

Investing in Your Community, in Your Neighborhood, in Your Future

NMTC Project in Durham Sparks Economic Growth



A former Liggett & Myers tobacco warehouse in Durham, NC, the Carmichael Building, is now home to lab, research, and office space for Duke University's Molecular Physiology Institute. New Markets Tax Credits helped make this rehabilitation possible.

BY THE NUMBERS

Total Project Cost: \$48,000,000

NMTC Qualified Equity Investment: \$29,600,600

Total CAHEC NMTC Qualified Equity Investment: \$7,000,000

- Construction Jobs: 350 projected
- Permanent Jobs: 225 projected

Community Characteristics

- Poverty Rate: 42.4%
- Median Family Income: 51.1% of area median income
- Unemployment Rate: 21.4%
- Local Economic Development Zone

Downtown Durham, North Carolina, has been the focus of community revitalization efforts in North Carolina for the last decade. During this time, the city has seen an increase in new hotels, housing, and office space – many of which are rehabilitations of historic buildings. This surge in development has led to a flourishing downtown where businesses are in the hunt for open office space, universities are seeking urban lab space, and potential residents are on a quest for housing options. The rehabilitation of the Carmichael Building, financed with the help of the New Markets Tax Credit Program (NMTC Program), is no exception to this trend.

The NMTC Program was created by Congress in 2000 to stimulate economic and community development and job creation in low-income communities by attracting investment capital from the private sector. Private-sector investors are able to claim a federal tax credit in exchange for making equity investments in Community Development Entities, such as CAHEC New Markets, LLC. The investment capital is used to make loans to or equity investments in qualified businesses located in low-income areas where the poverty rate is greater than 20% and/or median family income does not exceed 80% of the area median.

The Carmichael Building, a former tobacco warehouse built in 1926, was owned and operated by Liggett & Myers Tobacco Company. After being converted into office space in the early 1980s, the building was then occupied by Durham County Social Services. Now, after a \$48 million renovation financed with the help of the NMTC Program, the building houses lab, research, and office space for Duke University's Molecular Physiology Institute, which conducts research on human genetics, diabetes, and obesity among many other subjects. The rehabilitation of the Carmichael Building created approximately 350 construction jobs and will bring approximately 225 permanent jobs to downtown Durham.



Although impressive as a stand-alone project, the Carmichael Building is only the first step in a bigger downtown Durham revitalization plan. The new building is part of the Durham Innovation District, dubbed "Durham.ID," which will eventually include 1.7 million square feet of lab, office, and retail space and 300 residential units in downtown Durham. Project leaders, Longfellow Real Estate Partners, Measurement Incorporated, and Duke University, see this as an opportunity to create a "downtown research hub" that brings together scientists, researchers, and scholars in a unique urban setting and will be a catalyst for local economic growth.

The NMTC Program is making this same type of impact all of the country. According to the Community Development Financial Institutions Fund, a division of the United States Department of the Treasury that administers the Fund, nearly \$40 billion in tax credit authority has been allocated to revitalize low-income communities with economic development targeting the underserved. The New Markets Tax Credit is allowing Durham to re-invent itself as a prosperous, thriving downtown that other cities across the country will be eager to replicate.

What Is the NMTC?

Created by Congress as part of the Community Renewal Tax Relief Act of 2000, the [New Markets Tax Credit Program](#) incentivizes private-sector capital investments in businesses, real estate projects, and community facilities located in low-income urban and rural communities. The program is based on the idea that there are viable business opportunities in low-income communities and that a federal tax credit would provide attractive incentive to venture capitalists. Through Qualified Equity Investments in Community Development Entities, investors are able to claim a federal tax credit based on 39% of the investment amount. Community Development Entities use this investment capital to make loans or equity investments to qualified businesses located in economically distressed communities. The tax credit, which is 39% of the original investment amount, is claimed by investors over a period of seven years.

Named as one of the *Top 25 Innovations in American Government* by the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government at Harvard University, the NMTC Program leverages \$8 of private capital for every \$1 of federal investment. In addition, since its creation, the program has helped create or retain over 560,000 jobs.

Who Is CAHEC?

Headquartered in Raleigh, NC, CAHEC is one of the nation's leading nonprofit tax credit syndicators. CAHEC works with investors and developers in eleven states and the District of Columbia to help develop and foster healthy neighborhoods by raising equity capital and investing in affordable rental housing and community revitalization projects. [CAHEC New Markets, LLC](#), a subsidiary of CAHEC, has received two NMTC awards totaling \$75 million of allocation and has used the allocation to finance highly impactful community and economic development projects throughout the Southeast and mid-Atlantic region.

Financing & Development Partners

- CAHEC New Markets, LLC
- U.S. Bancorp Community Development Corporation
- Urban Research Park CDE, LLC
- Telesis Corporation
- Longfellow Real Estate Partners
- HCP, Inc.



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