

DEVELOPMENT

Incentives help fuel Wachovia project

Federal program tries to spur development in low-income areas

DOUG SMITH

4/09/08 - The Charlotte School of Law, under construction at Suttle Avenue and Wilkinson Boulevard.

The Charlotte School of Law is becoming almost as visible against the uptown skyline on Wilkinson Boulevard as the venerable JFG coffee billboard.

Passing motorists can see the four-story building progressing toward completion in August, but there is more to this project than simply construction.

The building is the first Charlotte project Wachovia has financed under the federal New Markets Tax Credit program.

The income tax credit program was authorized by Congress in 2000 to help generate investment of \$19.5 billion in businesses located in low-income communities.



DAVIE HINSHAW / Staff Photographer
4/09/08 - The Charlotte School of Law, under construction at Suttle Avenue and Wilkinson Boulevard.

"At its core it is an incentive to private sector investors to place private sector capital in projects that are hard to finance," said Bill Leucht at the Community Development Financial Institutions Fund, program administrator.

Businesses must meet certain low-income community guidelines to qualify and apply through community development entities such as nonprofit organizations, government agencies and financial institutions.

They can get subsidized commercial real estate mortgage loans to finance the purchase, construction or renovation of a real estate projects.

Officials say the program goes beyond affordable housing construction to create jobs and encourage revitalization with new stores, restaurants, day care centers and jobs.

It awards tax credit allocations to entities such as

Wachovia Community Development Finance, and they review applications to verify that guidelines are met.

The entities can receive annual income-tax credit on the amount they invest -- up to 39 percent over seven years -- and businesses get below-market-rate financing.

The tax credit subsidizes the return for participating entities.

Wachovia isn't the only Carolinas entity involved in the program, but it is the largest bank recipient of tax credit allocations nationwide and second largest overall, receiving \$488 million to use toward 64 projects over seven years.

Cathy Dolan, director of Wachovia's community development finance arm, said the Charlotte School of Law illustrates how the program works.

The site was an industrial brownfield that needed to be reclaimed, and the neighborhood qualified as low income and in need of revitalization.

The developers, Merrifield Partners and Radiator Specialty Co.'s Blumenthal family, believing it met program guidelines, submitted an application, said Merrifield's George Macon.

"It had real community impact -- new job creation and new capital investment in an area that hasn't seen any in years," said Wachovia's Eileen Stenerson, senior relationship manager in community development finance.

Wachovia is using an \$18.1 million new markets allocation to provide market-rate and below-market rate debt for the estimated \$20 million project.

"This is not a deep subsidy -- not enough to turn a bad project into a good one -- but it can get a marginal deal over the hump," Dolan said.

Merrifield's Macon said, "Like any federal program there is paperwork involved. But the city was on board with us. They want to see this area revitalized."

The 100,000-square-foot school of law is the first building in a \$250 million redevelopment of Radiator Specialty's 40-acre site as a multi-use project named Bryant Park.

The developers expect it to reach 1 million square feet of commercial buildings and 2,000 residences over 10 years.

That was another reason to make Bryant Park a new markets showcase, Stenerson said. "This is just the first phase of a broader plan that could have great impact on the area -- in transit orientation, green orientation and mixed-income housing," she said.

Charlotte could be missing an opportunity if developers don't apply, Dolan said. The program will expire this year unless Congress reauthorizes it.

More information on qualifying and applying to community development entities in the program is available at the U.S. Treasury's www.cdfifund.gov.

-- Doug Smith: 704-358-5174; dougsmith@charlotteobserver.com