
Projects: Harlem Office Center — New York City and La Mexicana Tortilla Factory — Hayward California

| | |
|---------------------|--|
| Allocatee | National New Markets Tax Credit Fund, Inc., a subsidiary of Community Reinvestment Fund, Inc. |
| Headquarters: | Minneapolis, MN |
| Service Area: | National |
| Round I Allocation: | \$162.5 million |

The Harlem Office Center project, located on the corner of Lenox and 125th Streets in the Harlem neighborhood of New York City, is a unique example of a nonprofit community development organization teaming up with a leading Wall Street investment banking firm to augment the power of the NMTC program.

In 2003, the National New Markets Tax Credit Fund, Inc. (NNMTCF) was awarded a \$162.5 million NMTC allocation, the largest of any national organization. NNMTCF is owned by Community Reinvestment Fund (CRF), a nonprofit based in Minneapolis, Minnesota that provides capital to community development lenders through the secondary market for loans. When NNMTCF received its \$162.5 million allocation, it created two subsidiary allocatees that it controlled — Commercial Lending, LLC (\$82.5 million) and Business Loan Conduit, LLC (\$80 million). Commercial Lending is a single investor fund that makes commercial loans that average \$8 million, whereas Business Loan Conduit is a multi-investor leveraged fund that purchases small business loans from CDEs and non-CDEs secured by real estate averaging \$500,000.

In 2004, Commercial Lending, LLC partnered with Bear Stearns, one of the leading Wall Street global investment banking, securities, trading and brokerage firms. The deal called for Bear Stearns to make an \$82.5 million equity investment in Commercial Lending, LLC in order to take advantage of the tax credit. Commercial Lending in turn made a \$35.8 million NMTC loan to Abyssinian Development Corporation (ADC) to provide for the permanent financing of the Harlem Office Center project. ADC is a nationally-recognized community-based nonprofit that was founded in 1989 by a group of Harlem residents and members of the Abyssinian Baptist Church, one of New York's oldest African-American congregations. It has played a leading role in the "New Harlem Renaissance," which has fostered the economic revitalization of one of New York City's poorest neighborhoods.

The census tract on which the Harlem Office Center is located had a median family income of \$24,451 in 2000, which is half that of Manhattan proper. Fifty-two percent of the families in that location had incomes below \$25,000. Eighty-four percent of the families were African-American and 14% were Hispanic/Latino. In 2000, the unemployment rate in that area was 3.5 times the national average. Furthermore, the poverty rate was an astounding 40%.

The 126,000 square foot Harlem Office Center is a key component of the New Harlem Renaissance. Built in 2003, the bottom three floors (which did not receive NMTC financing)

house a CVS pharmacy, Washington Mutual Bank, Marshall's, Staples, and H&M. The top eight floors are office condos, with two New York State agencies — the Office of Alcohol and Beverage Control as well as the Office of Temporary and Disability Insurance — being the major tenants. At the time that the project received its permanent financing from Commercial Lending, the Harlem Office Center was 85% occupied. Five hundred people now work in these office condos, which have the added benefit of providing new customers to neighborhood retail and service industries and thereby boosting the local economy.

According to Keith Ford, CRF's Community Impact Liaison, the NMTC program was a significant factor in the success of the Harlem Office Center. He maintains that it allowed CRF



CRF Photo

and Bear Stearns to offer ADC financing that had more flexible terms as well as lower interest rates. Furthermore, CRF was able to take some of the earnings it received from the transaction and recycle them back into the community to enhance the impact of the lending. In the case of the Harlem Office Center project, CRF provided ADC with consulting services on how to repair their revolving loan program. CRF is also working with ADC to explore the creation of a new business ownership loan program.

It is also worth noting that not all of CRF's investments with the NMTC involve millions of dollars. As noted earlier, one of the two suballocates CRF created — Business Loan Conduit, LLC — focuses on smaller projects that range from \$50,000 to \$2.5 million.

One such NMTC loan CRF recently made through Business Loan Conduit, LLC is to La Mexicana

Tortilla Factory, a family-owned small business in Hayward, California. The company was founded in 1965 by a husband and wife, and is now owned and operated by the couple's three sons. It is located in an economically distressed area where the unemployment rate is twice the national average.

La Mexicana Tortilla Factory was having distribution problems because it was operating from two locations that were six miles apart from each other. CRF partnered with the Bay Area Development Company to provide the factory with a \$210,000 NMTC loan so that they could purchase a new warehouse only one-half mile from the main site.

This transaction benefited La Mexicana in a variety of ways. Not only did it allow the factory to become more efficient, it created five new jobs and increased business in an underserved community. In addition, the factory's purchase of the operating site (the two locations La Mexicana previously used were rental properties) saved the company \$50,000 annually in lower monthly payments. Finally, the NMTC loan's low interest rate and 25-year term results in a lower debt payment for La Mexicana, which is estimated to save the company \$4,000 annually, with a total savings of \$28,000 over the seven-year NMTC compliance period.