



Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

October 2015 • Volume VI • Issue X

Published by Novogradac & Company LLP

Movie Theater Assists in Resurgence of Downtown Las Vegas

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While Las Vegas is world-renowned for its casinos and nightlife, there is a resurgence going on 2 miles north of the famous strip in the city's downtown area. To "add more momentum to the renaissance of downtown Las Vegas," Nic Steele, managing member of Eclipse Theaters Development Group, is building the Eclipse Theaters. The development of an entertainment venue that will include a movie theater as well as a number of partnerships with nonprofits and community organizations, is being partially financed with federal and state new markets tax credits (NMTCs). "We are excited about Eclipse contributing to the revitalization that is already going on in downtown Vegas," said Steele.

The Eclipse Theaters will be a three-story, 72,000-square-foot development with eight auditoriums and 550 seats, a bar and lounge area, and a restaurant. The movie theaters will be split into three sections. The first three rows of each auditorium will host traditional movie-style seating. Seventy percent of the theater space will be premier seating, with large leather reclining seats. In the premier section, patrons will be able to order food and drinks right at their seats. Finally, on the third floor, two of the larger auditoriums will have box suites, where groups of up to 10 people can view the movie together. "Eclipse Theaters will offer the ultimate date-night experience," said Steele.

In addition to the movie auditoriums, the development will include a bar and lounge, as well as a restaurant—all of which will be owned by Eclipse Theaters, with no

franchises. Steele said that this was done to "create a seamless experience for customers." Because the bar and restaurant will be a part of the development, bartenders and waiters will know the movie schedules and will be able to close out tabs in a timely manner so patrons can make their movies.

Steele said that Eclipse Theaters will feature more than just movies; it will host comedy shows, small acoustic concerts and other private events. "Traditional theaters only show movies ... and there is a good portion of the week where the theater is not being utilized," said Steele. "We tried to build into our design the ability to have a variety of programming." Construction of the Eclipse Theaters began in September and will be completed in June 2016, in time to show the 2016 summer blockbusters.

Building Diverse Partnerships

The Eclipse Theaters will be more than a theater and dining destination, it has already partnered with several nonprofits and community organizations. "For us, it is important to build a business that supports the community. This is a two-way street. We wanted to establish those partnerships early on, even before the doors open," said Steele. To that end, the theater is actively working with local contractors during construction, establishing a framework for job training programs for traditionally underserved communities, including veterans. The theater is also partnering with Turntable Health, an innovative primary care facility serving the downtown community.

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Image: Courtesy of Eclipse Theaters LLC

Located in downtown Las Vegas, the development of the Eclipse Theaters is being financed using new markets tax credits (NMTCs).

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Another partnership will allow the theater to work with a performing-arts high school, where students will have the opportunity to participate in internships to learn about various aspects of the entertainment industry, including the off-screen trades such as film production, film buying, accounting, hospitality service and franchising. Employees of the theater, including Steele, will visit local schools and share their experience about how Eclipse Theaters was started. Steele said, "The goal is to get our kids excited about entrepreneurship and job creation. I want them to take away from my experience that education is very important and ultimately with a good foundation, hard work and a great team, they can achieve their dreams. I am very blessed to have had good mentors, a strong family foundation, and great partners in developing Eclipse Theaters. If I can inspire others along the way, our success will mean even more."

Eclipse Theaters is projected to create more than 200 construction jobs and 81 full-time jobs during operation. It is Steele's goal to hire local residents for these positions to help combat the higher-than-average unemployment rates in the downtown area.

Federal and State NMTCs Bring the Theater to Life

Two community development entities (CDEs) split the federal and state NMTC allocations: Clearinghouse CDFI and Stonehenge Capital Company. Clearinghouse CDFI provided an \$8.3 million federal NMTC allocation, a \$2 million state NMTC allocation, a \$2.5 million loan and provided a \$7.5 million standby lending facility to support the outside construction loan. Jay Harrison, chief investment officer at Clearinghouse CDFI, was thrilled to be able to use the new state NMTC program in Nevada to help finance the development of the Eclipse Theaters. He called the development a "very strong job creator and economic engine in the south Nevada region. Downtown Las Vegas was very hard-hit by the economic downturn. ... [This development] is contributing to a revitalization that is already underway in Las Vegas." Harrison said that the Nevada Department of Business and Industry was instrumental in interpreting the state NMTC regulations to allow the stacking of federal and state NMTCs.

Stonehenge Capital provided a \$4 million federal NMTC allocation and an \$8 million state NMTC allocation. L'Quentus Thomas, director at Stonehenge Capital, said

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that this development was attractive for a number of reasons. First, he said Stonehenge likes doing deals that have owner-occupied real estate. Second, Thomas said that Stonehenge was able to work with the National Urban League on a deal that will have a significant impact in an urban population. Third, he said it will be a catalyst for the larger development trend occurring in downtown Las Vegas. “Nearly 40 million people visit Las Vegas each year,” said Steven LeBlanc, vice president at Stonehenge. “This is really an asset that will benefit the residents of Las Vegas.”

U.S. Bank was the investor for the federal and state NMTCs, providing \$4 million in federal NMTC equity and \$6 million in state NMTC equity. “[The NMTC program] provides capital to projects that need nontraditional financing. The developer needed subsidy to fill the capital stack,” said Andrew Farrell, assistant vice president and project manager at U.S. Bank. He liked Eclipse Theaters

because “upfront, it creates construction jobs. On the back end, it will be an ongoing job creator for locals.”

“The tax credit program was a hard process to go through, but it certainly had a lot of benefits,” said Steele. “This is the perfect tool for areas going through revitalization, like downtown Las Vegas.” The financial stack also included a \$7.5 million private construction loan, as well as \$3.5 million in private equity from the sponsor.

“This development wouldn’t have happened if it weren’t for the federal and state NMTC investments,” said John Sciarretti, partner in the Dover, Ohio, office of Novogradac & Company LLP, who assisted with the financial structuring and modeling for the project. “It is great to see this type of investment going on in the downtown Las Vegas area.” ♦

Eclipse Theaters FINANCING

- \$8.3 million federal NMTC allocation from Clearinghouse CDFI
- \$8 million state NMTC allocation from Stonehenge Capital
- \$7.5 million private construction loan
- \$7.5 million standby lending facility to support the outside construction loan from Clearinghouse CDFI
- \$6 million in state NMTC equity from U.S. Bank
- \$4 million in federal NMTC equity from U.S. Bank
- \$4 million federal NMTC allocation from Stonehenge Capital
- \$3.5 million in private equity from the sponsor
- \$2.5 million loan was put into the NMTC structure by Clearinghouse CDFI
- \$2 million state NMTC allocation from Clearinghouse CDFI

This article first appeared in the October 2015 issue of the Novogradac Journal of Tax Credits.

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ISSN 2152-646X

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