



AMERICAN TOBACCO PHASE II - DURHAM, N.C.

Developer/Sponsor

Struever Bros. Eccles and Rouse

Project Type

Mixed-use; Rehabilitation

Square Footage

39,000 SF of retail and office space; 70 rental apartments

Investment

\$19.5 million

Description

The American Tobacco Historic District (ATHD), in Durham, N.C., represents the ongoing revitalization of the city's most prominent downtown industrial complex. The completed Phase I of the site, which was developed by Capitol Broadcasting Company, is a contemporary 500,000 square foot, mixed-use office and retail complex situated across from the Durham Bull Athletic Park. Phase II, now underway, will add 38,000 square feet of office and retail space, 53 rental apartments and 17 for-sale condominiums as part of a larger 300,000 square foot addition of adaptive reuse to the property. Several construction related jobs will be created for the project, and at least 75 new permanent office jobs will be located in the city, once the project is fully leased.



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Enterprise's investment provides a senior subordinate loan, a junior subordinated loan and a convertible junior subordinated loan to the project, utilizing New Markets Tax Credits. The ATHD investment is an excellent example of Enterprise's ability to structure and close a highly complex financial transaction with an unrelated New Markets Tax Credit lender and equity investor, as well as a senior loan to finance the for-sale condos. This project signifies an Enterprise first: use of New Markets Tax Credits in North Carolina.

Market

Durham, N.C. built its reputation and economy on the production of tobacco products. However, in recent decades, the Raleigh-Durham MSA has become known as the "Research Triangle" due to the commercial spin-off of biotech companies and high tech research from two nearby universities-Duke and The University of North Carolina at Chapel Hill. Durham's economy continues to be driven by a strong manufacturing base, with an increasing base of professional service jobs. The area around ATHD is an impoverished area with a low median income. The completion of Phase II of ATHD is instrumental to the success of the overall project and will bring much needed residential space and additional office workers to downtown Durham. This will ultimately result in a critical source of economic activity for local businesses. The city of Durham has been supportive of this project, and is working on a comprehensive improvement plan to revitalize the downtown district, including new roads and parks.

Community Impact

Approximately 60 full-time and part-time jobs for workers will be created as a result of the project construction. Struever Bros. Eccles and Rouse (SBER) has committed to partnering with a transitional training program for the project, to train and employ 15-20 ex-offenders. Further, SBER has agreed to employ approximately 20 low-income residents from the local St. Teresa neighborhood as full-time workers. Finally, in addition to employing local labor for daily, part-time jobs, SBER requires all subcontractors working on its projects to commit to hiring workers from the local community and the city of Durham. In terms of permanent job creation, approximately 75-100 new permanent office jobs will be added as a result of the new commercial space. An additional 425 office workers will be relocated from the local area to this project; thus the project will house 500+ office workers.

Sponsor

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Struever Bros. Eccles and Rouse, the developer for ATHD Phase II, is a highly experienced developer of historic rehabilitation projects. SBER specializes in development, construction and property management, with an emphasis on revitalizing neighborhoods by creating unique buildings, restoring urban landmarks and preserving downtown centers. SBER also brings expansive knowledge of tax credit development to support investment in the American Tobacco Historic District. This is the second New Markets Tax Credit development between SBER and Enterprise.

Investor

U.S. Bancorp Community Development Corporation provided \$5.7 million in equity for the transaction through an investment partnership with Enterprise, which provided New Markets Tax Credits to the transaction. U.S. Bancorp Community Development Corporation, with assets of nearly \$1.4 billion, is one of the largest New Markets Tax Credit investors in the country. It also makes equity investments in low-income housing and historic tax credits in exchange for tax benefits and CRA investment credits usable by U.S. Bank. Both are subsidiaries of U.S. Bancorp (NYSE: USB), which with assets of \$195 billion is the 6th largest financial services holding company in the United States. The company provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. U.S. Bancorp is the parent company of U.S. Bank.

Capmark Finance (formerly known as the GMAC Commercial Mortgage family of companies) is the senior lender to the project and the New Markets Tax Credit lender.