



taxadvantagegroup



Hotel Indigo QUICK FACTS

CDE
National Trust Community Investment Corporation (NTCIC)

TOTAL DEVELOPMENT COST
\$23,600,000

NTCIC ALLOCATION
\$17,953,194

LOCATION
200 Convention Street
Baton Rouge, LA

NMTC CONSULTANT
taxadvantagegroup, llc

QALICB
Project King, LLC/Project King Master Tenant, LLC

DEVELOPER
Cyntreniks, LLC

SQUARE FOOTAGE
48,000

LEVERAGED LENDER
North American Land Company (NALC), Inc.

FEDERAL NMTC AND HTC INVESTOR
U.S. Bancorp Community Development Corporation (US Bank CDC)

PERMANENT JOBS
50 Direct

CONSTRUCTION JOBS
125 Direct

TARGETED DISTRESS
Poverty Rate 29.7%
MFI 76%
Go Zone Census Tract
State Enterprise Zone
Local TIF District

FINANCING COMPLETE
September 2009

Hotel Indigo – Downtown Baton Rouge

BATON ROUGE, LA

Background

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). Substantially all of the QEIs must in turn be used by the CDE to provide investments in Low-Income Communities (LICs).

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. The NMTC program provides financing availability for projects in underserved geographic areas and with extremely favorable terms for businesses and real estate developers or owners. The result of these investments fulfills financing gaps for projects to be completed, and it allows projects to be enhanced with community-oriented components, which generate measurable community impacts.

Project

In January 2011 Project King, LLC, the property owner, and Cyntreniks, LLC, a Louisiana-based real estate development firm, celebrated the grand opening of the 48,000 square foot, 93-room Hotel Indigo located in Baton Rouge, Louisiana. This event represented the end of a long journey in the development of the \$23.6 million project made possible by a \$17.9 million NMTC investment from the National Trust Community Investment Corporation.

Due to its proximity to New Orleans, Baton Rouge Parish initially absorbed nearly a quarter million temporary residents in the aftermath of Hurricane Katrina, settling at over 35,000 new residents. In 2006 Cyntreniks Group, LLC, an affiliate entity of Project King, LLC, acquired the project site – the Hotel King – in order to prevent the historic structure from being demolished. In 2008 Baton Rouge was directly in the path of Hurricane Gustav, and, as such, the Parish suffered substantial commercial property damage and temporary business interruptions for the majority of its establishments. The project site is located in a higher distress census tract, which is designated a FEMA Disaster Area. Cyntreniks rehabilitated the long vacant structure, putting it back into commercial use for its original purpose – a hotel. The project created more than 125 construction jobs and 50 permanent jobs, saved a historic building from demolition and supported the revitalization of Baton Rouge’s central business district.

The Financing

The NMTC Program provides gap financing. With total project costs of about \$23.6 million and in addition to the NMTC subsidy, Cyntreniks needed to raise an additional \$18.5 million of capital. This was accomplished by layering together capital sources that are rarely combined due to complicated programmatic and structuring requirements, including Federal and State Historic Tax Credits (HTCs), a State HTC Bridge Loan, State NMTCs, a one-day loan structure to cover acquisition and development expenses, state/local Tax Increment Financing (TIF) and additional private equity.

taxadvantagegroup sourced the project’s NMTC Allocation, worked through due diligence requirements with the NTCIC and advised Cyntreniks through to a successful closing. The ability of the project to purchase the NMTC equity at the end of the NMTC compliance period was the primary driver in utilizing the NMTC program. But for this equity infusion, this project would not have secured enough capital to move forward.

“We had reached a verbal agreement with a major bank lender to provide \$7 million of the \$12.8 million of leveraged debt in September, 2008. However, the financial crisis that engulfed the nation beginning later that month caused the deal to fall apart, and in order to make the project happen, our investor group had to self-finance \$12.8 million of leveraged capital. The NMTC/HTC financing, therefore, was critical to making the project a reality. Our investors could do no more!”

- John Schneider, President of Cyntreniks LLC

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