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Compton Bulletin, The (CA)

Gateway Towne Center narrowly dodges foreclosure \$29M IN PERM FINANCING SAVES NEW CENTER

Allison Jean Eaton Bulletin Editor
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COMPTON- The city's new shopping **center** narrowly avoided foreclosure after it was able to secure \$29 million in permanent financing through a new tax credit mechanism. Community Development Financial Institutions Clearinghouse officials said this recent loan saved the shopping **center**, which would have gone into foreclosure had the permanent financing not been secured.

City officials had not previously shared such information with the community.

Officials also suggested that the funds should permit Prism-IQ Partners to initiate and complete the second phase of development.

That phase was put on hold just more than a year ago after Brook Morris of Prism Realty Corp. and Vince Evans of Inside Quarters Partners came to the City Council seeking an extension, which they were granted.

The shopping **center** is now home to a multi-service community **center** operated by Junior Achievement of Southern California.

This was a direct byproduct of the loan.

The one-stop financial literacy and workforce readiness shop comes as a gift to the community courtesy of the developer and financiers that, in partnership with the city, recently made possible the requisite permanent financing for **Gateway Towne Center**.

The Junior Achievement Workforce Readiness **Center** features about a dozen computers with Internet access in a small office space just west of 24 Hour Fitness.

The nonprofit JASC will operate the **center** as a satellite to its highly touted Financial Park in Los Angeles, which uses realitybased learning models to teach middle and early high school students concepts including credit, debt, saving, investing, begetting and money management, to name a few.

Its overall aim will be to increase the financial literacy of the Compton community while also serving those who are seeking employment.

While the city already offers job search assistance services via Compton's CareerLink WorkSource **Center**, the city's sky-high unemployment rate, which continues hovering around 20 percent, illustrates that more needs to be done to help the fifth of the population that is not employed.

"Our goal is to help youth and adults find a job, get a job and keep a job," said Gary Hickman, president of Junior Achievement of Southern California.

The space will also be available for use by any residents, community groups, schools or nonprofit organizations in need of meeting space or Internet access.

Prism-IQ is providing the space to JASC rent-free. CDFI Clearinghouse provided an operating grant and facilitated the donation of computers through one of its banking partners, CapitalSource Bank. The rent-free space is a requirement of the type of financing mechanism used to secure the \$29 million loan.

According to information provided by CDFI Clearinghouse, Prism-IQ had defaulted on its original construction loan. While it was current, it was well past its maturity date, officials said.

This is likely why the City Council backed the redevelopment agency's loaning \$6 million - \$5 million of which the city had to loan to the agency - to the developers last year. It was that \$6 million that the city put up as leverage that made the New Market Tax Credit transaction possible.

Prism-IQ had attempted in vain to obtain permanent financing through a traditional lender, approaching 50 different financial institutions and being turned down each and every time.

Officials said Prism-IQ had problems because of a general lack of available credit in the current financial crisis, as well as the negative stereotypes and perceptions many hold about inner-city areas like Compton and the ability of retail development projects in these areas to generate the requisite revenue to make timely payments.

CDFI Clearinghouse knew it had its work cut out for itself, even if it did plan to shop around the loan to its shareholding member banks. So it took advantage of a brand new financing mechanism that was created by the American Recovery and Reinvestment Act of 2009.

The New Market Tax Credit program makes loans that might otherwise appear less than desirable to the average lender much more palatable.

Tax credits against federal income taxes and other financial incentives are offered to lenders that make qualified equity investments in community development entities. This promotes social investment in underserved communities, according to the federal government. City National Bank stepped up to the plate and served as the equity investor.

Officials said it also partnered with the city of Compton to provide the \$6 million leveraged loan within the NMTC structure.

CDFI Clearinghouse President and CEO Doug Restry said that the NMTC successfully completed to save **Gateway Towne Center** is believed to be one of the first applications of the program to ever be processed nationwide.

The shopping **center** is just shy of two years old. Its roughly 150, 000 square feet of retail space has created about 450 jobs for area residents and is said to generate a copious amount of sales tax revenue, though city officials have never actually presented any hard numbers proving those assertions.

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