

# Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

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## SPECIAL FEATURE

### Reinvesting in Community: Federal Programs Fund Hope in Watts

By Jennifer Dockery, Staff Writer, Novogradac & Company LLP

When designing the Watts Learning Center (WLC), the school's administrators thought about what the charter grade school promised for the children and residents of South Central Los Angeles, Calif. They wanted the building to symbolize hope for the future and reinvestment in the community, where residents are more than 60 percent Hispanic. They decided to install a light array on the school's elevator that motorists could see from nearby Interstate 110. When lit, the panels create a "beacon of hope" for Watts and the surrounding community.

"Developments like the Watts Learning Center are so important for this neighborhood, providing a source of pride and a symbol of hope for residents," said Excellent Education Development's (ExED's) executive director, Anita Landecker, of her organization's new markets tax credit (NMTC) investment in Watts. ExED, a not-for-profit that packages financing and sells NMTC benefits to investors to help charter schools in lower income communities develop and upgrade their facilities, provided WLC's NMTCs.

Tax credit investments, such as those in WLC, serve as powerful symbols of reinvestment in low-income communities. In Watts, a South Los Angeles neighborhood that has experienced high levels of racial tension, gang activity and violence for decades, sustained public investment is reversing decades of disinvestment. The Community Redevelopment Agency of the City of Los Angeles (CRA/LA) has targeted the area for redevelopment and the area has seen a number of developments funded through the NMTC program, low-income housing tax credit (LIHTC) program and the U.S.

Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program. Federal money, along with state tax credits and other financial incentives, has attracted equity from the private sector. That, along with the work of not-for-profit community groups, is improving the neighborhood.



Photo Courtesy: ExEd

When illuminated, Watts Learning Center's "Beacon of Hope" is visible to motorists on nearby Interstate 110.

"[Tax credits have] been one part of the layering of financing across the board. A very important layer ... that's part of our surviving because we do not have the resources for this area," said Charlotte Brimmer, CRA/LA's Watts and Watts Corridor project manager.

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### NMTCs and Education

In South Los Angeles, ExED through its LA Charter School New Markets Fund has provided NMTCs to several of the area's charter schools. In 2008, WLC used a \$5 million NMTC investment from ExED to open a new building. The school, founded as a kindergarten in 1997, now serves approximately 360 students from kindergarten through fifth grade.

"Building new facilities for charter schools in low-income communities helps to improve the environment of the neighborhood and also provides a much healthier work environment for students," Landecker said. She added that WLC has engaged parents in their children's education and has become a gathering place for the community.

Last fall, Ánimo Watts Charter High School received national attention when the Treasury Department's Community Development Financial Institutions (CDFI) Fund Director Donna J. Gambrell attended the ribbon cutting. The charter high school serves 400 9th through 12th graders and next year will welcome 560 students. ExED sold \$9.1 million in NMTCs to US Bank to finance the school's development. Additional financing for the school came from Pacific Charter School Development, NCB Capital Impact (NCB) and the Low Income Investment Fund.

"I am delighted to see firsthand the positive impact of the Ánimo Watts Charter High School as it represents the extraordinary transformational potential of the New Markets Tax Credit program for communities," Gambrell said at the event.

### Continued Investment

The community development entities and financial institutions that invest in tax credit projects in the Watts area often invest in subsequent projects. Ánimo Watts was the area's latest investment for NCB, the high school's leveraged debt provider. Previous investments include a charter middle school operated by the Alliance for College Ready Public Schools and the Watts Community Health Center, which provides primary health care and emergency services to nearly 22,000 patients each year.

"These transactions have provided a health center with the opportunity to own their facility for the first time in their 30-plus year history," said Scott Spote, NCB's managing director of innovative community lending. "Providing access to new schools helps improve educational outcomes – students are often the first in their families to go to college, and are sometimes the first to graduate high school. These investments help act as anchors of stability in the neighborhood."

### Building Homes

In 2009, more than 85 percent of the families in the Los Angeles  
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metropolitan statistical area earned less than 80 percent of the area median income (AMI) and more than 70 percent earned less than 50 percent AMI. To address the need for affordable housing, CRA/LA and the California Tax Credit Allocation Committee (CTCAC) provided LIHTCs and tax-exempt bonds (TEBs) to several area developments.

In 2007, the redevelopment agency provided nearly \$11 million in TEBs, purchased by Centerline Capital Group, and \$6.43 million in additional funding to rehabilitate Westminster Park Plaza, a 130-unit development. The development contains 100 units for families earning up to 60 percent of the area median income. Funding for the \$22.8 million property included almost \$5.4 million in 4 percent LIHTC equity.



Photo Courtesy: Community Redevelopment Agency of the City of Los Angeles

**Imani Fe East provides housing for very low- and extremely low-income families in the Watts neighborhood.**

CRA/LA provided \$2.8 million in CDBG funding while the Los Angeles Housing

Department provided \$6 million in HOME funds for Imani Fe, a 92-unit apartment complex with rents affordable to very low and extremely low-income families. In September, Grant African Methodist Episcopal Church's not-for-profit housing and economic development corporation, Grant Housing and Economic Development Corporation, opened the affordable housing complex whose name means "faith" in Swahili and Spanish, respectively. Additionally, CTCAC provided 9 percent federal and California state LIHTCs, which resulted in a \$20.8 million equity investment from AEGON USA Realty Advisors LLC. The Federal Home Loan Bank of San Francisco provided \$1 million through its Affordable Housing program.

"There is a dire need for quality, safe affordable housing in the Watts neighborhood. We're excited to participate in its revitalization," said Anne Simpson, director at AEGON's Community Investment group.

Residents moved into Imani Fe last fall. Developer Samir Srivastava  
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astava said that more than 900 qualified applicants applied for the units and that 60 to 70 percent of them came from the surrounding area.

Because of California's prevailing wage laws and local hiring requirements, Imani Fe provided 11 or 12 local residents with jobs.

Now that the first housing phase is complete, Srivastava has begun construction on the project's first commercial phase. The developer is using NMTCs to build an 8,000-square-foot restaurant and banquet hall on an adjacent property.

"They see this as a change to the community," Srivastava said of residents' response to the development. "The community's going to start changing now."



*Photo Courtesy: Dean Dellaventura*  
Units at Imani Fe feature full kitchens with refrigerators, ovens and microwaves.

### On the Horizon

CRA/LA would like to see additional investment made in restaurants and grocery stores in Watts. The redevelopment agency has an incentive package, including NMTC funding, for food retailers who bring stores to

the South Los Angeles area. President Obama's Healthy Food Financing Initiative, introduced in his 2011 budget proposal, could provide additional incentives for developers. That program provides grant and loan financing for fresh food retailers in low-income areas.



*Photo Courtesy: Dean Dellaventura*  
Imani Fe East's 92 apartments were funded through Community Development Block Grants and federal and state low-income housing tax credits.

CRA/LA would also like to expand job training facilities in the area. The Los Angeles Unified School District-Division of Adult and Career Education's Maxine Waters Employment Preparation Center is in the heart of Watts. The center, partially funded with CDBG money, provides short-term skills training, job counseling and placement assistance to more than 10,000 students annually in Los Angeles County. CRA/LA also is raising funds for Wattstar Theater and Training Center, a first-run movie theater and job training center for youth interested in film/video production, animation, music editing and related careers.

"It's huge; it's exciting ... it's working. Now we're actually getting people who are willing to donate to this area," Brimmer said.

Future projects in the surrounding area include the redevelopment of the Jordan Downs, a 700-unit public housing property, and the redevelopment of several of the area's shopping centers, including the Martin Luther King Jr. Shopping Center, a 10-acre shopping plaza in the heart of Watts. ❖

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