

Downtown Missoula gets New Building with New Markets Tax Credit Financing
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A new commercial building project in the heart of downtown Missoula brings the federal New Market Tax Credit program to Montana for the first time. Garlington, Lohn & Robinson, PLLP, has broken ground on a six-story office building that showcases the principles of Missoula's new downtown master plan. The Missoula law firm worked with Montana Community Development Corporation (MCDC) and First Security Bank of Missoula to finance the building using a federal tax credit tool that is brand new to Montana building projects.

The new Garlington building at 138 West Broadway not only keeps a mainstay professional firm in downtown Missoula but will add new ground floor retail space at below-market rents. These are two critical goals emphasized in Missoula's new Downtown Master Plan. The building will also incorporate innovative and energy efficient features consistent with LEED Gold building standards.

"This project has allowed us to renew our long-term commitment to downtown Missoula," said Gary Chumrau, Managing Partner of Garlington, Lohn & Robinson, PLLP. "We are excited about the look and the energy efficient design of the new building, and it is our hope the new facility will help to sustain and promote the viability of the Missoula downtown business corridor."

Using an award of federal New Markets Tax Credits for the first time, MCDC sold tax credits to First Security Bank of Missoula, which brought low-cost financing into the project. Those funds, in combination with financing from First Security Bank, made the project innovations possible.

As a result of the financing agreement, Garlington will ultimately provide about 30,000 square feet of below-market retail and professional office space, some in the new building and some in the existing Garlington building located just north of the new project. Garlington's efforts will protect 70 permanent fulltime downtown jobs and will build capacity for an additional 75 permanent full-time and 20 part-time jobs. Fifteen construction jobs are also involved.

"We are thrilled that federal tax credits allowed us to further Missoula's new master plan with a great building for the downtown" MCDC's DeArment said. "It's also rewarding to work with two longstanding Missoula companies – Garlington, Lohn & Robinson and First Security Bank of Missoula – to put the tax credit program to work in Montana."

Montana's United States Senators are pleased to see the New Markets Tax Credit Program working for Montana. "This project will strengthen Missoula and will pave the way for similar projects across the state," said Sen. Jon Tester. "It's an investment that goes a long way towards rebuilding Montana's economy by creating jobs and opportunity—and that's something I'll always fight for in the U.S. Senate."

“This is a perfect example of the kind of investments that will help Montana steer out of this economic downturn. This is creating good paying jobs and helping businesses keep their doors open. I’m proud to have made sure this provision is right for Montana,” said Senator Baucus.

MCDC was awarded \$40 million dollars in New Markets Tax Credits last October. The tax credit program has been in existence since 2000, and has proven successful at spurring economic development in low-income communities in other states. The flexible financing offered through the program is particularly useful in today’s tight credit markets.

The \$40 million tax credit allocation allows MCDC to sell federal tax credits as part of financing provided to eligible urban and rural projects in low income census tracts throughout Montana. The tax credits are sold to investors for development projects that drive community impacts including job creation, urban revitalization, green buildings and affordable office and retail space. The federal tax credit proceeds bring down the total financing costs making many projects more feasible. “Tax credits are often the final puzzle piece that allows the project to go forward,” says Heidi DeArment, Vice President of Financing at MCDC.

In this case, First Security Bank of Missoula acted as the tax credit investor and lender to provide financing for the project. First Security is the first Montana lender to participate in a New Markets Tax Credit project in the state of Montana. Scott Burke, President of First Security Bank of Missoula says that the New Markets program “was more complicated than your average financing project,” but that the benefits to the community and participants were worth it. “The collaborative efforts of these three community-focused organizations created new capital for an architecturally innovative building, good business for a local bank and, most importantly, new business opportunities and jobs for downtown Missoula.”

Having completed the first New Markets transaction, MCDC is ready to bring NMTC projects to other economically distressed communities in Montana. DeArment says that MCDC is currently working throughout the state of Montana to deploy the remaining tax credits into \$26 million of projects. MCDC has applied for an additional \$100 million dollars in New Markets Tax Credits for 2010.