



**New Markets Tax Credits Case Study:
East St. Louis Housing Authority
*Jazz @ Walter Circle Project***

**NH&RA New Markets Tax Credit Summit
Wednesday, July 20, 2011**

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Contact Partner, New Markets Tax Credit Practice
Partner, Business & Finance Department**

PRESENTATION OVERVIEW

- I. The Housing Authority's Vision**
- II. The Investor and CDE Perspective**
- III. New Markets Tax Credit Structure and Legal Challenges**
- IV. Mixed Finance Legal Challenges**
- V. Conclusion and Questions**

I. The Housing Authority's Vision:

*Elizabeth Tolliver, Executive Director,
East St. Louis Housing Authority*

Jazz @ Walter Circle Roundabout



II. The Investor and CDE Perspective:

*Robert K. Jenkins, President,
Hampton Roads Ventures*

Jazz @ Walter Circle 15th & Exchange



III. New Markets Tax Credit Structure and Legal Challenges:

*Stephanie L. Franklin-Suber, Esquire
Contact Partner,
New Markets Tax Credit Practice*

INTRODUCTION

- A. Housing Authority Participation
in New Markets Tax Credit Program**
- B. Jazz@ Walter Circle: A Case Study**
- C. Project Eligibility and Compliance**
- D. Project Financing Structure**

A. Housing Authority Participation

- Types of HUD funds typically used in New Markets Tax Credit transactions:
 - Community Development Block Grant funds
 - HOPE VI funds
 - HUD 108 guaranteed loans
 - HUD Brownfields Economic Development Initiative (BEDI) grants

Housing Authority Participation

- Housing authorities have been active in New Markets Tax Credit Program since early years in various roles:
 - lenders
 - community development entities
 - developers

Housing Authority Participation

- Mixed finance development of affordable housing usually financed with Low Income Housing Tax Credits, HUD Hope VI capital and operating funds, and Community Development Block Grant funds
- Until the *Jazz @ Walter Circle* Project, New Markets Tax Credits were not used by housing authorities to finance affordable housing projects with public housing funds

B. CASE STUDY: Jazz @ Walter Circle

- Integrates HUD mixed finance development with New Markets Tax Credit financing
- Uses HUD public housing funds in New Markets Tax Credit structure for first time
- Housing authority affiliates act as lender and developer
- Public-private partnership with third party investor and community development entity

Project Highlights

- Acquisition of land and construction of new four-story mixed-use facility in City of East St. Louis, Illinois
- Two wings connected by one central walkway (North Building and South Building)
- 15th Street between Bowman and Exchange Streets
- Transit-Oriented Development (50 ft to Metro Station)

Project Highlights

- **LEED-Gold certified “green building:”** Solar Hot Water System, Rooftop Solar Array, Rooftop Terrace and Garden/Farm
- **Residential Rental Space:** 74 units of affordable rental housing for senior citizens
- **Commercial Rental Space:** Community Center, Office Space, Health Care Center, Credit Union, Green Grocer (Food Desert), Commercial Kitchen

Project Highlights

- **Project Financing Sources of Funds:**
 - New Markets Tax Credits
 - HUD Public Housing Development Funds
 - City of East St. Louis Tax Increment Financing Funds
 - Illinois Clean Energy Community Foundation Funds
- **Estimated Total Development Cost:**
Approximately \$20,000,000

Jazz @ Walter Circle 15th & Bowman

Phase 1 - Mixed Finance Development

15th Street & Bowman Avenue

JAZZ



Jazz @ Walter Circle Rooftop Terrace

Phase 1 - Mixed Finance Development

Roof Terrace with Summer Kitchen

JAZZ



Jazz @ Walter Circle Terraces

Phase 1 - Mixed Finance Development

Terraces at 15th & Bowman

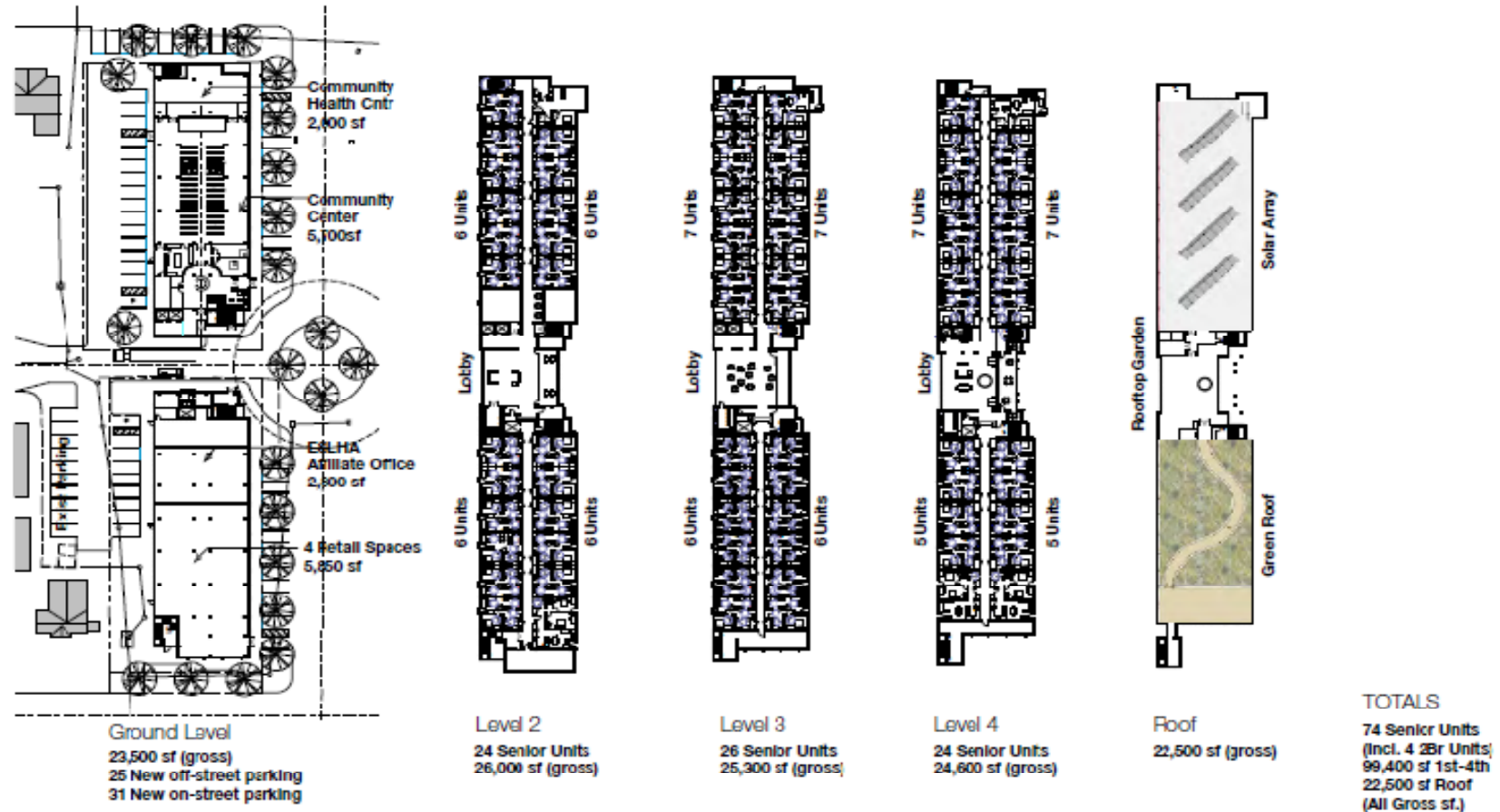
JAZZ



Jazz @ Walter Circle 4 Floors & Roof

Phase 1 - Mixed Finance Development

Whole Building At A Glance



East St. Louis Housing Authority: Owner/Sponsor
 Signature Development & Consulting: Program Manager

ESL Housing Authority Board Meeting - July 15, 2010

C. Project Eligibility and Compliance

- **Low-Income Community:**
 - Qualified Census Tract
- **Qualified Business:**
 - rental of mixed use building in furtherance of tax-exempt purpose to provide affordable housing
 - 80/20 residential rental property rule expected to be satisfied based on financial projections

Project Eligibility and Compliance

- **“Active” in Low-Income Community:**
Five (5) tests reasonably expected to be satisfied throughout the Compliance Period:
 - Gross Income Test
 - Services Test
 - Tangible Property Test
 - Collectibles Test
 - Nonqualified Financial Property Test

D. Project Financing Structure

- **Key Parties:**
 - DV VNB Community Investment Fund, LLC (“Investor”)
 - River East Ventures, Inc NFP (“Lender”)
 - DV-ESLHA QEI, LLC (“Fund”)
 - People’s Ventures, L.L.C. (“CDE”)
 - Eco Jazz, Inc NFP (“QALICB”)

Project Financing Structure

- **Upper Tier Equity:**
 - \$4,587,960 equity investment from Investor to Fund
- **Upper Tier Debt:**
 - \$12,412,040 loan from ESLHA to Lender of public housing development funds
 - \$12,412,040 Leverage Loan from Lender to Fund secured by Fund's 99.99% membership interest in CDE

Project Financing Structure

- **Lower Tier Equity:**
 - \$17,000,000 Qualified Equity Investment (QEI) from Fund to CDE in exchange for 99.99% membership interest in CDE
 - \$1,700 equity investment from Allocatee to CDE in exchange for .01% membership interest in CDE

Project Financing Structure

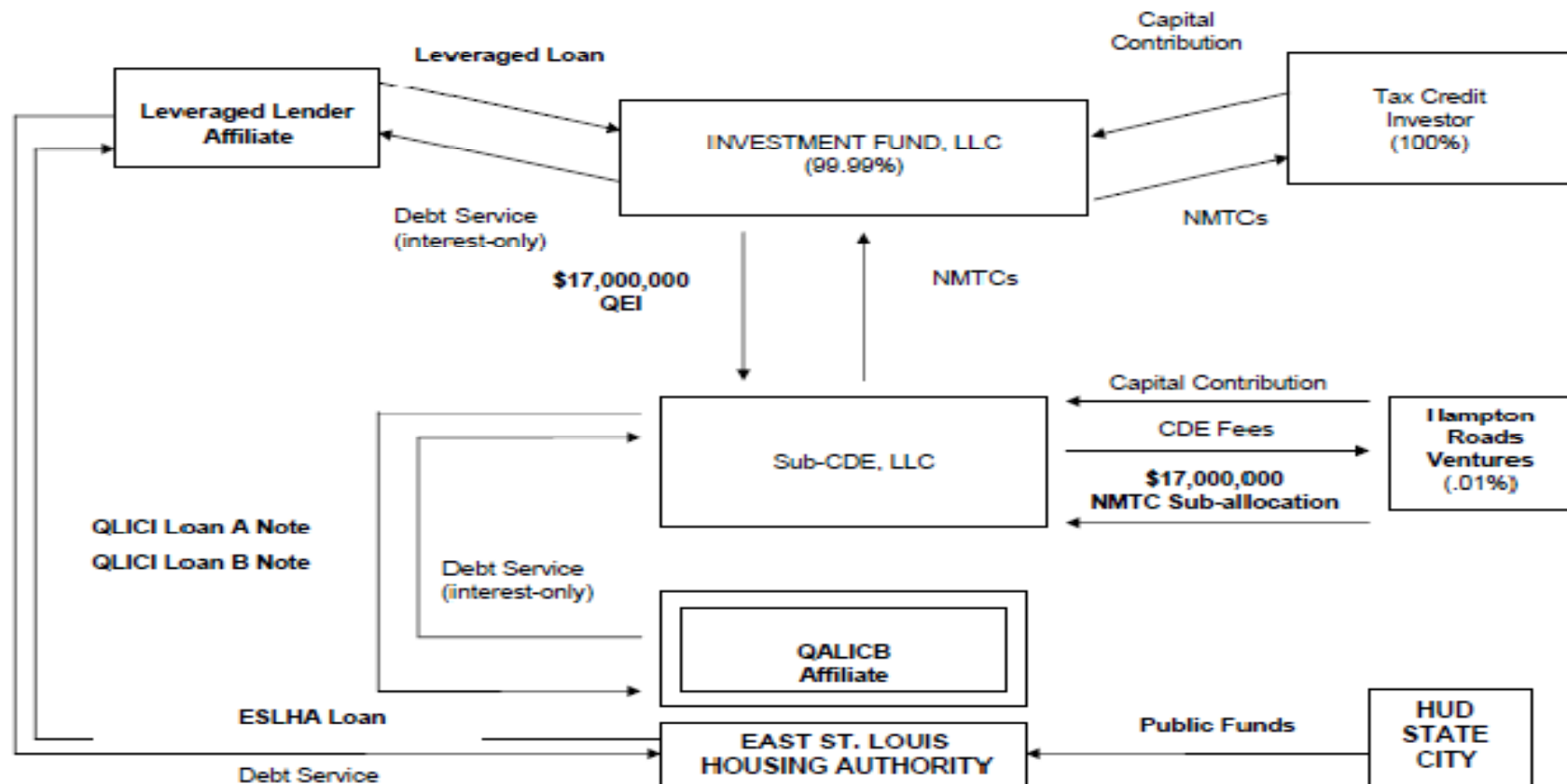
- **Lower Tier Debt/Grant:**
 - \$16,490,000 QLICI Loan from CDE to QALICB for development and construction of mixed use facility secured by leasehold mortgage
 - First Priority A Note: \$12,412,040
 - Second Priority B Note: \$4,077,960
 - \$1,707,276 Soft Loan from ESLHA to QALICB
 - \$1,400,000 Grant from ESLHA to QALICB

Project Financing Structure

- **Ground Lease:**
 - 48,000 sq. ft. of land owned by ESLHA
 - ESLHA 99 year ground lease to QALICB
- **Commercial Space Master Lease (80/20 Rule):**
 - 100,000 sq. ft. of rentable space in mixed use facility owned by QALICB
 - QALICB 40 year master lease to ESLHA of 18,000 sq. ft. rentable commercial space
 - ESLHA sublease of commercial space to commercial tenants

Jazz @ Walter Circle Financing Structure

East St. Louis Housing Authority New Markets Tax Credit Leverage Financing Structure Conceptual Model



IV. Mixed Finance Legal Challenges:

*Lila G. Shapiro-Cyr, Esquire
Partner, Housing Practice*

Jazz @ Walter Circle 15th & Bowman



V. Conclusion and Questions