

## **Board approved to pursue tax credits for development in New Albany**

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— Attorneys persuaded the New Albany Redevelopment Commission on Tuesday to approve a private/public venture that could escalate development.

A six-member governing board that would oversee the distribution of New Markets Tax Credits, or NMTC, funding was OK'd by the commission. The board will consist of the mayor, the director of community development for the city, a member of the commission as well as a person appointed by the body and two appointees from the Urban Enterprise Zone Association and Develop New Albany.

The UEZA and Develop New Albany provided \$7,500 each for contractual services with the Indianapolis law firm Krieg-Devault, as well as toward the application fee for involvement in the NMTC program.

A grant from the Horseshoe Foundation of Floyd County covered the remaining \$15,000 of the \$30,000 contract for legal services and the application fee, a move approved by the commission in December.

The NMTC venture would consist of 51 percent ownership by the commission and the remainder divided up equally by UEZA and Develop New Albany. The federal program provides tax credits worth 39 percent of an investment over a seven-year period.

A taxpayer receives a credit against federal income taxes for making qualified equity investments in designated community development areas.

The governing board approved Tuesday would oversee the disbursement of credits if it is chosen by the U.S. Department of Treasury for the program. Deputy Mayor and Director of Community Development Carl Malysz said this would be the first time the city has been involved with NMTC.

The board would loan the tax credits at a rate of near 80 cents on a dollar to a company. For example, they could loan a \$3.9 million credit for \$3 million. The money gained by selling the credits would then be awarded to developers to complete a project in designated areas.

Malysz said the tax credit works like a gap loan. Developers who are waiting on equity to complete a project can use the credits to finish. The money would then be paid back by the developer to the board and down the road. Malysz said the entity also could fund projects.

The NMTC program could assist in completing projects that have been "sitting on the drawing board" for some time, said Jonathan Anderson, attorney for Krieg-Devault.

Anderson presented the case for pursuing NMTC funding to the commission.

The credits are assigned only for areas grouped as being in economic distress by the Treasury. Develop New Albany member and Louisville Real Estate attorney Daniel Chandler said most of the city falls under the categorization.

Chandler — who will do much of the NMTC application work — said getting approved is a competitive process.

Developments that could immediately go from planning to construction are helpful on the application.

Chandler said the makeup of the governing board also is important, as the qualifications of each board member are taken into consideration by the Treasury.

There are hundreds of applications for NMTC funding. Chandler said last year, only 70 of 260 applicants were OK'd by the Treasury.

Councilman and commission member Dan Coffey questioned whether the program would help residents or just developers.

Anderson said the commercial developments that could be aided with credits would create jobs for New Albany.

“It’s designed to bring development back to the people,” Anderson said.

“It’s not a handout. It’s not a gift. It’s not a subsidy.”

The original proposal was for the board to consist of five people, but the commission decided to have one of its own represented on the body.

Commission President Irving Joshua said it makes sense to have a member on the governing board since the city accounts for 51 percent of the arrangement.

While there was debate over the details of the governing board and which developments would receive consideration for credits, Joshua said the commission is generally supportive of the plan.

“I think everybody agrees with the concept,” he said.

But deciding on which developments could receive credits is premature, as the application deadline isn’t until April 1. The board won’t know until August if it has been approved for the NMTC program.

If approved, the board has five years to distribute the credits. Other appointed bodies would work with the governing boards to assure the loans.

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