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NMTCs Fund Cleantech Innovation Campus

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Cleantech entrepreneurs will soon have a new place to set up shop when the \$47.5 million La Kretz Innovation Campus opens in downtown Los Angeles. Currently under construction on 3.2 acres of land owned by the Los Angeles Department of Water and Power (LADWP), the project was made possible using new markets tax credit (NMTC) investments from five community development entities (CDEs): U.S. Bank's CDE, USBCDE LLC; Clearinghouse CDFI; the Los Angeles Development Fund (LADF); Urban Research Park CDE; and Consortium America. When it opens in early 2015, La Kretz will serve as a space where entrepreneurs, engineers, green technology advocates and policymakers can share resources and help cleantech businesses thrive.

Kelli Bernard, deputy mayor for economic development for the city of Los Angeles, called Los Angeles a natural place for the cleantech industry because of community support, availability of capital and the number of research universities in the area. "We want to keep companies in Los Angeles and grow our economy with jobs that pay well. La Kretz will be the hub for those activities in the region," said Bernard. "Looking across the country, this is a leading example of public-private partnership in supporting the clean technology industry."

La Kretz Innovation Campus

The La Kretz project involves renovating a 61,000-square-foot brick building from the 1920s that has primarily been used as warehouse space over the years. Once renovations are completed, the new campus will feature offices, classroom space, conference rooms, a wet lab and

a workshop for manufacturing prototypes. The property will also include a new community park and a parking lot with a photovoltaic solar canopy.

La Kretz's main tenant will be the Los Angeles Cleantech Incubator (LACI), a nonprofit organization funded by LADWP and the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA). LACI provides new cleantech companies with office space, a group of experienced advisers and a network of industry contacts from around the city and county. LACI currently operates from a temporary location one block from the future La Kretz campus. Once it moves to the new location, LACI will have the capacity to increase its number of portfolio companies from 28 to about 50 or 100, said Fred Walti, LACI's executive director.

The campus will also house LADWP's Energy Efficiency Technology and Customer Engagement Centers, along with a workforce development center that will provide cleantech job training. "Our hope is to incubate companies and to make sure that we're not just creating jobs for engineers, but also creating a place for people to gain skills," said Bernard.

Those who complete the workforce development programs will then have the skills to apply for jobs with any of the incubator businesses, said Josh Ferguson, president of Urban Research Park CDE.

The Cleantech Corridor

The La Kretz campus will anchor Los Angeles' Cleantech

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Corridor, a 4-mile strip along the Los Angeles River that the city hopes will transform from a blighted industrial neighborhood into a thriving green business district. Once completed, the La Kretz project is expected to create 600 direct jobs and 1,080 indirect jobs, which would generate about \$45 million in annual salaries.

“[La Kretz] is in a severely distressed area, however, the area is undergoing significant revitalization,” said Jay Harrison, chief investment officer of Clearinghouse CDFI. Nearby, Clearinghouse and LADF have also contributed NMTC allocation to One Santa Fe, a \$158 million mixed-use development with retail space and an affordable housing component that was financed with low-income housing tax credits (LIHTCs). Harrison said Clearinghouse was excited about the opportunity to invest in another NMTC project in the Cleantech Corridor. “I really do think that [La Kretz] is a piece of a much larger puzzle going in that part of Los Angeles, in terms of revitalization, renewal and job creation,” he said.

Others agreed. “It’s in a part of Downtown L.A. that has long been in transition. Given the many residential

projects under development in the immediate area, La Kretz is a great way to incubate growing small, green and cleantech businesses in L.A.,” said Tim Karp, assistant vice president for U.S. Bancorp Community Development Corporation, a subsidiary of U.S. Bank.

Financing

Funding for La Kretz included \$8.4 million in city bonds; a \$3 million U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG); a \$2.1 million U.S. Department of Commerce, Economic Development Administration (EDA) grant; and a \$165,000 energy efficiency community block grant.

“The project received a lot of financial and community support, but there was still a hole in the budget that you could drive a truck through,” said Cam Turner, principal at United Fund Advisors, the deal’s qualified active low-income community business (QALICB) consultant.

This was when the CDEs stepped in to provide \$43 million in NMTC allocation: \$12 million from Urban Research Park CDE, \$10 million from the LADF, \$10 million from Clearinghouse CDFI, \$7 million from Consortium

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Rendering: Courtesy of Los Angeles Department of Water and Power, Alice Y. Kimm, FAIA, John Friedman Alice Kimm Architects, Inc.

The \$47.5 million La Kretz Innovation Campus, as seen here in a conceptual rendering, is set to open in downtown Los Angeles in 2015.





Renderings: Courtesy of Los Angeles Department of Water and Power, Alice Y. Kimm, FAIA, John Friedman Alice Kimm Architects Inc.

Cleantech businesses will have access to board room and meeting spaces at the new campus, as seen here in a conceptual rendering. The campus' anchor tenant will be the Los Angeles Cleantech Incubator.

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America and \$4 million from the USBCDE. U.S. Bancorp Community Development Corporation provided \$14 million in NMTC equity.

Those involved with the La Kretz project say that the development would not have been possible without NMTC financing. "The goal is to encourage and help develop small firms, not to make money off of them, so it's not something that could traditionally get a loan. The

new markets tax credit helped with the gap," said Sandra Rahimi, manager and corporate officer of LADF.

Project partners expect La Kretz to foster continued growth of the cleantech industry, while creating jobs for the local community. Walti said, "It'll be the game changer for this entire area—the crown jewel of the Cleantech Corridor." ❖

La Kretz Innovation Campus

FINANCING*

- \$14 million in new markets tax credit (NMTC) equity from U.S. Bank
- \$4 million in NMTC allocation from USBCDE LLC
- \$10 million in NMTC allocation from Clearinghouse CDFI
- \$10 million in NMTC allocation from the Los Angeles Development Fund (LADF)
- \$12 million in NMTC allocation from Urban Research Park CDE
- \$7 million NMTC allocation from Consortium America
- \$11 million from the Los Angeles Department of Water and Power (LADWP) for acquisition
- \$5.5 million from the LADWP customer service division
- \$2 million from the LADWP energy efficiency division
- \$1.2 million from CRA/LA
- \$3 million from the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG)
- \$2.1 million U.S. Department of Commerce, Economic Development Administration (EDA) grant
- \$8.4 million in city bonds
- \$165,000 energy efficiency community block grant

*Not included are the separate grants and other funds for the Arts District Park.

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