

NMTC MONTHLY REPORT

A MONTHLY PUBLICATION ON THE NEW MARKETS TAX CREDIT INDUSTRY

November 2006 Volume V, Issue XI, Published By Novogradac & Company LLP

NMTCs Paired with Historic Credits to Restore Theater

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

The Fox Theater, an historic Art Deco theater under restoration in downtown Spokane, has secured investments totaling \$7 million through partnerships that utilize historic and new markets tax credits (NMTCs). This support lifts the capital campaign to \$23.7 million and puts the project on track for completion by Fall 2007.

The investments are the result of partnerships formed with U.S. Bancorp Community Development Corporation and Enterprise Community Investment Inc. Restoration work on the Fox Theater meets eligibility requirements for federal tax credits through the Historic Tax Credit and New Markets Tax Credit programs. U.S. Bank receives historic tax credits from the Fox Theater and NMTCs through its partnership with Enterprise, a certified community development entity (CDE) through which the NMTCs were allocated.

"We are delighted to work with U.S. Bank and Enterprise to utilize this economic incentive to bring the Fox Theater restoration closer to completion," said Peter Moyé, chairman of the Fox Theater Board of Trustees. "This transaction will bring millions of dollars of new capital into Spokane, help preserve one of Spokane's most significant historic buildings, create a new regional center for the performing arts and a home for the Spokane Symphony, and reinforce Spokane's role as a center for arts, culture and entertainment."

The Fox is listed on the National Register of Historic Places, and the architectural plans for the restoration comply with the Secretary of the Interior's Standards for Rehabilitation, making it eligible for historic tax credits. The theater's location in a low-income census tract qualifies it for new markets tax credits.

While other Spokane projects have used historic credits, NMTCs have not been utilized in the city. The

credits have been used on historic preservation and real estate development projects in Portland, Ore., St. Louis, Mo., Madison, Wis., Tacoma, Wash., Salt Lake City, Utah and Seattle, Wash., among other cities.

U.S. Bank has participated in the rehabilitation of the historic Atlas Theater in Washington, D.C. and is currently finishing the conversion of the historic Armory into a new theater for the Portland Center Stage (for a related story, please see page 6). Other historic theaters that have utilized the combination of historic and new markets credits include Knoxville's Tennessee Theatre, the Colonial Theatre in Pittsfield, Mass. and the Stanley Theatre in Utica, N.Y.

"This is an innovative and creative move by the Fox Theater, and a great use of resources, which we think can be a model for others in the community," said Spokane mayor Dennis Hession. "The Fox Theater project is creating jobs, rescuing an entire city block, and contributing to our regional economy with a projected economic impact of about \$16 million annually once it opens. The entire region will benefit."

Enterprise reports that a recent economic impact study conducted by Washington State University forecasts the theater will be an economic generator for the region. The restoration project will create as many as 175 jobs and generate an estimated \$57 million in economic activity during construction and the first year of operation. Direct, indirect and induced economic activity from the theater's operation is projected to reach \$16 million annually.

"Restoration of this Spokane landmark furthers the goal of the Historic Tax Credit program and of U.S. Bancorp Community Development Corporation to provide assistance for projects that serve as catalysts to

(continued on page 2)

NMTCs Paired with Historic Credits

(continued from page 1)

economic development in communities across the country," said Rob Wasserman, western region vice president of U.S. Bancorp Community Development Corporation for historic and new markets tax credit.

U.S. Bank's private banking office in Spokane is providing construction financing for the Fox renovation project. "Our Spokane office was critical in the origination of the investment, and we are honored to be a part of this momentous project undertaking," said Bob Wigren, president for the region.

"This is a great example of how the New Markets Tax Credit program is having a positive impact on communities nationwide," said Enterprise senior vice president Joe Wesolowski. "As the largest new markets tax credit allocatee, Enterprise has been able to leverage these credits to make great strides in comprehensive community development. We're helping transform vacant, historic buildings into thriving community assets. A restored Fox Theater will help revitalize downtown Spokane, while presenting construction and permanent employment opportunities."

Enterprise reports that the investments put the Fox on schedule to reopen in Fall 2007. Total project costs for the restoration are estimated at \$31 million, reflecting recent increases in the cost of steel, concrete and other materials, some of which have risen by as much as 30 percent since the project was originally developed. The theater has raised money from private, federal and state sources and needs \$7.3 million more to complete the campaign.

"We're entering the home stretch for this capital campaign," added Moyé. "In addition to these significant funds which come from outside the community, we will continue to seek support from local corporations, individuals and public sources to raise the curtain on the restored Fox Theater next year."

Restoration of the theater began earlier this year with selective demolition and preliminary restoration of the artwork and other key architectural elements of the 1931 landmark. The funding secured through the tax credits partnerships will help preserve and restore original Art Deco features, murals, and lighting; expand the lobby; add an elevator and handicapped accessibility; add restrooms; replace heating, air conditioning, electrical and plumbing systems; add dressing rooms for groups and guest artists; and purchase specialized equipment such as an acoustic shell and other theatrical equipment for the 1,600-seat theater. ❖

This article first appeared in the November 2006 issue of Novogradac & Company's NMTC Monthly Report and is reproduced here with the permission of Novogradac & Company LLP.

(continued on page 3)

NMTC REPORT EDITORIAL BOARD

Publisher

Michael J. Novogradac, CPA

Editor

Jane Bowar Zastrow

Managing Editor

Alex Ruiz

Technical Editor

Owen P. Gray, CPA

Staff Writer

Anne Townsend

Contributing Writer

Brent Parker

Production

James Matuszak

NMTC REPORT INFORMATION

Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105
E-mail: cpas@novoco.com

Address all correspondence and editorial submissions to:
Jane Bowar Zastrow
Telephone: 415.356.8034

Address inquiries regarding advertising opportunities to:
Junhee Byun
Telephone: 415.356.8037

Editorial material in this publication is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property valuation or any other material covered in this publication can only be obtained from your tax advisor.

No portion of this material may be reprinted without written permission of Novogradac & Company LLP.

© Novogradac & Company LLP,
2006

All rights reserved.
ISSN 1541-2474

**NMTC REPORT
ADVISORY BOARD**

Chairman
Thomas G. Tracy
Hunter Chase & Company

Bruce Bonjour
Perkins Coie LLC

Rick Edson
Housing Capital Advisors Inc.

Donald S. Holm III
National Trust Community
Investment Corporation

Lewis M. Horowitz
Lane Powell

Norris Lozano
Portland Family of Funds

Scott Lindquist
Sonnenschein Nath & Rosenthal

Benson Roberts
Local Initiatives Support
Corporation

John Simon
Sidley Austin Brown & Wood

Herbert Stevens
Nixon Peabody LLP

Mary Tingerthal
Community Reinvestment Fund

Joseph A. Wesolowski
Enterprise Community
Investment Inc.

**HAS YOUR
ADDRESS CHANGED?**

We at Novogradac would like to stay in touch so if your contact information has changed, we'd like to know. Call us at 415.356.8037, or log on to www.newmarketscredits.com and click on the Address Change at the foot of the page. Thank you for helping us keep our records up to date.

NMTCs Paired with Historic Credits

(continued from page 2)

© Novogradac & Company LLP 2006 - All Rights Reserved.

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided – any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.newmarketscredits.com.