NMTCs Become Part of the Solution to Alleviate Hunger

By Jennifer Dockery, Staff Writer, Novogradac & Company LLP

At Part of the Solution (POTS) in the Bronx, space dictates the schedule. Monday’s legal aid office is Tuesday’s barbershop; a stairway serves as a waiting area for food pantry clients, and a hallway doubles as a shower changing room. In 2000, after 14 years in increasingly cramped quarters, the needs-driven organization began searching for more space, eventually settling on the building next door. As the organization applied for loans, it faced two problems: it lacked experience with real estate transactions and it lacked capital. The organization reached out to its network of volunteers and donors to solve these problems. Through these connections, POTS has partnered with the Low Income Investment Fund (LIIF) and JPMorgan Chase to expand its operations. Using an acquisition loan and new markets tax credit (NMTC) allocation from LIIF and an NMTC investment from Chase, POTS plans to have its expanded facility open in time to serve Thanksgiving dinner.

“The expansion of the site allows POTS to serve more than 10,000 people and 50,000 more meals each year,” said Judith Kende, LIIF’s director, New York region. “It really comes down to the people in these organizations who are so passionate and generous and serve a deep needs population.”

At present, POTS operates out of the same 5,000-square-foot facility in the Bronx that it opened in 1986. Programs and services include a food pantry, shower facilities, a clothing distribution service, mail services, legal services and case management services. The center also provides a community dining room that provides meals in a restaurant setting. In 2009, the organization served 330,000 meals.

Technical and financial support for the facility comes from numerous sources including The Robin Hood Foundation; The Rusty Staub Foundation; Dalio Family Foundation; Andor Capital Management Foundation; Judith C. White Foundation parishes and congregations; MAZON: A Jewish Response to Hunger; the Communication Workers of America union; schools; and community associations. More than 1,200 individuals also support the organization each year through donations and service.

The expansion will add 15,000 square feet of programming and storage space. Planned services include a new supermarket-style food pantry, medical and dental clinics, after-school tutoring, and cooking, parenting and nutrition classes. POTS will also expand existing services, assisting clients in both buildings. The organization will triple the size of its

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The additional space will allow the not-for-profit to serve 20 percent more people without increasing its staff, according to Kende. Bean said that POTS may add staff slowly, as needed during the next five years.

POTS estimates total building acquisition and renovation costs at a little less than $8 million. LIIF provided an acquisition loan that allowed POTS to acquire the building in 2008; it allocated $8.8 million in NMTCs this year. Chase invested $2.5 million in the NMTC transaction that closed in March. A capital campaign has raised more than $5 million of the $5.6 million needed to repay the project debt.

“Our mission is poverty alleviation and LIIF is proud to support POTS and its critical work in the Bronx,” Kende said.

POTS hired experienced NMTC consultants to assist with the transaction. Kende praised the move saying that the time and money that consultants can save a not-for-profit outweigh the cost of hiring the consultant. She said consultants direct the process, providing expertise and focus to organizations that may have little to no experience with complex real estate or NMTC transactions.

“As a not-for-profit, we haven’t had debt before. Without the [NMTCs] we wouldn’t have the building we have,” Bean said. He described the program as challenging with many moving pieces coming together.

En Jung Kim, Chase’s community development banking vice president, said the project is atypical for the bank, but that the investment fits the bank’s mission. Kim said that several Chase employees volunteer at the soup kitchen and one employee serves on POTS’ board. Because of that, Chase was familiar with the project when LIIF approached the bank about an NMTC investment.

“We were extremely impressed by their service and the work that they do. We typically look for projects with extremely high mission and community impact, and this project really fit that mold,” Kim said. She added that, because the low-income area has seen little development in the past few years, the POTS expansion could serve as a catalyst for the neighborhood.

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Construction began in earnest in March and the structural work is complete, Bean said. Electricians, plumbers and others are now working on the building’s systems and interiors. POTS expects the building will be ready to welcome guests for Thanksgiving dinner this November.

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