

NMTCs, HTCs Work to Resurrect North St. Louis Neighborhood

By Anne Townsend, Staff Writer, Novogradac & Company LLP

In April 2009, St. Louis, Mo. will welcome Crown Square, a 33,500-square-foot mixed-use development featuring commercial office space, retail and restaurant space and 38 market-rate residential apartment units. The \$20.1 million project — one component of a larger initiative to revitalize St. Louis' Old North neighborhood — will rehabilitate the city's former 14th Street pedestrian mall and surrounding city blocks, and is made possible by a \$17.5 million new markets tax credit (NMTC) investment.

Crown Square is located in a high priority area designated for preservation by the city of St. Louis' current land-use plan. The plan aims to provide direction for those who make new investments in the city, and to provide stability and opportunities for those who already live, work and build their business there. Additionally, Crown Square complements St. Louis' "Plan for the Neighborhoods of the Fifth Ward," a strategy adopted by the city's Planning Commission to create a strong, thriving community in the section of town located north of downtown St. Louis.

The Creation, Decline and Resurrection of a Neighborhood

The village of North St. Louis was founded in 1816 and incorporated into the city of St. Louis in 1841, according to the Old North St. Louis Restoration Group (ONSLRG). Following the incorporation, the city focused on full development of the area and immigrants from a number of countries, including Poland and Germany, settled in Old North St. Louis and its surrounding neighborhoods. During and after the Great Depression, the neighborhood again witnessed a rush of immigration from both the southern part of the United States and abroad. People settled and created a thriving and crowded neighborhood, intermin-

gling factories and shops with homes. Following World War II, however, many residents moved to the suburbs and the development of Highway 70 disconnected Old North St. Louis from its industrial sector.

Stephen Acree, president of the Regional Housing and Community Development Alliance (RHCD), Crown Square's developer, described Old North St. Louis as a formerly thriving neighborhood commercial district that until the late 1970s was on the decline. Acree said that at this time an area along 14th Street was converted into a pedestrian mall by removing the streets and closing it off to vehicular traffic, a move that served to accelerate the decline of the registered historic district.

In the 1980s and 1990s, Old North St. Louis witnessed a slow upturn as people rediscovered the substance of "city life." People gradually began to purchase and rehabilitate old buildings.

The Financing

The \$20.2 million Crown Square redevelopment involves the historic rehabilitation of 11 buildings along the abandoned 14th Street mall. Overall, the project aims to spur economic development and rejuvenate historic structures, creating the perfect arrangement for combining historic tax credits (HTCs) with NMTCs. Furthermore, Crown Square is located in a HUD Qualified Census Tract (QCT), is in the St. Louis Regional Empowerment Zone and is in an SBA designated HUB Zone.

Enterprise Community Investment Inc. and McCormack Baron Salazar provided the NMTC allocation that led the way for a US Bancorp Community Develop-

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ment Corporation (US Bank CDC) NMTC investment of \$5,371,000. US Bank also provided a federal HTC investment of \$3,117,000 and a state HTC investment of \$2,909,000. Enterprise Bank and Trust, a local St. Louis bank not affiliated with Enterprise Community Investment, provided an NMTC leveraged loan in the amount of \$1,655,000 and the city of St. Louis offered a community development block grant (CDBG) loan for \$730,000. Furthermore, the project received an East-West Gateway Federal Transportation Grant for \$1,541,000. Other funding sources for the project include a developer investment, a landowner investment, a developer fee loan and program source funds.

Darren Van't Hof, vice president of the US Bank CDC located in St. Louis, explained that Crown Square is unique because of its low loan-to-cost ratio. "Through the various local incentives and the various tax credit programs, you essentially have a project at the end of the day that is approximately \$20 million dollars with only \$1.6 million in debt," he said.

Van't Hof also explained that US Bank CDC was excited to work on the project for a number of reasons beyond the bottom line.

"In addition to the fact that [US Bank CDC has] good relationships with McCormack Baron Salazar and Enterprise Bank and Trust, we liked the deal because it is a good community investment. It's not everyday that we get to make good quality investments in our own backyard," Van't Hof said.

Acree named the Crown Square development as the most challenging project RHCDA has ever undertaken, citing substantial up-front acquisition costs and the added cost of removing the pedestrian walkway, replacing sewers and building new streets, replacing the street lighting and putting in new sidewalks.

"We were also challenged by the high cost of rehab because of the severely deteriorated condition of the buildings," Acree said.

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The Crown Square development features a separate residential component being developed by RHCDA and includes 42 affordable units contained within 16 buildings. This component, which is in the works, is being financed through tax-exempt bonds (TEBs), HTCs and other subsidies. At the same time, RHCDA is developing North Market Place, a neighboring, mixed-income, for-sale housing community comprised of 41 single-family homes located just south of Crown Square. ❖

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