

# BUSINESS FIRST

## Spurring Development: Louisville Development Bancorp seeks \$150 million more in New Markets Tax Credits to fund local projects

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Drive east, west or south from downtown, and you will pass near or through an area that has benefited from Louisville Development Bancorp Inc.'s New Markets Tax Credit program.

Whether it is a new 140-room Residence Inn hotel in the East Main Street district, an office and medical building in the old American Air Filter plant's renovation on Central Avenue or the planned redevelopment of the old Broadway Cinemas property on West Broadway, many neighborhoods are being touched by the program.

But Pedro Bryant, president and CEO of Louisville Development Bancorp, is not finished yet.

Bryant said his institution recently applied for \$150 million in additional allocations for New Markets Tax Credits, which could be used to fund projects already being planned locally.

The New Markets allocations are awarded by the U.S. Department of Treasury to qualified community development institutions such as Louisville Development Bancorp to help them entice investors to fund loans for projects in low-income or economically distressed areas.

The allocations are equal to the amount of qualified investments, which are used to make low-interest loans to project developers.

Banks get 39 percent credit for loans

The investors may claim a federal tax credit of up to 39 percent of their investments over a seven-year period. The investors also are repaid by the developer of the project.

This year, the Treasury Department will award a total of \$3.9 billion in allocations, according to a news release from the Community Development Financial Institutions Fund, the division of the Treasury Department that administers the New Markets program. The fund has received 258 applications this year for allocations totaling \$27.89 billion, it said.

This is the fourth year of the program, which is funded through 2008.

Officials with the CDFI Fund could not be reached for comment prior to Business First's press deadline. The release said the agency will announce its awards for 2007 New Markets allocations in the fall.

14 area projects funded by New Markets

Bryant said he feels good about Louisville Development Bancorp's chances of securing more allocations through the federal program because Louisville has had success finding eligible projects.

Since 2004, Louisville Development Bancorp has worked with law firm Frost Brown Todd LLC to apply for credits through the New Markets program, which was established by U.S. Congress in 2000. Each time, \$150 million in allocations were requested.

In 2004, Louisville Development Bancorp was awarded \$62.5 million in allocations, and it received another \$8 million in allocations in 2005. But last year, the institution received none of the total \$4.1 billion in allocations made through the program.

Bryant said he believes one of the reasons the bank did not receive any allocations in 2006 was that the government gave more than half of its tax allocations to institutions investing in the Gulf Coast region.

He added that when last year's application was due, Louisville Development Bancorp had not awarded all of its previous tax credit allocations, which might have been a factor in the Treasury Department's decision.

The institution used its remaining allocations when it agreed in February to help fund the \$30.2 million Zirmed Gateway Towers project. The project will receive \$20.84 million in low-interest loans through the New Markets program.

In all, Louisville Development Bancorp has used its \$70.5 million in allocations to help fund 10 projects and establish a small-business loan fund that has invested in four projects for companies seeking investments of \$1 million or less.

Hundreds of jobs created

According to information on Louisville Development Bancorp's Web site, the projects funded so far are expected to support more than 670 jobs in the community and spur investments of \$166.1 million.

"One of the things I think the average person might think is that the Treasury Department just sent us a wire for \$70.5 million, and we are handing out checks," Bryant said. "They did not. We found investors willing to make low-interest and interest-only loans for the first seven years. So it allows a business to begin ... its operations without the additional burden of doing ... a project that would not be possible without the low-interest rate and interest-only financing."

Chris Moore, CEO of Quadrant Technology Corp., said the tax credits were a key component in funding a renovation for a new headquarters in downtown Louisville.

Moore bought a historic firehouse at 800 East Main St. that is being renovated to house offices and light manufacturing for his company. About 20 employees will work in the building when the renovation is complete.

Quadrant will spend about \$1.5 million on the project, including \$1.1 million through a low-interest loan funded by Commonwealth Bank & Trust Co. through the New Markets program.

"By far the biggest advantage is the low-interest payments that they give," he said, adding that the closing and legal costs of about \$50,000 were the only real drawback. He added that the costs were higher than traditional loan programs because three law firms were involved to represent Moore's company, Commonwealth Bank and Louisville Development Bancorp.

But, he said, the low-interest loan still made it worth it for an expensive project like his.

"It really makes this project viable," Moore said. "For what it will cost to renovate the building in downtown Louisville, we couldn't have done it without" the tax credits program.

More area projects could be funded

Bryant said his institution has identified about a dozen other projects that could qualify if Louisville Development Bancorp secures additional allocations through the federal program. The projects represent more than \$150 million in investments, he said.

Descriptions of those projects were included in the institution's application to the Treasury Department to show how the community could benefit from additional allocations, he said. He declined to identify any of the potential investments.

He said Louisville Development Bancorp officials have not committed to funding the projects and will consider other projects if it is awarded additional allocations this year.

"As you can see, there is a lot going on in our county of Jefferson," Bryant said. "We are hopeful our application will be successful" and Congress will authorize additional funding for the New Markets program beyond 2008.

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#### **New Markets impact**

Projects funded: 14

Total investments: \$166.1 million

New Markets allocations: \$70.5 million

Expected jobs created: More than 670

Total expected payroll: More than \$18 million

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#### **Local New Markets investments**

The following are projects approved since 2004 for investments using New Markets Tax Credits. The investments represent the amount of low-interest loans given by institutions, which, in turn, may recoup a federal tax credit equaling up to 39 percent of their approved investment:

- **Former Broadway Cinemas property:** The center is being redeveloped into a 35,000-square-foot retail center on West Broadway. Commonwealth Bank & Trust Co. invested the entire \$1.58 million project cost.
- **Central Station:** A 75,000-square-foot medical building on Central Avenue, near Papa John's Cardinal Stadium. Republic Bank & Trust Co. invested \$6.3 million in the \$7 million project.
- **Muhammad Ali Center downtown:** Chase bank, Commonwealth Bank & Trust Co., National City Bank, Old National Bank and U.S. Bancorp invested a total of \$18 million in the \$82.44 million project.
- **Residence Inn on Market Street:** Republic Bank & Trust Co. invested \$3.16 million in the \$13.15 million project to create a 140-room downtown hotel.
- **First Virginia Avenue Missionary Baptist Church:** 3601 Virginia Ave., for construction of a new worship center and educational/community facilities. National City Bank invested \$1.98 million in the \$3.67 million project.
- **CW Johnson Xpress:** For construction of a headquarters at 1617 Maple St. Commonwealth Bank & Trust invested \$1.05 million in the \$1.1 million project.
- **CW Johnson Xpress:** For construction of second headquarters building at 1615 Maple St. PBI Bancorp Inc. invested \$1.16 million in the \$1.27 million project.
- **Establishment of a small-business loan fund:** Republic Bank & Trust Co. and Louisville-Jefferson County Metro Government invested the \$4.12 million needed to establish the \$4 million loan fund, which makes investments in projects of \$1 million or less. Four projects have been funded.
- **Former Inn at Jewish property:** For renovation and expansion of a downtown hotel. U.S. Bancorp is investing \$11.2 million in the \$18.21 million project.
- **Quadrant Technology Corp. project:** For the purchase and renovation of a historic firehouse at 800 E. Main St. to be used as a headquarters for the company. Commonwealth Bank & Trust Co. invested \$1.11 million for the \$1.47 million project.
- **Zirned Gateway Towers:** For construction of two downtown buildings that will be used for office, retail and residential condominiums. Enterprise Bank and Trust Co. of St. Louis, U.S. Bancorp and Stock Yards Bank & Trust Co. invested \$20.84 million in the \$30.24 million project.