

NMTC MONTHLY REPORT

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Three Deals by Portland Family of Funds Demonstrate NMTC Versatility

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

Portland Family of Funds (PFF), an investment banking and consulting group, recently announced three new markets tax credits (NMTC) transactions that show the versatility of the NMTC program in addressing community needs. PFF, which manages real estate and investment funds, structures transactions, sources debt and equity, manages regulatory compliance, and performs community impact and investor reporting services, has structured and closed a new small business loan fund, a challenging real estate project and is about to open an early NMTC project that provides a mix of community benefits.

Portland Small Business Loan Fund Offers Small Business Loans

Enterprises often require additional capital in the normal course of business, and bank loans are a common funding source. But these entities often have no where to turn if they are very new, very small, or perhaps home-based and need only a relatively small amount of working capital to achieve their next goal. Thanks to an innovative NMTC investment structure, small businesses in qualifying census tracts in Portland, Ore. now have a new source of funding: the Portland Small Business Loan Fund. What's dramatically different about the loan fund is that it will provide loan amounts of as little as \$1,000, with interest rates as low as 3 percent, whereas traditional small business loans start at \$10,000 and cost up to prime plus 7 percent. Smaller loan amounts for working capital are important for small businesses, especially in low-income areas that traditionally do not qualify for, and may not need, the larger minimum amounts that banks ordinarily provide.

The lack of access to affordable capital is an acute problem in Portland's low-income communities. Portland

Mayor Tom Potter, the Portland City Council and the Portland Development Commission (PDC) have specifically supported the formation of such a program to address the strong need in the Portland market for small business loans to finance working capital and other non-real estate related business needs, which are not permitted using urban renewal bonds. The Portland Small Business Loan Fund will also provide secured traditional real estate loans of as much as \$1 million for businesses located in qualified census tracts that are also urban renewal areas.

Portland Family of Funds closed the Portland Small Business Loan Fund in July with NMTCs from the Portland New Markets Fund I. US Bank provided the tax credit investment. Portland State University Business Outreach provides program management and technical assistance to borrowers. This is believed to be the first time that loans of this size have been offered through an NMTC structure.

The loan fund will offer two primary products and services: small business loans and real estate loans. The fund will make micro-enterprise loans of \$1,000 to \$50,000 to businesses located in the city's low-income communities. The loans will total more than \$800,000, using new underwriting guidelines and loan documents permitting smaller loans with nonconforming terms (e.g., below-market interest rates, extended maturity dates, favorable lending ratios, unconventional collateral, etc). The fund will make individual loans of as much as \$1 million to small businesses located in low-income communities of the city's urban renewal areas. The entire loan portfolio will total \$4 million. Borrowers will receive reduced interest rates upon satisfaction of pre-established job creation and retention goals.

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Portland Family of Funds

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A Vacant Corner is Revitalized with the Fremont Building

A groundbreaking ceremony was held on May 19 to celebrate the start of construction of the Fremont Building on a prominent corner of Martin Luther King Jr. Blvd., which has been identified in several studies as a the southern gateway into inner northeast Portland. The site had been vacant for several years despite considerable efforts to finance redevelopment. NMTCs were key to attracting the private investment necessary to move the project forward. Phase One will include the construction of a new commercial building with storefront retail and office space. This project is expected to be a catalyst to the ongoing revitalization of the Martin Luther King Jr. Boulevard Corridor.

The project is a model for a sustainable mixed-use, high-quality project on a small, urban site. The Fremont Building is expected to attain LEED Silver (Leadership in Energy and Environmental Design) certification. The project includes the participation of minority developers, minority women, and emerging small business in 25 percent of the total project cost. An IMPLAN analysis predicts the \$4 million project will produce a total economic impact of \$56.6 million over 11 years. Investment of these funds is associated with the provision of 72 direct, indirect and induced temporary jobs during the 12-month construction period, and 46 permanent jobs created and then retained during operations of the new retail businesses and offices in the project. Also, \$6.7 million in federal, state and local tax revenues will be generated over the 11 years.

Financing was structured by PFF using a portion of the Portland New Markets Fund I NMTC allocation. Wells Fargo Bank provided tax credit investment and PDC Tax Incremental Funds completed project financing. It was the first use of this financing structure in the Oregon Convention Center Urban Renewal Area.

1891 Portland Armory to Open as Theater

After a 24-month construction process, the \$36.1 million Portland Armory project is set to open as The Gerding Theater at the Armory after a community-wide celebration. The Armory is the second largest 19th century building in Portland, and has been preserved through one of the early leveraged NMTC transactions in the United States. It is anticipated that the project will reach LEED Platinum status, a first in the United States, making it the most environmentally sustainable building on the National Register of Historic Places.

PFF advised and consulted on the \$36.1 million transaction, bringing allocations together from two community development entities (CDEs), coupled with tax credit investment from US Bancorp Community Development Corporation, a PDC loan, along with historic tax credits

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and business energy tax credits. The building will reopen as a new home for Portland Center Stage, with two state-of-the-art theaters; the musical West Side Story opens on October 3, 2006. ❖

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