

Economic Development



NEW MARKET TAX CREDIT (NMTC)

Request: Support permanent authorization of the New Market Tax Credit Program within the U.S. Department of Treasury.
Restore authority to a \$5 billion level nationally in 2011.
Authorize offset to Alternative Minimum Tax.

Community Value:

The Phoenix NMTC program provides below-market-rate commercial real estate loans to the private sector, small businesses and mission-focused non-profits to encourage neighborhood revitalization and stabilization in qualified low-income communities in Phoenix. In 2002, the U.S. Department of Treasury Community Development Financial Institutions (CDFI) Fund awarded Phoenix Community Development and Investment Corporation (PCDIC) a \$170 million NMTC allocation and in 2008, an additional allocation of \$40 million. PCDIC created a commercial real estate loan fund which has made 23 loans totaling \$276.5 million and attracted an additional \$370 million in private investment. PCDIC has fully utilized and disbursed its \$170 million allocation, and has funded \$34.1 million of its \$40 million allocation; the remaining \$5.9 million has been committed to current pipeline projects. PCDIC's loan projects have created 4800 construction jobs, 5611 permanent jobs in addition to 2000 seasonal jobs with Amazon.com. A distinguishing characteristic of the PCDIC loan is the Community Impact Plan. Each borrower must have a PCDIC Board-approved plan prior to loan funding. The plan clearly articulates how the borrower will use below market financing to provide measurable community impacts in the low-to moderate-income community.

Phoenix is pleased to announce that the PCDIC was selected to receive its third NMTC allocation of \$53 million on February 24, 2011, by the U.S. Treasury's Community Development Financial Institution Fund (CDFI). Three and a half billion (\$3.5 billion) dollars was awarded in the eighth round. While the program supports a range of economic development strategies, NMTC is uniquely and highly effective attracting private sector investment to Phoenix's most distressed census tracts. These targeted census tracts are characterized by highly stressed demographics: poverty rate above 30 percent and the family median income is 60 percent of the Phoenix Metropolitan Statistical Area (MSA).

Background:

To implement the NMTC program, the City of Phoenix created the PCDIC, a nonprofit 501(c)(3) corporation, that is governed by a seven-member Board. The Board of Directors represents a

broad range of community and city of Phoenix organizations including The Victoria Foundation, the Greater Phoenix Urban League and Neighborhood Housing Services of Phoenix. To satisfy its fiduciary responsibility to the Treasury Department and PCDIC, the Board is charged with all operations, policies and investment decisions of the NMTC program.



CityScape

2008 ALLOCATION OF \$40 MILLION - PCDIC and its investors capitalized commercial real estate funds for rehabilitation, new construction, industrial, retail and office uses.

- **\$30 Million - US Bank Fund** – This fund leveraged a \$500 million downtown revitalization and new construction project, CityScape, in downtown Phoenix's most economically distressed census tracts. The project incorporates two levels of retail development, a Class A office tower and a Kimpton Palomar Hotel, a Four-Star boutique Hotel. Tenants with executed lease agreements include 10,000 SF for Oakville Grocer and CVS Pharmacy (13,000 SF) representing the first grocer and pharmacy in more than 33 years serving the downtown office, convention and residential community. Upon completion, 100,000 SF of new retail space is planned, along with a 600,000 SF, 27-story office tower (90 percent leased as of December, 2010) with an additional 60,000 SF of retail and the hotel.

Development of CityScape’s Entertainment and Pedestrian Element included the input of more than 1,500 downtown Phoenix residents and the guidance of the city of Phoenix Parks Department. The new design includes 50,000 SF of open space that mixes landscape and hardscape to solve the conflicting desires of Phoenixians to have both sun and shade. Small and large gathering spaces are accommodated to provide maximum programming flexibility to the Parks Department.

More than 2,400 jobs have been created in the construction industry with this project. Upon stabilization, 1,500 new downtown office jobs, 500 new retail jobs and 242 hotel jobs will result from CityScape’s development.

- **\$10 Million - Mutual of Omaha Bank** – This fund will finance commercial real estate loans for small businesses and mission focused nonprofits. The fund provides below-market loans to developments and businesses that provide community benefit to the low- to moderate-income community. The Phoenix Rescue Mission is a secured campus with family lodging, education and healthcare for under-employed mothers with addictions and/or abuse issues. A loan of \$4.1 million made it possible for the Mission to provide the comprehensive services that are critical for the program’s success.

The remaining \$5.9 million is committed for commercial real estate loans to small businesses and mission-focused nonprofits serving the low- to moderate-income community.

2002 ALLOCATION OF \$170 MILLION - PCDIC created four funds by raising capital from five financial institutions: Mutual of Omaha Bank, Prudential Insurance, M&I Bank, Capmark Finance and US Bank. In its \$170 million NMTC allocation, PCDIC and its investors established different strategies and products for the four commercial real estate funds and made 20 loans totaling \$243 million, which created and retained more than 2,500 jobs. The funds are the following:

- **\$28 Million - US Bank Loan Fund** – This commercial real estate loan fund is for nonprofit agencies. Three loans were funded from this fund:



Renovation of the Phoenix Union High School historic buildings for the University of Arizona Medical School.

- \$6 million for Maryvale YMCA, \$6 million for Hacienda Skilled Nursing and \$16.5 million for Arizona Bridge to Independent Living. Each organization will potentially see a 20 percent reduction of its loan principal after year seven, due to the role of the tax credit element in the financing structure. The goal was to assist these agencies in meeting their missions by lowering debt service obligations to free up resources for community benefit.



Arizona Bridge to Independent Living

- **\$94 Million - Capmark Finance (formerly GMAC Capital)** – This fund finances larger commercial and retail projects. The goal is to create jobs for low- to moderate-income people and bring economic impact to the low-income communities. This fund financed the renovation of an existing office building in downtown Phoenix at 111 W. Monroe St., renovation of the obsolete and deteriorating Christown Mall into a new open-air Spectrum Center, and speculation construction of the Riverside Industrial Center, a 1.2 million SF distribution center in southwest Phoenix. Amazon.com signed a 10-year lease at the center, resulting in over 5000 jobs.

- **\$25 Million - US Bank Fund** – This fund financed redevelopment of the historic Phoenix Union High School currently being used by the Arizona Board of Regents for the University of Arizona College of Medicine-Phoenix, which will address a doctor shortage in our community. This funding was key to incubating the Phoenix Biomedical Campus, which at build-out is projected to have an economic impact of approximately \$2 billion annually, including the creation of 20,000 jobs.

- **\$23 Million Mutual of Omaha Bank (formerly First National Bank of Arizona)/Prudential/M&I** – This small business fund made nine commercial real estate loans to small businesses to help them purchase and renovate facilities. A \$4 million loan was made to Valu-Tek, which operates a clean room for the semi-conductor industry. Valu-Tek purchased and rehabbed an existing Motorola facility that had been listed on EPA’s Superfund list. This fund also provided Native American Connections with a \$6 million low-interest loan to house other nonprofit organizations that assist the urban Native-American community in Phoenix.

Contact: Roberto Franco, Community and Economic Development Department, Assistant Director
602-534-3405, roberto.franco@phoenix.gov

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