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The Financial Anatomy of an NMTC Deal: The Centre Theater

July 2014

The following was distributed as part of the New Markets Tax Credit Connection - Summer 2014 newsletter.

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In June 2014, Jubilee Baltimore, Inc. (Jubilee) – one of Baltimore’s thriving non-profit developers – closed on NMTC and historic tax credit leveraged financing for the historic renovation of the Centre Theater, a 65,000 square foot building in the heart of Central Baltimore. Vacant for more than 20 years, the Center Theater’s marquee and signature tower were falling apart, while a major hole in the roof led many to fear the building would be lost to demolition by neglect. Restoring this critical landmark in the heart of the Station North Arts and Entertainment district, the nation’s first special taxing district designed to support the arts, was met with unanticipated funding challenges and requirements. However, Jubilee was able to overcome these unforeseen roadblocks to enable the project – two years in planning – to come to fruition by utilizing a variety of equity sources, including state and federal historic tax credits and seven grant sources.

In 2012, Jubilee was selected by the Central Baltimore Partnership (CBP), a coalition of three anchor institutions, including Johns Hopkins University (Hopkins), the Maryland Institute College of Art (MICA) and the University of Baltimore, as well as neighborhood, non-profit and philanthropic partners to redevelop the building.¹ Rich in history, the building was built in 1912 as a garage and converted into an art deco movie theater in

1939 as part of a booming arts and entertainment district that emerged along North Avenue, home to several historic theaters that flourished until the 1960s when riots caused major abandonment and disinvestment.

How would Jubilee secure funding to acquire the property? CBP partners, including MICA, a local foundation, and two neighbors, provided small loans enabling Jubilee to acquire the property at auction. The project got a major boost when the State of Maryland awarded half of its annual historic tax credit allocation to the project in December of 2012. Then in 2013, Hopkins and MICA decided to create a new, joint film program and selected the Centre Theater to house the 25,000 square-foot program. When it opens in September 2015, the joint program will be the first time that the two major anchor institutions have leased space together in the same building and the first Hopkins facility to be built in the neighborhood. The film program will also support the \$18 million redevelopment of the historic Parkway Theater across the street, which will be renovated in 2016 as the new home to the Maryland Film Festival.

Having secured \$3 million in state historic tax credits and a major tenant, Jubilee now required a federal historic tax credit investor and Community Development Entities (CDE) to provide allocation. Jubilee's goal was to leverage the security of the long-term university lease to make the rest of the building available to non-profits, artists, and a local farm-to-table restaurant. Fortunately for Jubilee, Philadelphia-based The Reinvestment Fund (TRF) had already made a significant commitment to the neighborhood as part of a Living Cities initiative focused on anchor-institution driven community-development in Baltimore. TRF committed \$6 million to the project and reached out to Telesis and Chase Bank to invest an additional \$7.5 million in allocation in the project. The next challenge was placing the federal historic credits given the uncertainty of the Boardwalk case and subsequent IRS ruling. The project also had to meet a 70% pre-leasing requirement from TRF in order to place the long-term debt.

With leases from Hopkins and MICA, a consortium of community development non-profits called the Center for Neighborhoods, and a lease from the Baltimore Jewelry Center, the project was able to meet the pre-leasing requirements. However, in order to meet the new safe harbor rules, the project had to overcome an unanticipated \$1 million funding gap. Due to the importance of the project to the State's community redevelopment efforts, the State of Maryland came through to help close this gap, along with grants from MICA and Hopkins. Ultimately, the project was able to place the federal historic tax credits with Chase Bank.

Closing on the project's financing took place at the end of June, and construction is now underway. The first tenant will open in April of 2015. The fully restored building, with its iconic theater façade and signature art deco marquee and tower, will be an anchor in the arts district. The collaboration of so many partners in the project's financing has been an important victory for the collaborative placemaking underway in the nationally renowned Arts District, and to the larger effort, leveraging diverse partners in anchor-institution supported community development in Baltimore.

Contact

For more information, please contact Amy Bonitz, a consultant to Jubilee. For more information on CohnReznick's New Markets Tax Credits Program services, visit our Resource Center.

[1] The CBP is implementing a comprehensive community development strategy in 12 neighborhoods north of downtown Baltimore; the Centre Theater is one of five major vacant buildings in a three-block, highly-distressed area that is being redeveloped by various CBP partners.

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