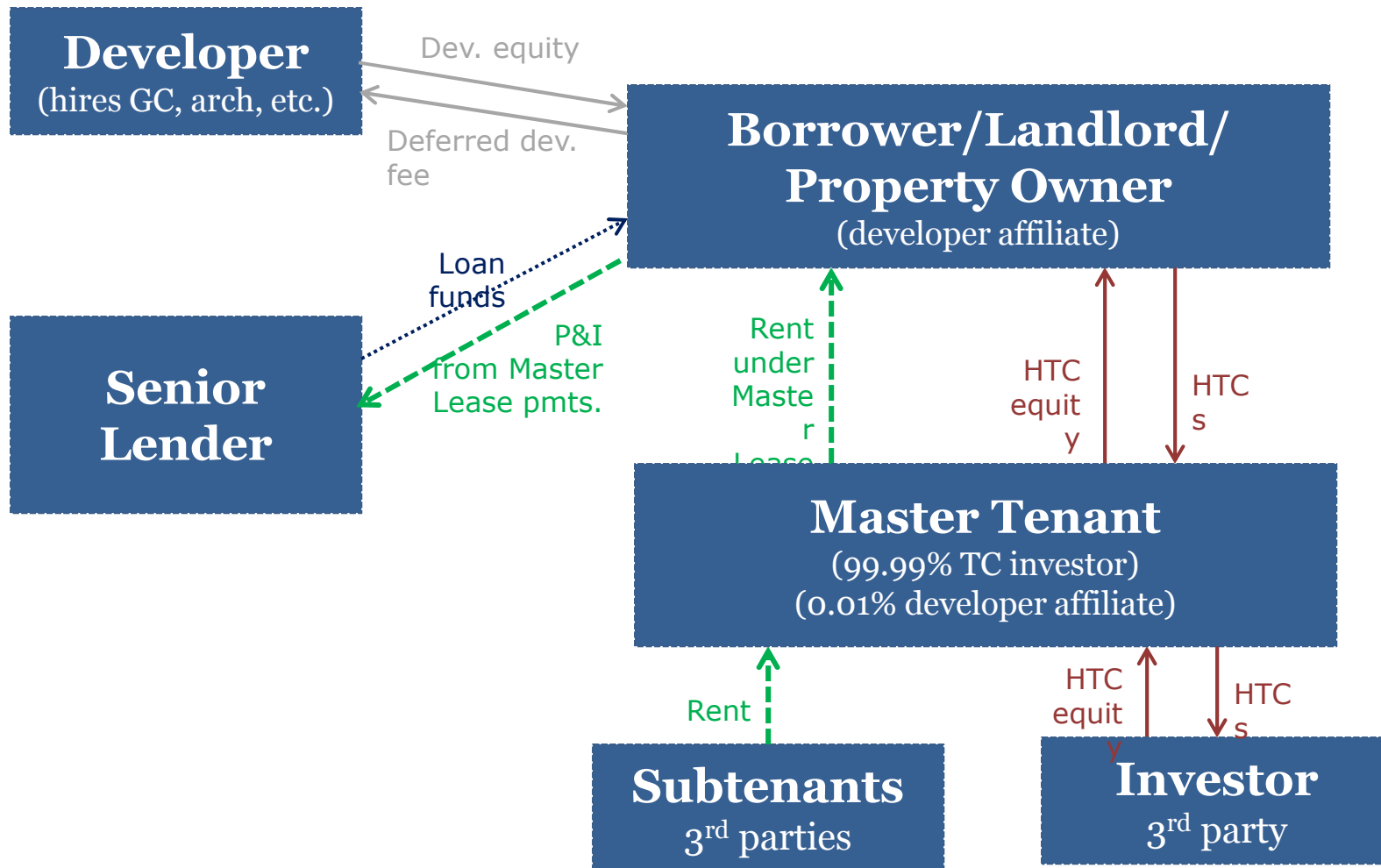
- Located in historic district
- Brownfield site formerly used for warehouses, metal plating and paint companies
- 2005: City of Raleigh commits \$1 million
- 2006: design process begins
- 2007: Slick Family Foundation - \$600,000 grant
- 2008: Goodnight Educational Foundation - \$500,000 grant
- 2006: \$5 million capital campaign commenced
- 2009: NMTCs and HTC's sought
- 2010: ground breaking
- 2011: open to public



"CAM Raleigh seeks to curate the most contemporary works of art and design possible—those still emerging, growing, and living. We hope to spark new thinking by creating ever-changing experiences that explore what's now and nearing." [www.camraleigh.org/about/](http://www.camraleigh.org/about/)

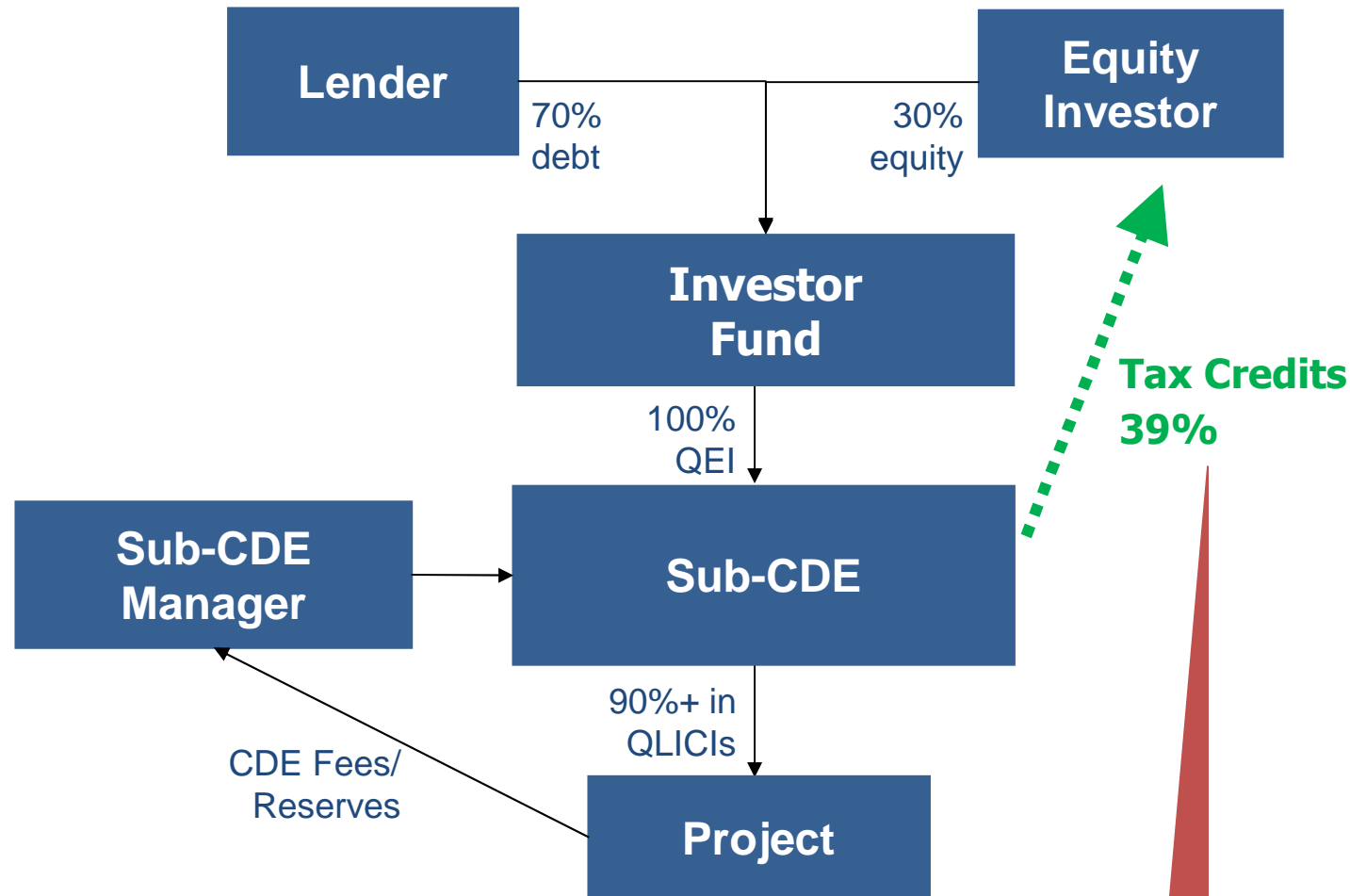


## Basic HTC Structure





## Basic NMTC Structure



*Preferred return to investors usually necessary to achieve target IRR for higher equity contributions.*





## Basic LIHTC Structure

**SYNDICATOR AND FUND  
MANAGER**  
upper-tier General Partner

**INVESTOR A,**  
an upper-tier  
Limited  
Partner

**INVESTOR B,**  
an upper-tier  
Limited Partner

**INVESTOR C,**  
an upper-tier  
Limited Partner

↓ .01%

↓ 33.33%

↓ 33.33%

↓ 33.33%

**SAMPLE LIMITED PARTNERSHIP (aka FUND)**

99.99%

**DEVELOPER**  
Lower-tier  
General  
Partner

99.99%

**DEVELOPER**  
Lower-tier  
General  
Partner

99.99%

**DEVELOPER**  
Lower-tier  
General  
Partner

lower-tier  
Limited  
Partnership

↓ .01%

lower-tier  
Limited  
Partnership

↓ .01%

lower-tier  
Limited  
Partnership

↓ .01%