

Local company lands \$65M in federal tax credit funds

BY JENNIFER A. JOHNSON
Phoenix Business Journal

A Phoenix-based community development organization was one of 70 nationwide to benefit from the latest round of funding under a federal program designed to spur economic development in low-income neighborhoods.

DV Community Investment LLC, which is operated by Dudley Ventures LLC, received a \$65 million New Markets Tax Credit allocation from the U.S. Treasury Department to provide financing for projects in distressed areas of Phoenix and elsewhere.

Those tax credits were amongst \$3.6 billion worth awarded to 70 development organizations across the country. They were selected from 314 applicants requesting a total of \$26.7 billion.

Congress established the tax credit program in 2000. It allows individual and corporate investors to receive credits against their federal income tax returns in exchange for making eligible investments.



Howard

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year period. Community development organizations must apply to the Treasury Department to be considered for the program.

While Dudley Ventures operates on a national scale, James Howard, Dudley's founder, principal shareholder and CEO, said at least some of the tax credits received will be used for local projects.

Most recently, Dudley's DV Community Investment LLC funded the New Markets Tax Credit equity and provided advisory services for the \$57 million Oasis Hospital project in Phoenix, a 94,000-square-foot specialty orthopedic and spine hospital that opened in June 2011. The \$32.5 million in credits were provided by Enterprise Bank and Trust and Chicanos por la Causa.

"My only regret is that we haven't done a bunch of projects more like that in Arizona," Howard said. "Nothing would be make me happier."

He said Dudley already has received more than 100 inquiries about the NMTC allocation. The company has several Arizona-based deals in the pipeline.

Howard said Dudley Ventures has a long track record in the New Market Tax Credit space, including the company's own headquarters in downtown Phoenix. Dudley closed a \$4.35 million NMTC transaction in 2009 to complete the funding to revitalize a warehouse that originally was constructed in 1930. It was an ancillary building for the Arizona Hardware Supply Co.

Dudley Ventures also is working with the Downtown Tucson Partnership to create a small-business revolving loan fund. The fund will leverage the U.S. Department of Housing and Urban Development 108 Loan Guarantee program through the city of Tucson and private donations with NMTC equity.

Dudley Ventures' allocation of tax credits will assist the revitalization and enhancement of downtown areas by providing below-market-rate financing to fund small

and midsize businesses in the historic downtown Tucson areas and nearby historic neighborhoods.

Jack Barry, president and CEO of Enterprise's Arizona operations, said the bank has had demand for the \$35 million NMTC allocation it received in 2011. Enterprise used \$10 million on the Oasis Hospital project.

"We are committed to Arizona and see Arizona as a great opportunity for the bank," Barry said. "This was a great way to spur development."

Oasis Medical Director David Ott said the hospital had arranged much of its fi-



Barry

ancing before the NMTC were approved for the Phoenix facility, but the \$32.5 million tax credit allocation helped the organization both strengthen its financial position and build a larger facility.

Ott said he and his partners have worked for more than six years to develop the specialized 64-room orthopedic hospital at 750 N. 40th St., which is focused on delivering high-quality care with a focus on an integrated environment.

"We have been working to educate people in this space for over 10 years," Howard said. "We think it's a wonderful program."

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NEW MARKETS TAX CREDIT

PROGRAM FOUNDED: 2000 as part of the Community Renewal Tax Relief Act and administered by the U.S. Department of Treasury

HOW IT WORKS: Investors receive tax incentives to invest in community development entities. Each credit equals 39 percent of the investment paid out over a seven-year-period.

THE GOAL: To boost revitalization efforts in low-income and poor communities

AWARDS TO DATE: 664, allocating a total of \$33 billion in tax credit authority for projects nationwide such as charter schools, affordable housing developments, hospitals and alternative energy companies

Commerce Authority hires DHR to find replacement for Cardon

BY MIKE SUNNUCKS
Phoenix Business Journal

The state of Arizona has hired head-hunting firm DHR International to find a replacement for departing Arizona Commerce Authority CEO Don Cardon.

A replacement is scheduled to be hired by May.

DHR will conduct a nationwide search and present a short list to Gov. Jan Brewer and a selection committee.

Cardon announced in January he was quitting as Commerce Authority CEO to return to the private sector. The ACA is the state's economic development and business recruitment agency.

Scottsdale-based Govig & Associates

did the executive search in 2010 to find the ACA's original CEO.

It was paid \$40,000 for that contract and ended up selecting Cardon, who was director of the Arizona Department of Commerce at the time.

"DHR International is proud and excited to assist the ACA and the state of Arizona in its nationwide search for a new president and CEO," said David Bruno, senior client partner and managing director of Chicago-based DHR, which has a local office.

Brewer also named a six-member panel to help pick Cardon's successor: Cardon; Brewer's chief of staff, Eileen Klein; former U.S. Transportation Secretary Mary Peters; DMB Associates Chairman Drew Brown; Avnet Inc. Chairman Roy Vallee; and Abrams Airborne Manufacturing CEO Gary Abrams. They all sit on ACA's board and were appointed by Brewer.



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