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## Hampton Roads Ventures develops deal with New Markets Tax Credits and tax-exempt Empowerment Zone bonds

NORFOLK, VA.—A groundbreaking financing model engineered by Hampton Roads Ventures, LLC, secured a SpringHill Suites by Marriott for the campus of Norfolk's Old Dominion University.

Now under construction, the 114-room SpringHill Suites is financed by a combination of New Markets Tax Credits (NMTC) and tax-exempt Empowerment Zone bonds. Each of those financing tools is often used separately to foster development in fiscally distressed markets. But because of the complicated requirements of each program, practitioners explain, never before have they been brought together in one deal.

Hampton Roads Ventures, LLC (HRV), is a community-development investment firm based in Norfolk that specializes in attracting private-sector investment capital into lower income communities. The hotel project was referred to HRV by local business leaders who were concerned that the long-planned hotel, considered key to the district's revitalization, would never come to fruition.

The project is using \$11.365 million in bonds issued by Norfolk's Economic Development Authority and underwritten by Ferris, Baker Watts, Inc., of Washington, D.C. A Morgan Stanley investment fund managed by TransCapital, a Phoenix-based financial firm, invested equity in the development in exchange for the New Markets Tax Credits.

"Both Morgan Stanley and TransCapital are proud to have participated in this innovative investment strategy," said TransCapital principal James D. Howard Jr.

HRV provided permanent financing for the project. The loan made to the developer was split into two promissory notes: one for \$10.07 million with an interest rate of 6 percent, the other for \$3.23 million with an interest rate of 3.97 percent.

"We were able to sell the tax credits to bring in more equity," said Robert K. Jenkins Jr., HRV's president and CEO.

Though adjacent to Old Dominion University — a thriving institution — the hotel is in an economically challenged area, designated a redevelopment district by Norfolk Redevelopment & Housing Authority (NRHA). NRHA has worked with ODU's Real Estate Foundation to attract development to the district. A mixed-use project, University Village, includes student housing, restaurants, shops and office space. An extended-stay hotel such as SpringHill Suites has long been planned for the village.

But, as is often the case with inner-city development, putting together a financing deal that would attract investors was difficult, Jenkins said. By showing its expertise in leveraging funding options, HRV hopes to become a bridge for similar developments around the country.

"Hampton Roads Ventures is committed to being on the forefront

of community development finance," Jenkins said. "We were the first firm in Virginia to receive an allocation of New Markets Tax Credits. We are now pleased to be the first investment firm to successfully combine two important community-development tools to enhance the economic vitality of lower income communities."

Peers in the industry said the deal took great expertise to pull together. "I have been acquainted with Bob Jenkins for over 30 years and know him to be an innovative tax and real-estate finance attorney," said Albert L. Elder III, an attorney and former District of Columbia Banking Commissioner. "I am not at all surprised to learn that he was the first to put together a complex deal like this. Bob is truly a pioneer in community development financing."

Another benefit of the new hotel is its participation in Marriott's "Pathways to Independence Program." The program will help bring jobs and training to residents living in Norfolk's HOPE VI communities.

Jenkins and TransCapital's Howard plan to use the new financing model to spur private investment and development elsewhere. "We now look forward to the opportunity of replicating this strategy in other communities," Jenkins said, "not just in Virginia but throughout the southern United States, from D.C. to Texas. We are already evaluating other deals. We are definitely not resting on our laurels — we're moving forward."

"Bob Jenkins and his HRV team are innovators with a deep commitment to bringing much-needed investment capital into lower income communities," Howard added. "Now that HRV has developed a working model, TransCapital and Morgan Stanley look forward to working with them on similar deals in the future."

### About HRV

A community-development investment firm, Hampton Roads Ventures was founded in 2003 after receiving one of the U.S. Treasury Department's first allocations of New Markets Tax Credits (NMTC). HRV now partners with governmental and nonprofit agencies to attract private-sector investment capital into lower income neighborhoods. In 2005, HRV became one of a handful of organizations in the nation to receive a second NMTC allocation.

Contact/Source: Battinto Batts, 757.214.7111; Nancy Chapman, 757.332.8980

