

## Story from the Field: Iowa Communities Benefit from NMTC Investments Coming from Near and Far

In Iowa, New Markets Tax Credit (NMTC) investments have been made not only by local entities but also by organizations headquartered outside the state. According to the most recent data published by the CDFI Fund, six CDEs have utilized the NMTC to finance 13 transactions totaling more than \$61.5 million in six Iowa communities through 2007.

### *An Established Iowa Business Lender Grows into New Markets*

<b>CDE:</b>	Iowa Community Development LC
<b>Controlling Entity:</b>	Iowa Business Growth Company (IBG)
<b>Headquarters</b>	Johnstown, IA
<b>Service Area:</b>	Statewide: Iowa
<b>Allocation:</b>	\$165 million (Rounds 2006, 2008, and 2009)

Iowa Business Growth Company (IBG) is headquartered in Johnston, IA and began operating as a Small Business Administration (SBA) 504 loan company in 1981. IBG has a long history of providing flexible alternative financing for small businesses throughout Iowa that complement products available through conventional lenders. To date, IBG has facilitated more than 650 loans to small businesses in Iowa, creating nearly 7,000 new jobs in the Hawkeye State. “The NMTC program was a natural fit that complemented IBG’s mission to create jobs and promote economic development within Iowa’s most needy communities,” commented IBG President Daniel T. Robeson.

IBG’s Community Development Entity the Iowa Community Development LC has an exclusive statewide service area in Iowa and has received three NMTC allocations totaling \$165 million. NMTC allocations have allowed IBG to extend its flexible rates and terms to qualified borrowers and now leverages NMTC debt to finance much larger business and real estate transactions than they could otherwise authorize. Distressed communities throughout the state have benefited from IBG’s sizable economic investments that have ensured sustained job growth in the state.

When asked how Iowa Community Development LC decides the size and scale of its NMTC transactions, the investment strategy is simple: “The story guides our investment,” says IBG Senior Vice President Jim DePauw. One community’s story that so compelled Iowa Community



Development LC to put up \$10 million of its NMTC allocation and urge CDE colleagues to do the same was the opportunity for a single office renovation to attract more than 1,300 good paying jobs to downtown Dubuque.

A prominent technology company needed large enough space to host 1,300 employees. Iowa Community Development LC saw the potential to harness this economic engine to benefit a distressed city starved for capital and marked by unemployment more than 1.5 times the national average. The \$45.5 million cost to renovate and bring the massive 255,000 square foot building to LEED Gold certification was prohibitive. A supercharged partnership between Iowa Community Development LC, National Community Fund I, LLC and USBCDE, LLC was necessary to tackle this large renovation. Each CDE made a \$10 million investment so the total Qualified Equity Investment was \$30 million and U.S. Bank served as the investor. Financing to the QALICB was provided with roughly \$10 million of debt from each CDE totaling \$30 million, \$10.6 million from a state historic tax credit, and \$5.1 million in equity from the developer. This capital structure brought the project to scale and made it financially feasible.

As a condition of its financing, Iowa Community Development LC secured a commitment from the technology company to fund green job training and sustainability-oriented educational programs for the surrounding low-income community residents. This Roshek Building renovation was nominated for Novogradac & Company’s “Real Estate QLICI of the Year” and “Metro QLICI of the Year” awards.

### ***Council Bluffs: Targeted Revitalization Bolsters Local Economy***

<b>CDE:</b>	HEDC New Markets, Inc.
<b>Controlling Entity:</b>	National Development Council (NDC)
<b>Headquarters:</b>	New York, NY
<b>Service Area:</b>	National
<b>Allocation:</b>	\$486 million (Rounds 2002, 2003, 2006, 2008 and 2009)

The National Development Council (NDC), headquartered in New York City, has a national service area and works with communities large and small, urban and rural, throughout the country to address their economic development through business and real estate investment. NDC has a longstanding presence in Iowa, and has attracted more than \$17 million in qualified equity investments for three targeted revitalization efforts in Council Bluffs that have spurred job creation in the city. Financing provided by NMTC accounted for more than 60% of each project’s total cost, and in two projects the NMTC equity investment contributed almost 90% of each project’s total financing needs. Capital for these community development projects would not have been available without NMTC. The tax credits facilitated lower-than-standard interest rates and terms that were beneficial to each community business that had struggled to attract capital in the form and with the terms it needed.

Council Bluffs, Iowa (pop. 58,000) is a community whose history was rooted in railroad expansion and the early automotive industry. Like many of its counterparts throughout the

Midwest, the city suffered an economic decline that threatened the survival of its local production economy, its downtown and its rich architectural heritage.

### ***Omaha Standard, Inc.***

In 2004, when the Pottawattamie County Development Corporation (PCDC) was working to retain one of the area's largest employers, the high cost of land for a new facility presented a serious threat to those efforts. PCDC turned to NDC for development assistance.



NDC made its first investment in Iowa in the Omaha Standard Inc., a leading manufacturer of trucks and truck accessories, including joists and lifts. In 2006, HEDC New Markets raised \$10.5 million in qualified equity investments with a \$7.5 million loan and \$3 million in equity from the First National Bank of Omaha to finance equipment and a new expanded facility for the business. These investments allowed the company to retain 200 employees and hire 65 new workers.

NDC did not stop there. Committed to meeting the development goals of its community partners, NDC continued its efforts with PCDC and the City to build the local economy. With two more projects, this time addressing downtown renewal and historic preservation, NDC worked with the city to leverage public debt and private equity for the redevelopment of two key landmark buildings that have been instrumental in revitalizing historic downtown.

### ***Nonpareil Building***

In 2008, NDC attracted financing from an array of sources to meet the \$2.8 million project cost of restoring the historic Nonpareil Building, the former home of the Daily Nonpareil newspaper. The \$2.475 million Qualified Equity Investment included \$750,000 in HUD Section 108 debt, a \$750,000 loan from the local PCDC, \$725,000 in NMTC equity and a \$250,000 loan from the developer. In turn, NDC provided three below-market rate loans and secured the last \$430,000 in equity from the developer. TransCapital served as the investor to restore and put to new economic use this 13,000 square foot facility, built in the 1920s and empty since 2003. The restoration also included an energy efficient retrofit. The building now houses the Council Bluffs Savings Bank, which provides banking services to downtown residents and businesses and has brought 15 permanent jobs to this low-income community. In addition 78 construction jobs were involved in the building of the project.

### ***Hughes-Irons (O'Malley) Building***

In 2009, NDC partnered with investor U.S. Bank to begin restoring the 44,000 square foot Hughes-Irons Motor Co. building. Built in 1914, this building is rooted in the city's commercial past and has historical significance as an early automobile sales and service business. The building was eligible to be listed on the National Register of Historic Places,

but was vacant and dilapidated. In order to finance the hefty \$7 million historic redevelopment, NDC used \$1.1 million in historic tax credits, obtained a \$3 million loan from the PCDC, and provided \$1.6 million in NMTC equity. HEDC New Markets offered below market interest rates of less than 2% on three notes, with equity provided to the tenant totaling \$5.7 million in qualified low income community investments. To cover the total project cost of \$7 million, HEDC New Markets secured \$1 million from a deferred development fee and \$300,000 in contributed property. This landmark will be converted into a mixed-use property and bring much needed residential and retail space to downtown. Street-level commercial space will be leased to the Chamber of Commerce and a local food proprietor, and seventeen apartments will become home to the residential tenants of the building, signaling rebirth of this historic neighborhood.