



## University Circle Inc. nabs \$20M in tax credits; Cleveland shut out

By [JAY MILLER](#)

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University Circle Inc. has won \$20 million in New Markets Tax Credits, an award that will help the nonprofit development corporation stimulate development in Cleveland's cultural center and its surrounding neighborhoods.

At the same time, the city of Cleveland was shut out of the competition for the federal tax-credit allocations. Cleveland economic development director Tracey Nichols said she expects the city will compete for future tax-credit awards.

Chris Ronayne, president of University Circle Inc., said his organization, successful in its first bid for federal tax-credit authority, will use the tax credits to help move forward a handful of development projects — new developments and expansions of existing institutions — it hopes to bring to the area.

"If we could get three big-bang projects out of this, that would be a good start," Mr. Ronayne said.

He named two priority candidates for the new financing: a new hotel of between 160 and 220 rooms that would be located at Euclid Avenue and Cornell Road, and a mixed-use development around the Regional Transit Authority rapid transit station that is relocating to Mayfield Road between Euclid Avenue and Little Italy.

"In both cases, right now we are entertaining developers and their proposals but have not locked in with a selection for either," Mr. Ronayne said.

Earlier this year, Mr. Ronayne told *Crain's* that University Circle Inc. had a pipeline of \$150 million of projects that could be considered for the tax-credit financing. Last week, he named several other candidates, including buildings for the Museum of Contemporary Art, which is planning to move from its current location alongside the Cleveland Play House, as well as the Children's Museum and a community day care facility.

The role of community development financial intermediary is a new one for University Circle Inc., but it's one that has become more of a necessity in a district that supports so many cultural and social nonprofit groups.

"You cannot in this era as a nonprofit be wholly reliant on foundation funding to get where you want to go," Mr. Ronayne said. "Twenty million dollars is a good start toward at least putting projects out in the community that have catalytic relevance."

### One of 90

The 9-year-old New Markets Tax Credits program, administered by the U.S. Treasury Department, gives individual and corporate taxpayers a federal tax credit for investing in nonprofit developments that serve low-income areas. Technically, the tax credit allocation is administered by a special nonprofit development corporation created to

make this kind of investment. In University Circle Inc.'s case, it created University Circle New Markets Inc.

University Circle Inc. was one of 90 organizations nationwide that shared a \$5 billion pot of tax credits. The Treasury Department received 249 applications requesting a total of \$22.5 billion for this round of tax credits.

Communities use the tax credits to compete for new businesses and developments. To make inner-city investments more attractive, communities use this kind of low-cost financing to fix up properties that may incur significant extra cost.

## **Cleveland's disappointment**

Ms. Nichols, Cleveland's director of economic development, had high hopes the city's nonprofit, Cleveland Citywide Development Corp., would win an allocation. The city sought \$100 million in tax credits.

"Obviously, we were disappointed," she said. "We anticipate we'll put in an application next May and we'll be funded."

Ms. Nichols said she has three or four projects that she would not name that were candidates for tax credits.

"Now, I'll be calling around for allocations," she said.

KeyCorp, the Cleveland-Cuyahoga County Port Authority, Cleveland Development Advisors (an arm of the Greater Cleveland Partnership) and several other organizations have created nonprofits that have won tax-credit authority over the last few years and may have unspent allocations. But they tend to spread their allocations across wide areas. Key Community Development New Markets LLC, for example, won \$50 million in credits in the last round, though it spreads its credits across seven states.

However, these organizations also have provided tax-credit financing to a variety of Cleveland projects, including the Capitol Theatre on the city's West Side.

## **Hope for an extension**

Radhika Reddy, a partner in Ariel Ventures LLC, a Cleveland consulting firm that specializes in tax credit financing and assisted University Circle Inc. with its application, said she was surprised the city of Cleveland's application wasn't successful.

"It's a shame," she said. "We really expected them to get it."

Ms. Reddy, a member of the advocacy group the New Markets Tax Credit Coalition, said that authorization for the tax credits expires at the end of the current federal fiscal year, which ends next Sept. 30. She said she hopes the tax-credit program will be extended for five years at \$5 billion a year, but that Congress might only agree on a one-year, \$5 billion extension.

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