

Habitat presses 'go' for HQ



SUBMITTED RENDERING: GENSLER & ASSOCIATES

Twin Cities Habitat for Humanity plans to begin construction next week on its new headquarters at 1954 W. University Ave., St. Paul. The 27,000-square-foot building will be just south of a Central Corridor Light Rail Transit line station and is expected to be finished by the end of the year.

Donors, tax credits advance project

BY DREW KERR

Staff Writer

Four years after Twin Cities Habitat for Humanity set out to create a new home for itself on the Central Corridor Light Rail Transit line, the financial pieces have fallen into place and work is poised to begin.

The nonprofit closed this week on the financing package needed to start construction on its new \$9.5 million home at 1954 W. University Ave., St. Paul. The land is

less than a half-mile west of an LRT stop at University and Fairview avenues.

Roseville-based McGough Construction is scheduled to begin work Monday at the site, left vacant after the demolition of a commercial building last year. The 27,000-square-foot building should be finished in time for up to 90 employees to relocate there in early 2014.

Around \$4.8 million in donor contributions and proceeds from the sale of Habitat for Humanity's existing building, at 3001 Fourth St. SE, Minneapolis, are being used to cover land acquisition, environmental cleanup and construction costs. U.S. Bank's Twin Cities Nonprofit Banking Division also provided close to \$2.5 million in

debt financing.

The most labor-intensive part of the financing package was the allocation of New Markets Tax Credits issued by St. Paul-based Sunrise Banks and purchased by U.S. Bank's community investment subsidiary, U.S. Bancorp Community Development Corporation.

U.S. Bancorp's \$3 million investment in the tax credits allows it to offset federal taxable income over the next seven years and will essentially act as a \$2 million forgivable loan to Twin Cities Habitat for Humanity.

Without the tax credits, Twin Cities Habitat for Humanity would have had to drum up more donor support or take on

Habitat Tax credits instrumental in allowing project to move ahead

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additional debt, options that would have drained resources needed to promote the group's mission.

Twin Cities Habitat for Humanity reported \$1.6 million in net revenue and \$28.2 million in net assets at the end of its 2012 fiscal year in its latest IRS 990.

Sue Haigh, president of Twin Cities Habitat for Humanity, said the tax credits required extra legwork but were instrumental in allowing the project to move ahead.

"That was absolutely a critical component of our future and our project," she said of the tax credits on Thursday. "It was an essential part of our plan."

Designed to provoke investment in distressed areas, the New Markets Tax Credit was at risk of being eliminated last year in an effort to balance the federal budget. But another two years of allocations totaling \$7 billion was approved in January.

President Obama suggested the New Markets Tax Credits be permanently extended at \$5 billion a year in his recently proposed federal budget.

"We certainly hope that it will remain in place because it truly is one of the things that was instrumental in us being able to make this investment," said Mary Shumacher, Habitat for Humanity's chief operating officer.

There are no active deals in the works, but the tax credits could help facilitate additional work along the Central Corridor LRT line.

Sunrise Banks has exhausted its previous tax credit allocations but has applied for additional funds due to be announced later this month.



STAFF PHOTO: BILL KLOTZ

Mike Jarosiewicz, of St. Paul-based Able Fence Inc., installs a fence around the 1954 W. University Ave. site where Twin Cities Habitat for Humanity will build its new headquarters. Construction is slated to begin next week, four years after the nonprofit began planning for a new home.

Terri Dooher Fleming, senior vice president of government lending for Sunrise Banks, said more work in St. Paul and on the Central Corridor LRT line could come from additional funding.

"If we get another allocation we'd be very excited about additional opportunity on University Avenue," she said.

The St. Paul Port Authority also has \$29 million in unused New Markets Tax Credit allocations, and is considering a new program that would allow it to pool smaller commercial projects in search of funding.

New Markets Tax Credits are typically issued for projects in excess of \$5 million, but the Port Authority could move money more quickly by grouping smaller projects, said Bruce Gehrke, the Port Authority's vice president of lending services.

Property on the east end of University Avenue could theoretically benefit from such pooling.

"If these programs work in the right areas and generate the right kind of community impact and community outcomes they can be win-win situations all the way around," Gehrke said.

Jamie Thelen, chief executive at St. Cloud-based Sand Co., the developer behind a planned \$17 million remake of the Old Home Dairy site, at 370 W. University Ave., said New Markets Tax Credits are being considered as a way to fund the retail portion of the mixed-use project.

Minneapolis-based Project for Pride in Living could also take advantage of the tax credits to help pay for a share of its planned \$25 million mixed-use development at 1333 W. University Ave., associate director of real estate development Chris Dettling said.

\$9.5
MILLION
Cost of Twin Cities
Habitat for Humanity
Headquarters
Source: Twin Cities
Habitat for Humanity