

Untapped Dollars

Developers await word on new market tax credits, which are picking up traction

by Kyle Boaz · kboaz@sbj.net

A longstanding federal program only recently considered by Springfield-area developers may bear fruit in 2019.

It's called the new market tax credit program, and it allows taxpayers to receive a credit against federal income taxes for making equity investments in community development entities, a certified financial intermediary by the Community Development Financial Institutions Fund through the U.S. Department of the Treasury.

Springfield developer Titus Williams anxiously is awaiting word on his May application for \$30 million in new market tax credits for a possible redevelopment on Commercial Street. The president of Enterprise Commercial Group LLC and principal with NAI Enterprise LLC is targeting the vacant former Missouri Hotel.

"One of our original thoughts is having the Missouri Hotel be a boutique hotel again," he said, adding the project is still in the discussion phase.

Started in 2000, the program is designed to help economically distressed communities attract private capital. It's jointly administered by the Treasury's CDFI fund, which was created in 1994, and the Internal Revenue Service.

The IDEA Commons project by The Vecino Group LLC and Missouri State University also is awaiting word. Officials worked with Legacy Bank & Trust Co. to apply for \$5.8 million in new market tax credits last year to cover construction of a parking garage for the \$50 million-\$55 million downtown project.

\$54B

New market tax credits funding dispersed through 1,105 allocations by the Community Development Financial Institutions fund

When will the developers know? It'll likely be by March, according to the applicants.

Legacy Bank also helped six small businesses in southwest Missouri apply for \$5 million in new market tax credits in April and May last year.

"We have another to close in the next 60 days," said Brett Magers, chief lending officer at Legacy Bank, declining to disclose the company or owner names.

“That’s one thing about this program, it’s fraught with deadlines.”

—Bill Seddon
St. Louis Development Corp.

Shawn Whitney, a partner at Spencer Fane LLP, has gone through the application process for over 20 clients in Missouri, Kansas and Oklahoma. He's secured tax credits for Rooks County Health Center and Pittsburg State University in Kansas.

"It's almost like developing a job resume," he said of the application process.

Last year, the Treasury awarded \$3.5 billion to 73 CDEs. Since inception, 14 application rounds have been completed, with \$54 billion in tax credits dispersed through 1,105 allocations, according to CDFI data.

The announcement for the next round of allocations should come by March, Magers said, but it could be delayed by the government shutdown.

The credits can only be allocated to CDEs. Any organization serving low income communities or individuals can apply to become a CDE, according to the Treasury.

For every dollar invested by the federal government, according to the CDFI, the new market tax credit program generates over \$8 in private investment.

Application process

Bill Seddon, director of the new markets tax program and business liaison for the St. Louis Development Corp., has secured funding nine times through the program.

He said the SLDC has applied over 13 times.

"When it's time for an application, they post a notice of application authority that you have six weeks to fill out the application," he said.

Applicants fill out a form to describe the project, amount of new jobs expected and the scope.

"When the application comes out, you don't get much warning," Seddon said. "The bar gets raised every year because people are bringing attorneys in, they're writing it better, the questions are more focused and specific. You really have to know your stuff."

The 84-page application is available through the CDFI fund website.

"You want to make sure you're writing it for the layman to understand but technical enough

that it shows you know what you're doing," Seddon said.

Proper planning

Seddon said planning is key.

"We have learned to start early," he said. "It's a year-round process. It's not something you get notification by email that there's an award cycle that's open for six and half or seven weeks, because it's not enough time to fill out a 100-page application."

According to its website, the SLDC has utilized \$336 million in new market tax credit funding for 55 projects, including the redevelopment of the historic International Shoe building and the Big Brothers Big Sisters of Eastern Missouri headquarters.

"You really need to be nurturing pipeline projects all year and meeting with developers and businesses that might be financing and really knowing everything that moves in your community," Seddon said.

\$336M

New market tax credits SLDC has utilized

Whitney said shovel-ready projects with community benefits are more likely to get funding.

"That's the determining factor - what's the community benefit?" Whitney said. "A big one now is rural development and job creation in rural areas. Those have been pretty easy to get allocations for."

Bank and annual reporting also has to be turned in by specific dates, usually 180 days after the end of the fiscal year, Seddon said.

"That's one thing about this program, it's fraught with deadlines," Seddon said. "Some things have a one-year clock. Some things have a three-year clock. If you get an allocation, you have five years in which to get all of that allocation out to projects."

The new market tax credit program is scheduled to conclude in 2019, but extensions have been filed in the past with one in 2015 and a second in 2017.

"As I understand it, they're going to announce the last application in February or March," Seddon said of allocations for 2018 applicants. "Then, there will be one more application released after that in May into June."