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U.S. Bancorp, McCormack Baron receive \$195M in tax credits

St. Louis Business Journal - 7:57 AM CDT Friday by [James Goodwin](#)

Two St. Louis firms will receive \$195 million in federal tax credits to spur business activity in low-income communities.

[U.S. Bancorp Community Development Corp.](#) and developer [McCormack Baron Salazar](#) were awarded \$135 million and \$60 million in tax credits, respectively, through the New Markets Tax Credit Program.

Dan Iannicola, a U.S. Treasury Department official and St. Louis native, announced the local awardees Thursday.

"It's great to be home, especially when you come packing a lot of tax credits," the deputy assistant secretary for financial education joked. "People seem to like you."

The announcement, held at the Renaissance Place at Grand, a Midtown affordable-housing development, was one of eight held around the country. In New Orleans, it was announced that [Advantage Capital Partners](#) will receive \$70 million in this, the federal program's fourth round of allocations.

"A lot of our new allocation will go to the Gulf (Coast) zone, which will free up our previous New Market allocations to spend in St. Louis," said Scott Zajac, senior managing director of Advantage. The company's largest offices are in St. Louis and New Orleans.

The three firms are involved with redevelopment projects around the country and don't know yet where all the allocations will be used. St. Louis is on their radar screens, though.

"We have a lot of resources now that we can use to hopefully continue the redevelopment of St. Louis," said Richard Baron, chairman and CEO of McCormack Baron Salazar.

The U.S. Treasury Department announced Thursday a nationwide total of \$4.1 billion in tax credits that will be awarded, including \$600 million for redevelopment in Gulf Coast areas ravaged by Hurricane Katrina last August.

New Markets Tax Credits are designed to kick-start development in economically distressed areas by enticing additional private funding. Investors -- usually banks, pension funds and other institutions -- that buy the tax credits receive a 39 percent federal tax break on their investment over seven years.

Two other companies with strong St. Louis ties also received allocations:

- Cleveland, Ohio-based [National City Corp.](#), which operates National City banks in the St. Louis area, was awarded \$125 million worth of tax credits.

- [Marshall & Ilsley New Markets Fund LLC](#), based in Wauwatosa, Wis., was awarded \$75 million worth. [Marshall & Ilsley Bank](#), the largest Wisconsin-based bank, owns [Southwest Bank](#) and its six St. Louis-area branches.

The New Markets Tax Credit Program, which first allocated tax credits in 2002, is scheduled to sunset after the 2007 round unless Congress extends it.

U.S. Bank, a subsidiary of Minneapolis-based U.S. Bancorp (NYSE: USB) along with U.S. Bancorp Community Development Corp., bought \$4.6 million worth of tax credits authorized last year to finance a factory in Worcester, Mass., that uses technology developed at Washington University in St. Louis to fight non-Hodgkin's lymphoma.

Locally, the New Markets Tax Credit Program has been used to redevelop the Old Post Office, which houses the *St. Louis Business Journal*, and to build the Ninth Street Garage across the street.

Jonathan Goldstein, vice president of McCormack Baron Salazar, said the firm's projects could target retail and office space and residences to be sold -- all in areas where McCormack Baron already has developed rental housing.

"It's going to allow us to complement our existing rental communities with these types of commercial properties that bring jobs and bring opportunities, and really accelerate the pace of revitalization in these communities," Goldstein said.

Specific projects will be determined in coming months, he said. "It's certainly our hope that we'll be able to use some of them in St. Louis, but I think we'll use them elsewhere as well."

Kathy Bader, chairman of U.S. Bancorp Community Development Corp., anticipates that her firm will announce a list of projects by summer's end. Some under consideration are in St. Louis, she said.

The program may be used to bridge gaps in funding on a variety of projects, including small-business startups and real estate development.

"The great aspect of this program, I think, is its flexibility," Bader said.

St. Louis chronology of the New Markets Tax Credit Program

2000 -- The U.S. Census taken this year will later show that a declining population qualifies downtown St. Louis for New Markets Tax Credits, though the first round of allocations won't be held until 2002. Formally known as Census Tract 1256, the downtown area is bounded by the Mississippi River, 12th Street, Cole Street and Interstate 64/Highway 40.

March 2003 -- The U.S. Treasury Department awards The National Trust for Historic Preservation qualifying new market investment funding that translates into \$49.5 million of New Markets Tax Credits. Part of the nationwide allocation is reserved for redevelopment of the Old Post Office, located at Olive and Ninth streets. The credits will go to U.S. Bancorp and Bank of America and will enable them to increase their equity stakes and close the project's funding gap.

September 2003 -- The St. Louis Development Corp., the St. Louis County Economic Council and the Southwestern Illinois Development Authority team up to apply for \$120 million in New Markets Tax Credits to aid development in low-income areas. According to the application, about \$50 million of the credits would be used for real estate assembly, \$40 million for gap financing, \$20 million for loans and \$10 million for equity investment.

May 2004 -- The three entities are jointly granted \$52 million in tax credits by the U.S. Treasury Department. Private investment commitments are considered critical in gaining the credits.

May 2005 -- Advantage Capital Partners, based in St. Louis and New Orleans, receives \$50 million in New Markets Tax Credits.

September 2005 -- The city of St. Louis applies for \$150 million in New Markets Tax Credits, using the Center for Research Technology and Entrepreneurial Exchange (CORTEX) in Midtown as an example of a project that benefits. St. Louis County decides not to request additional tax credits, saying that the 2004 allocation hasn't been used yet.

November 2005 -- The St. Louis Development Corp., the St. Louis County Economic Council and the Southwestern Illinois Development Authority allocate \$32 million of the \$52 million in tax credits awarded in 2004 to six projects. They include:

- Redevelopment of St. Louis Centre, which is to receive \$8 million worth. Then-owner Barry Cohen bought the mostly vacant shopping mall in a 2004 foreclosure sale for \$5.4 million. John Steffen, president of St. Louis-based Pyramid Construction, later buys the building.
- Offsetting rent to recruit a national retailer to the \$49 million Ely Walker Lofts project at 1520 Washington Ave. The credits are awarded to the project on the condition that Chicago-based developers Orchard Group Development and Joseph Freed Cos. net such a retailer.
- Development of retail space at the former River Roads Mall site in Jennings. Pyramid Construction Inc. receives \$7 million worth of credits for the \$7.5 million retail development, which is part of a \$66 million development that includes a 94-unit senior living complex and 200 new, single-family homes.

December 2005 -- St. Louis city officials announce they will recommend that an undetermined amount of New Markets Tax Credits be set aside to attract Accentia Biopharmaceuticals' headquarters to the city. The Tampa-based biopharmaceutical company has narrowed its headquarters relocation search to St. Louis or a new site in Tampa and expects to announce its decision within 90 days. A total of \$20 million in tax credits remains to be allocated through 2006 from the \$52 million awarded in 2004.

January 2006 -- The St. Louis Development Corp. misses the 2005 deadline to be eligible for additional tax credits to be announced in May 2006. Barb Geisman, deputy mayor for development for the city of St. Louis, later says that creating the application process took longer than the city anticipated, which delayed getting projects approved in time to meet the deadline.

February 2006 -- Eight developers and companies vying for a portion of the remaining \$20 million in tax credits make their cases before members of an allocation committee.

Two of the developers want to use the incentive to build new facilities at CORTEX. Clayco requests \$12 million worth to build a \$39.5 million, 170,000-square-foot facility for a biotech company. The company, which has 375 employees, is seeking to move from elsewhere. Accentia requests \$10 million to build an \$82 million, 185,000-square-foot production facility that reportedly would create 850 jobs. The Florida-based company, which also was looking at Tampa, says it will announce its decision in the second quarter of 2006.

The six other proposals are:

- A \$10 million request from Joe Edwards to help fund a boutique hotel on Delmar Boulevard on which he hopes to begin construction in April.
- A \$5 million request from Renaissance Development Associates to build a three-story, 231-space garage in the 3000 block of Olive Street.
- A \$20 million request from Center Oil Co. to fund an \$85 million ethanol plant in Sauget, Ill.

The company says it expects to choose a site in April 2006 and have the plant operational in the summer of 2007. The plant reportedly will employ 30 to 35 employees and produce 50 million gallons of ethanol per year.

- A \$5 million request from the Philip Co. to help expand the St. Louis Business Center at 8000 Hall St., which has 850,000 square feet of industrial space. The plan is to acquire 20 adjacent acres to build a \$16 million, 100,000-square-foot building for the center's tenants to expand.
- A \$5 million request from Conrad Properties for the former Hammermill Paper Co. building at Clark and 10th streets in Cupples Station. Construction on the \$18.5 million, six-story rehab project is set to begin in spring 2006.
- A \$5 million request from Restoration St. Louis to help fund its \$50 million redevelopment plan in the Forest Park Southeast neighborhood, bordered by Interstate 44 to the south, Kingshighway to the west, Highway 40 to the north and Vandeventer to the east.

June 2006 -- U.S. Bancorp Community Development Corp. and developer McCormack Baron Salazar are awarded \$135 million and \$60 million in tax credits, respectively, through the New Markets Tax Credit Program.

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Sources: *St. Louis Business Journal* archives and the U.S. Department of the Treasury

jamesgoodwin@bizjournals.com Rick Desloge contributed information to this story.

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