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River District Tower QUICK FACTS

CDE
Danville, Virginia CDE (DVCDE), Inc.

TOTAL DEVELOPMENT COST
\$25,200,000

DVCDE ALLOCATION
\$20,000,000

LOCATION
109 Main Street
Danville, VA

NMTC CONSULTANT
taxadvantagegroup, llc

PROJECT SPONSOR
River District Development, LLC

SQUARE FOOTAGE
122,027

LEVERAGED LENDER
Carter Bank & Trust

NMTC INVESTOR
Carter Bank & Trust

PERMANENT JOBS
85 direct

CONSTRUCTION JOBS
45 direct

TARGETED DISTRESS
Poverty Rate 35.4%
MFI: 30.05%
Federally-Designated Medically
Underserved Area
State EZ

FINANCING COMPLETE
September 2015

River District Tower DANVILLE, VA

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 the 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

The City of Danville, Virginia was founded in 1793 and chartered in 1830. Like so many other manufacturing areas that have lost their traditional industries, the area has its challenges. Specifically, when Dan River Mills, the area's longtime textile giant, closed its doors in 2006, it lost a business that at one time employed 12,000 people. The company left town and its most visible structure, the Dan River Research Building, remained vacant for many years. The NMTC project is the renovation of the Research Building to become River District Tower, a mixed-use medical office facility housing two primary medical tenants, among others. Danville Orthopedic Clinic, occupying two floors of the facility, provides for the diagnosis and treatment of disorders and injuries to bones, joints, tendons, muscles, ligaments, and nerves; and Danville Regional Medical Center, which occupies one floor, will serve as an Accountable Care Hub, providing the community convenient access to a wide variety of health services.

The project is part of the City of Danville's River District Master Plan. The Plan notes that from 2007 to 2010, the City of Danville experienced an 8 percent decrease in population and a 7 percent decrease in households. However, the River District has successfully attracted businesses and increased employee volume, and is becoming an important node for the area. A specific recommendation was made to redevelop the Research Building as a catalyst project to support quality jobs in the community. During creation of the Plan, hundreds of residents and stakeholders gave input on their vision for the future. The process included two public meetings and a live webinar. In total, 30 stakeholder interviews were conducted, 12 property owner discussions were completed, and five market segments were evaluated. DVCDE's investment in River District Tower caused the Plan's primary catalyst project to move forward.

The Financing

With total project costs of nearly \$25.2 million, DVCDE's \$20 million NMTC investment funded the majority of the project. The City of Danville worked with the project Sponsor, a local investor group, and its local lender for a five-year period to identify and secure numerous sources of funding including Federal and State Historic Tax Credits. In addition, the City of Danville, through its Industrial Development Authority (IDA), provided a parking solution to reduce the cost of the investment. The IDA will lease the Parking Facility to the project Sponsor for a nominal rate and a specified term, at which point the project Sponsor may purchase the facility. Without DVCDE's patient capital this historic renovation would not have occurred, as all other financing opportunities had been exhausted.

"The (development) is preserving the original building of Danville's largest historic employer, which is important for me. I love adaptive reuse." - *Linwood Wright, Consultant for City of Danville Office of Economic Development*

"It's a 130- to 140-year-old building and the cost of rehabilitating a building of that age is significant. Without the (tax credits), not one of the buildings could be reused from a dollars-and-cents perspective." - *Telly Tucker, Danville Director of Economic Development*

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