



# Century City Villard Library



New Markets Tax Credit Financing

# Why use New Market Tax Credit Financing?

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## ▶ Century City

- ▶ Originally proposed as one of the possible ways to close the anticipated financing gap.
- ▶ Requires NO new sources of funding from City/RACM.
- ▶ Designated funding sources (City, RACM, DOT, TID, etc.) can be used to leverage the monetization of the NMTC.
- ▶ Provides over \$3 million towards filling the financing gap.
- ▶ Ability to combine with Villard Library project which on its own is too small to maximize the benefit of NMTC.

## ▶ Villard Library

- ▶ Originally proposed as a possible funding source.
- ▶ Replaces over \$600,000 of City funding.

# Other Projects that have utilized NMTC

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- ▶ MEDC is a Community Development Entity (CDE) and has received 4 awards totaling \$107 million.
- ▶ NMTC's are awarded annually on a competitive application process to CDE's.
- ▶ NMTC Program was designed with projects like Century City and the Villard Library in mind.
  - ▶ Palermo's Pizza – Phase I and II
  - ▶ Discovery World
  - ▶ Ingeteam
  - ▶ Academy of Leadership & Learning
  - ▶ Summerfest

# Century City Redevelopment Corporation (CCRC)

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## ▶ Why do we need the CCRC

- ▶ The NMTC regulations have a “True Debt” requirement.
  - ▶ Project and the source of funding cannot be the same. (Cannot lend to yourself.)
  - ▶ Since RACM and City will be providing funding to leverage the tax credits, a separate entity, controlled by RACM and the City needs to be established.

## ▶ What is the CCRC?

- ▶ A corporation created by the City pursuant to Wis. Statutes.
- ▶ Three person Board
  - ▶ Common Council member that is on RACM Board
  - ▶ Comptroller
  - ▶ Commissioner of DCD
- ▶ Staffed by RACM
- ▶ Component Unit of City

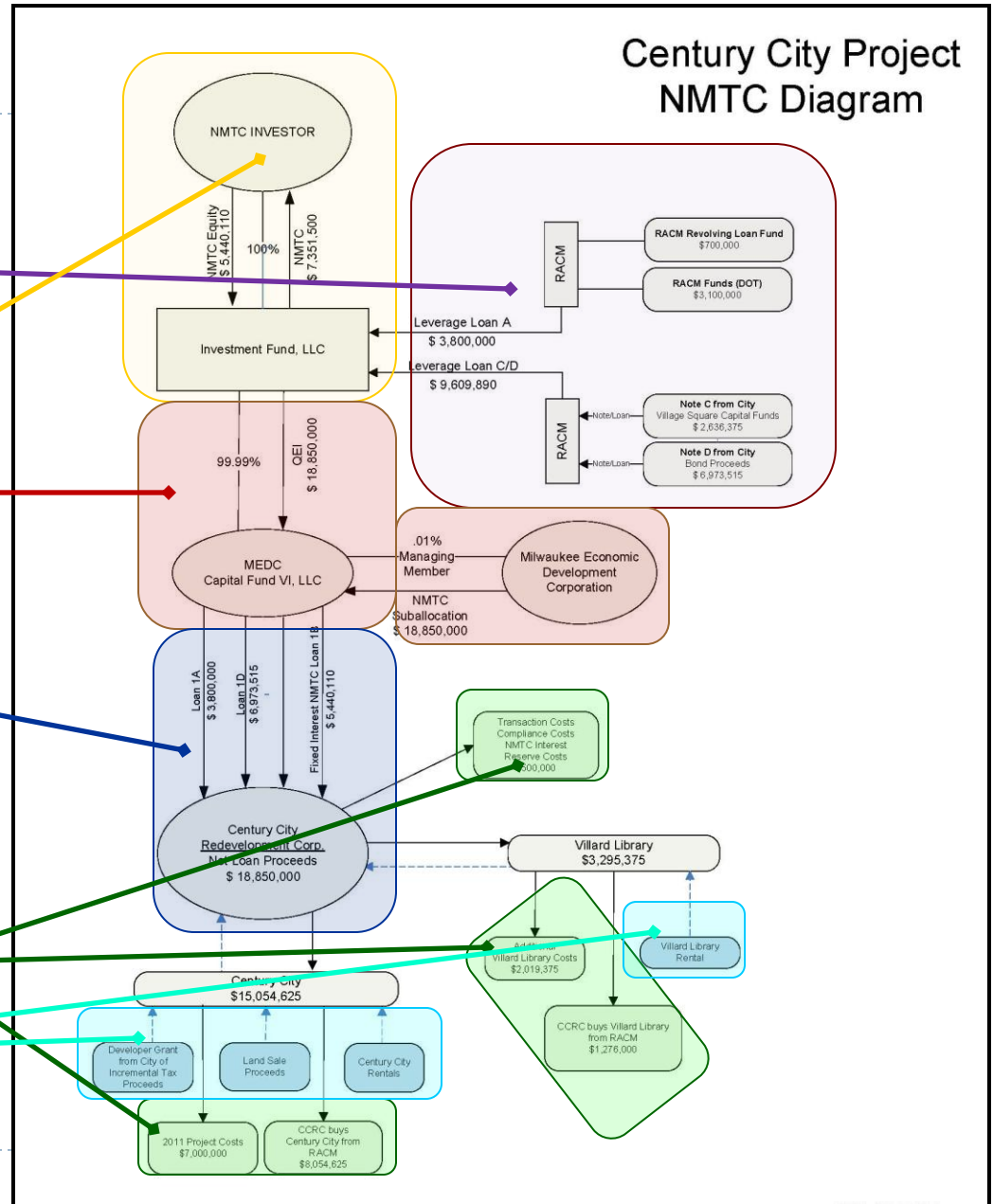
# Who are the participants in a NMTC transaction?

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- ▶ Allocatee – a CDE (**MEDC**) that has been awarded NMTC. The Allocatee sets its fee structure based on its application.
- ▶ Tax Credit Investor – an entity that is willing to monetize (provide cash for a future tax benefit) the NMTC at a discount. **US Bank Community Development Corporation** has provided a commitment letter.
- ▶ Leveraged Lender – party that provides the remaining cash to complete the project. **RACM, TID, City, WIDOT**, etc., funds already allocated to the project will be used.
- ▶ Qualified Active Low Income Community Business (QALICB) – Business located and conducts operations in an eligible NMTC area. **Century City Redevelopment Corporation**.

# NMTC Elements

- ▶ Leveraged Lender/RACM
- ▶ Investor/US Bank CDC
- ▶ Qualified Equity Investment (\$18,850,000) MEDC
- ▶ Loan to Qualified Active Low Income Community Business
- ▶ Project Costs/Uses
- ▶ Sources of Repayment



# Summary

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- ▶ \$18,850,000 NMTC transaction.
- ▶ After the 7-year compliance period, the structure can then be disassembled, land conveyed to the library, lease terminated, etc.
- ▶ Monetized NMTC effectively become a “grant” at the end of year 7 providing about \$3,300,000 (after all costs) towards projects.
  - ▶ Reduces projected gap on Century City project
  - ▶ Reduces up front cost of Villard Library by City
- ▶ CCRC established and could be used for additional NMTC’s at Century City.
- ▶ CCRC model could be used for other major City redevelopment projects.
- ▶ Complex structure, mitigated by experienced parties that understand each other (MEDC, City, RACM, US Bank).