

# NMTC MONTHLY REPORT

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## NMTCs Paired with HTCs to Fund Child-Care Facilities

By Anne Townsend, Staff Writer, Novogradac & Company LLP

Abandoned for decades, the building now known as the Hope Street Family Center (HSFC) in the Constitution Hill neighborhood of Woonsocket, R.I., was once a source of blight and a sign of the neighborhood's decline. Many current residents can still remember when Constitution Hill was full of abandoned buildings and empty lots. Back then nobody had much hope for the future of their neighborhood.

Now the site, which stands on the highest point of the formerly neglected neighborhood, is home to Connecting for Children and Families Inc. (CCF), and is surrounded by myriad affordable housing opportunities, commercial spaces, community spaces and new single-family homes. CCF will provide the neighborhood with affordable child care and offer a wide range of educational programs, health initiatives, and social services for children and families in Woonsocket.

The renovation was completed in part due to the combined use of new markets tax credits (NMTCs) and historic tax credits (HTCs). Along with the NMTCs and HTCs as well as other forms of financing, the project was finished thanks to a solid collaboration between NeighborWorks Blackstone River Valley (NBRV), the Rhode Island chapter of the Local Initiatives Support Corporation (LISC) and CCF.

"The Hope Street Family Center is the capstone in our neighborhood revitalization efforts in Woonsocket," said Joe Garlick, executive director of NBRV, which has been working to redevelop the Constitutional Hill neighborhood since 1987. "Through teamwork with CCF, our financial partners and with the community, we were able to make this child-care center a reality, and answer the need for affordable child-care options in the Constitution Hill Neighborhood."

Bank of America provided the project with more than \$6 million in loans and equity, including a \$4 million construction/bridge loan and nearly \$2 million in exchange for allocations of state and federal HTCs. Additionally, Bank of America partnered with LISC to provide \$1.3 million in NMTCs. LISC's Child Care Facilities Fund also made an \$850,000 low-interest loan to support the development. LISC believes this to be the first project in the nation to use NMTCs to fund child-care facilities.

Kristin DeKuiper, Esq., a partner at Holland & Knight LLP, provided counsel to the developer on the deal and said that one of the most challenging aspects of the project was the NMTC related party rules, which make it more difficult to fund the HTC investment as equity. "The developer had advanced a substantial amount of money before we got to the closing, so this was able to count toward the equity requirement for the developer," she said. "That did not completely solve the related party problem, but it helped. Some portion of HTC equity had to be converted to debt to solve the rest of the problem, leading in turn to concerns about the ability of the project to pay the debt."

Concerns came about because the space was to be leased to a not-for-profit entity. However, DeKuiper said, these concerns are common when examining the economics of a deal. Cindy Larsen, director of LISC's Rhode Island Child Care Facilities Fund, discussed the short- and long-term economic benefits of child care. "In the short term, it provides a range of paraprofessional and professional employment opportunities for the individuals who work there. In addition it provides critical support so that parents of young children can work," she said. "In the longer-term picture, all experts agree that children who participate in high quality early education programs as part of their child-care experience consistently perform better in school and later in life. The end result: better educated adults who are more able to fully

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# Child-Care Facilities

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participate in the economy, particularly in this era where increasingly higher wage jobs are only available to better educated adults.”

Michael Rubinger, president and CEO of LISC, discussed the cumulative impact of HTCs on the community. “The transformation of Constitution Hill from a place of hopelessness and neglect into a vibrant, healthy and sustainable community is a powerful example of comprehensive community development at its best.” ❖

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