

US Bancorp Community Development Corporation

New Markets Tax Credits: Economic and Community Development Opportunities

Rob Wasserman

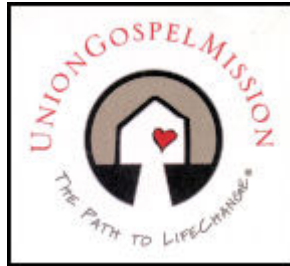
**Historic and New Markets Tax Credit Investments
Western, Southwest and GO Zone Regional Manager**

2008 National Interagency Community Reinvestment Conference

USB CDC

- Subsidiary of US Bancorp
- Primarily equity investors whose return is a stream of tax credits. Yields are computed in after-tax returns.
- Headquartered in St. Louis with offices in Los Angeles, KC and Denver
- Two divisions
 - LIHTC (Low-Income Housing Tax Credits)
 - New Markets Tax Credits (NMTC) and Historic Tax Credits (HTC)
- Mission-oriented
- Activity:
 - NMTC: Over \$1.2 billion (\$3.2 billion in QEI) in equity invested in 4 years
 - Over 210 NMTC transactions with 80 CDEs; Average investment is \$6-20mm
 - Over \$2.9 billion in total development costs; Deal size: \$5-60mm
 - The most active and largest NMTC investor
 - HTC: Active, national investor with over 60 investments of more than \$250 million in tax credit equity in the past 3 years.
 - LIHTC: Large, national investor. Both a fund investor and direct investor. Approximately \$200 million in equity invested per annum.

Our Investments



FARESTART



BOYS & GIRLS CLUB



The Sorenson
Multi-Cultural Center



THE FOX
THEATER



What an Investor Looks For In a Project

1. Community Impact

- Job Creation
- Catalytic Effect



*Future community center
in Madison, WI*

What an Investor Looks For In a Project

2. Readiness

- Financial sources committed
- Government approvals
- Real estate due diligence: appraisal, land, environmental, etc.
- Financial model
- Bottom Line: *The more pieces in place, the easier it is to find an investor.*

What an Investor Looks For In a Project

3. Experience

- **Developer, Lender, CDE, Legal, Accountant, Consultants, Government Entities with NMTC experience**

4. Economics

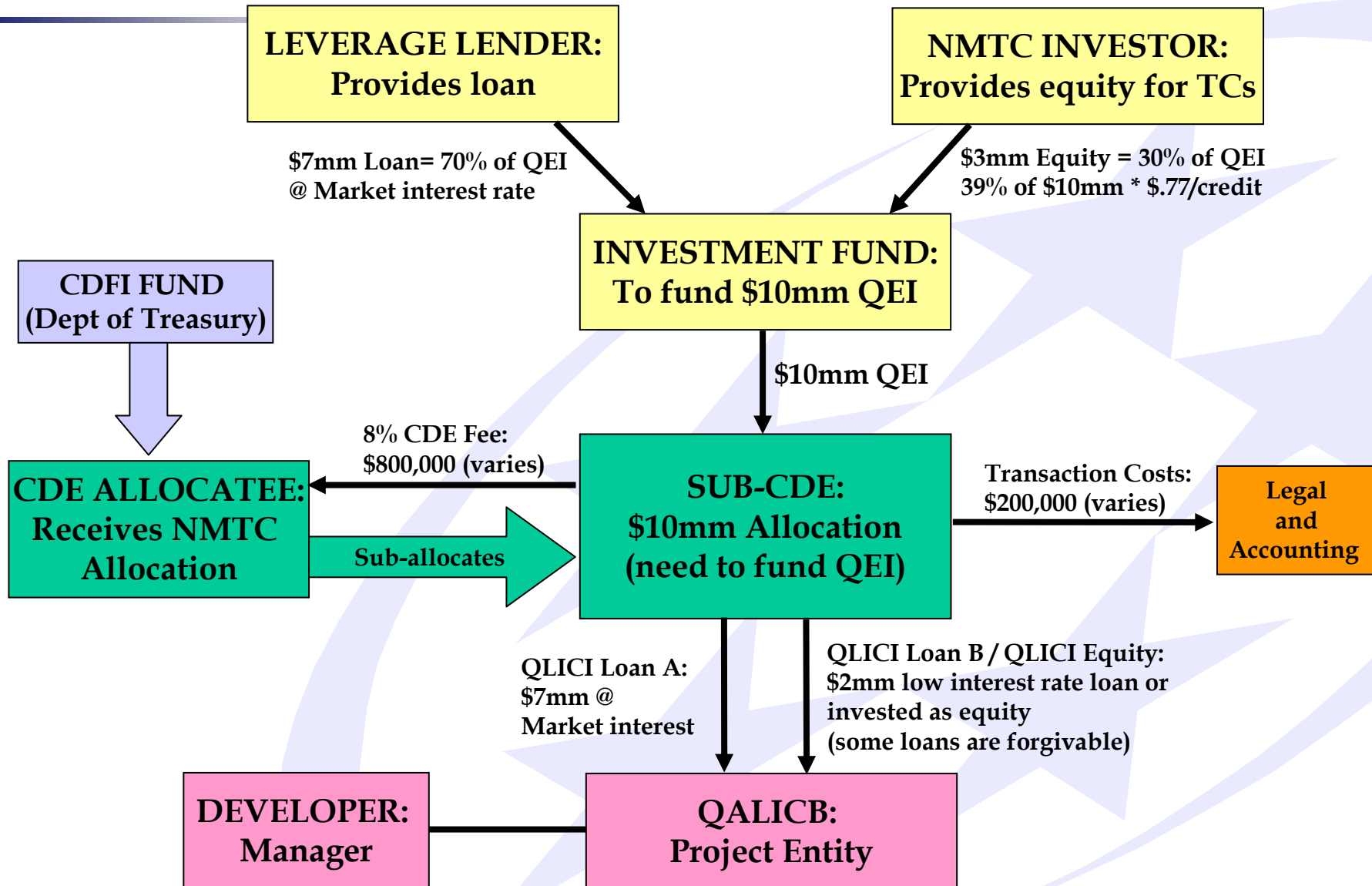
- **Reasonable return from investment**

Different Types of Projects

Leased and Owner-Occupied Facilities

- Office
- Retail/Office
- Mixed-use with Housing – 20/80 Requirement
- Entertainment/Theater/Museums
- Grocery Store
- Hotel
- Non-Profit Companies
- Industrial
- Manufacturing
- AND Operating Businesses
 - Small business funds

The NMTC Mechanics: Funding the Project



* Not all structures are the same

Example: FareStart

- ✓ **Use:** Rehabilitation of 28,000 SF building into job-training culinary school for the homeless
- ✓ **Total Costs:** \$18.9mm
- ✓ **Financing Sources:**
 - USBCDC NMTC Equity - \$5.7mm
 - USBCDC HTC Equity - \$800k
 - US Bank Loan - Up to \$4.75mm*
 - Capital Campaign - \$10.1mm*
 - In-Kind Donations - \$550k
 - CDBG Fund - \$150k



FareStart is a non-profit organization that provides meals and services to the homeless and underserved communities in Seattle, WA.

* US Bank loan is available to bridge gaps in fundraising and delayed receipt of committed pledges or grants.

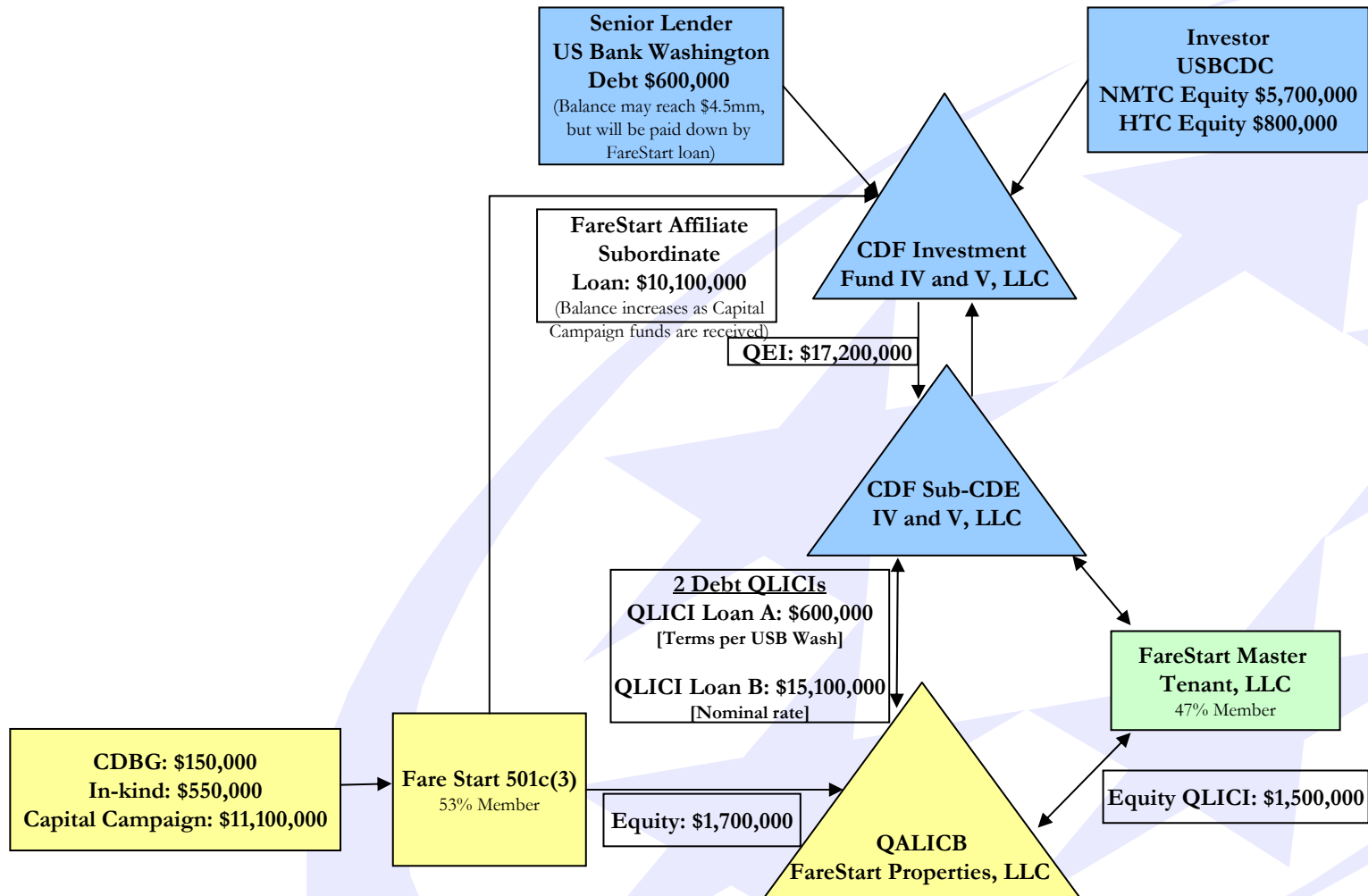
Before



Results

- ✓ Community Development and Economic Development
- ✓ Doubled number of students Farestart serves to 575 adults and 75 youths.
- ✓ Better location with more foot-traffic for the restaurant.
- ✓ 6,000+ sf kitchen, ample room for food storage, classrooms, private offices, and space for parent/child visitation.

Structure Diagram



After



At lunchtime, FareStart is bustling with diners. The central communal table—made from reclaimed lumber from the renovation—represents community and renewal

A FEW CLOSING THOUGHTS

Financing Issues

- ✓ Step 1: Funds and Fundraising
- ✓ Bridging the Gap
- ✓ Leverage Soft Sources?
- ✓ Understand NMTC/HTC Benefit
- ✓ Budget for 3rd Party Costs
- ✓ Assemble the Right Team

Structuring Challenges

- ✓ NMTC Benefit – Debt or Equity?
 - ✓ Avoiding related parties
- ✓ True Debt Analysis
- ✓ Exit Strategy
 - ✓ Avoiding debt forgiveness
- ✓ Tax-exempt Issues (HTC)

NMTC Concerns

- ✓ Make Sure Your Site Qualifies
- ✓ Tell Your Story
- ✓ Be Ready to Go
- ✓ Hire Experienced NMTC Counsel

NMTC Example 2: SLC Historic Warehouse

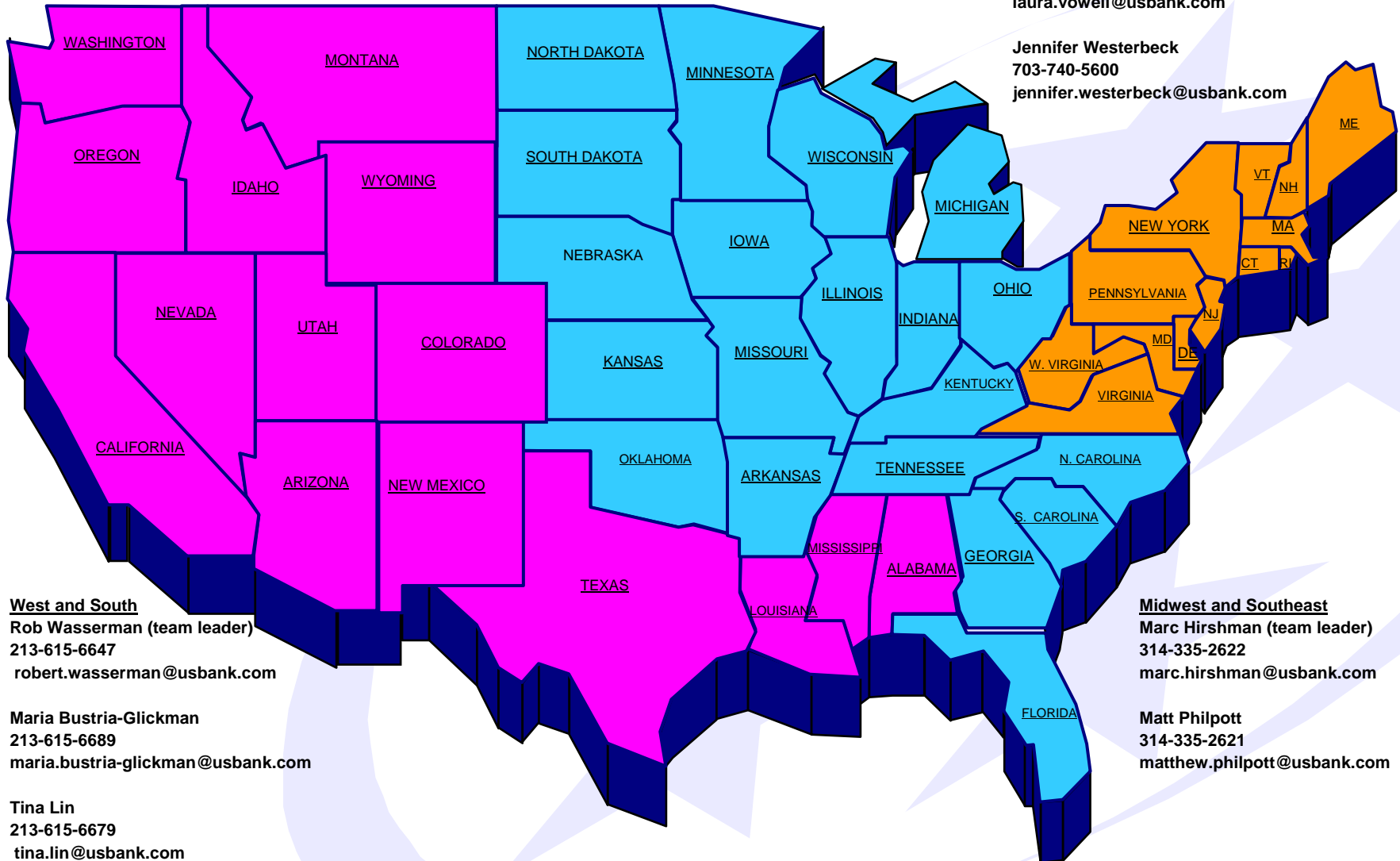
Project Info:

- Developer: Artspace Utah
- Location: Salt Lake City, Utah
- Historic rehabilitation
 - Currently a 45,000 sf warehouse
 - Converted into:
 - 18 townhomes
 - 21,400 sf of office, galleries and art studios
- Significantly reduced lease rates
- Community under transition

Investment:

- \$6.17 mm total
 - \$3.41 mm equity
 - \$2.76 mm debt
- New Markets Tax Credits
 - 39% = \$2.4 mm NMTC
- Historic Tax Credits
 - \$1.1 mm Federal TC
 - \$545,000 Utah State TC
- Loan
 - 7 year term
 - Subsidized Interest rate
 - Sinking fund, full repayment

US BANK CDC – NMTC AND HTC CONTACTS



THANK YOU

CONTACT:

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