FEATURED DEVELOPMENT

Broadway Recovery Center

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Residents in Portland, Ore.’s Old Town neighborhood complained for years that an abandoned fast food restaurant at the corner of Burnside Street and Broadway Avenue had attracted drug use, prostitution and other unwelcome activities. On September 7, those neighbors celebrated a rebirth of that corner as Central City Concern (CCC), a 501(c)(3) not-for-profit agency serving individuals and families in the Portland metro area who are affected by homelessness, poverty and addictions, demolished the building and broke ground on an integrated behavioral health services center. The center is benefiting from a $31 million commitment from Wells Fargo Community Lending and Investment in the form of a tax-exempt bond (TEB) and new markets tax credit (NMTC) investment.

Tentatively called the Broadway Recovery Center (BRC), CCC’s new 43,922-square-foot project will replace and expand CCC’s 12th Avenue Recovery Center, which is located a few blocks away. The new building will serve the recovery center’s 500 existing clients and allow CCC to serve an additional 1,350 patients. The building, designed by SERA Architects to be LEED Gold certified, will feature 14 exam rooms, counseling offices, nursing stations and administrative offices. The building will also include structured socialization space with a kitchen, dining area and computer lab on the ground floor. Services will include primary health care, mental health services, alcohol and drug treatment, and case management. The recovery center will be joined to CCC’s adjacent Old Town Clinic, which provides services for low- and moderate-income residents. With the addition of the recovery center, the complex will have the capacity to accommodate 40,000 patient visits annually and will be able to integrate primary care services with their mental health and substance abuse treatment programs.

“We believe … that integrated care models work by far the best. The care is best given by a team of providers so … they

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can coordinate their care,” said Ed Blackburn, CCC’s executive director. Blackburn added that the community has been supportive of the center and that its prominent location will help clients to access services.

First Time Deal

“CCC has been a recurring customer. They brought the deal to us and we worked together as a team to provide the financing that was needed. We’ve worked with CCC quite a bit over the years. They’re a strong developer,” said Megdy Khoury, Wells Fargo assistant vice president.

The $19.5 million BRC is part of a nearly $25 million NMTC project that will expand CCC’s mental health and substance abuse recovery services at two Portland locations. Wells Fargo invested $5.2 million in NMTC equity into the BRC. Wells Fargo also purchased $6.3 million in bonds from the Oregon Facilities Authority.

Additionally, the Health Resources and Services Administration in 2009 awarded the project a nearly $9 million grant through the American Recovery and Reinvestment Act Health Center Integrated Services Development Initiative, which provides funding for construction and renovation of community health centers nationwide. “It was key. The grant put a lot of equity into the building right away. It’s very attractive to lenders,” Blackburn said.

Tracy Ericson agreed. “If there’s grant dollars coming in … it shows an extra vote of confidence in the project,” said the Wells Fargo vice president and NMTC specialist.

Wells Fargo worked on both the debt and equity side of the transaction, committing $24.7 million in NMTC allocation, $6.6 million in NMTC equity contribution and $6 million in bonds. The bank had worked on previous NMTC projects with CCC and when the not-for-profit presented the project, Wells Fargo signed on. Wells Fargo structured the deal so that the bonds went to CCC rather than into the project directly. The project benefited from falling bond rates and Wells Fargo was able to convert the bonds from variable to fixed rate bonds. Wells Fargo pooled the proceeds with the other leveraged funds and fed them into the NMTC project.

“By being able to pair together bonds [and NMTCs], they were able to get the best of both worlds … Although a bit more complicated, the ultimate benefit to investors and the community is better because we’re able to put together both financial instruments,” Ericson said.

The grant proceeds will help fund the project’s construction, which Walsh Construction and Gerding Edlen Development Company began in October. CCC expects construction to take a little more than a year, and the center should begin serving pa-
patients by the end of 2011. Future phases of development at the site could include up to 119 affordable housing units that would be part of a seven-story vertical addition to the structure.

The remaining $1.4 million in NMTCl equity went to CCC’s Crisis Assessment Treatment Center, a 16-bed facility that will include a county sobering station. Additional funding includes $1 million from the state of Oregon, $2 million from the city of Portland, and $842,000 from Multnomah County. The two facilities are expected to bring 38 permanent jobs, 210 construction and/or temporary jobs and provide an additional 8,500 medical visits annually to Portland.

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