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New Markets Tax Credits as lynchpin to developing properties

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Across New England community-minded developers are using the New Markets Tax Credit program to help finance projects that are revitalizing Main Streets and putting the region's residents to work. Hospitals, office buildings, manufacturing facilities, renewable energy plants, hotels, refurbished textile mills, performing arts centers, charter schools - a broad array of commercial and community projects -are eligible for the program, provided the project creates or preserves jobs in economically distressed communities.

Congress created the New Markets Tax Credit to increase the flow of private capital to businesses in these distressed communities by providing a modest tax incentive to investors. Over the last ten years it has proven to be an effective, targeted and cost-efficient financing tool valued by businesses, communities and investors here and across the country.

Congress is currently considering the permanent extension of the New Markets Tax Credit program, a vote that would favor sustainable community development and economic growth. The legislation has support from a broad cross section of both republicans and democrats, including for example Mass. representative Richard Neal and U.S. senator from Maine Susan Collins.

Here are just some of the projects in New England where CEI Capital used the New Markets Tax Credit to catalyze major private sector investments over the last decade:

In Presque Isle, Maine, developers used \$11 million of New Markets Tax Credit capacity for a 93-room Hampton Inn built to LEED standards in the center of town. The project is especially significant because it is the first and only nationally "flagged" hospitality property within a two hour drive in the U.S. The property has strengthened Presque Isle's business and tourism infrastructure, attracted former residents back to this rural area for the new jobs, and has been rated as one of the highest quality service providers within the brand.

In Concord, N.H., the New Markets program helped finance a 68,000 s/f Residence Inn by Marriott. Most notably, in order to use the \$15 million in New Markets Tax Credit capacity the developer agreed to an innovative Employment and Training Agreement (ETAG) designed to help low-income immigrant workers in the area to learn valuable job skills. The win-win agreement has resulted in an 85% hiring rate for program graduates - up from 15%.

\$14.26 million in New Markets Tax Credit capacity helped redevelop vacant property at Maine's former Brunswick Naval Air Station into 79,000 s/f of built-to-suit clean manufacturing space for MÃ¶lnlycke Health Care, a global leader in medical wound dressing sales and research.

The owners of Commonwealth Dairy in Brattleboro, VT used \$28.48 million in New Markets Tax Credit capacity to finance the construction of a 32,500 s/f yogurt processing facility there. Hiring rates are now double original projections. Perhaps as a testament to its success the project expanded again with a second New Markets Tax Credit deal that added another 22,000 s/f and 34 full time jobs.

Two different health care providers - Mid-State Health and Speare Memorial Hospital - each used the program to build state-of-the-art facilities in medically underserved regions of New Hampshire. In Worcester, Mass. the New Markets program supported the redevelopment of the historic Hanover Theatre, which has served to spur the further economic revitalization of the downtown. These represent a fraction of the projects in New England that without the New Markets program as a lynch-pin would not have gotten off the ground. In all cases the credit equals 39% of the qualified investment and is redeemed over a minimum seven-year duration, during which time New Markets Tax Credit capital stays in the community, giving businesses time to grow and stabilize. Developers curious to know whether their projects could be eligible should contact certified community development entities of the U.S. Treasury's CDFI Fund (www.cdfifund.gov) for basic qualifying criteria. Meanwhile, still more New Markets projects are breaking ground in 2014, jumpstarting and sustaining the region's economy.

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