

Transaction a team effort

Bois Forte Band of Chippewa, Wells Fargo and Travois New Markets work together

Staff reports

KANSAS CITY, Mo. – Travois New Markets, an economic development consultant for American Indian tribes, recently helped the Bois Forte Community Redevelopment Corporation secure New Markets Tax Credit funding for its new, energy efficient Community and Government Services Facility, which is currently under construction in Nett Lake, Minn.

Wells Fargo placed a \$3.7 million New Markets Tax Credit investment in the project combined with an additional \$9.1 million in construction financing to build and manage the 48,852-square-foot Community and Government Services Facility, which will be home to community meeting space, Bois Forte Tribal Government offices and a financial service center such as a credit union or branch bank.

"We were pleased with the financial acumen and knowledge of Indian country that Travois brought to this project," said Bois Forte Tribal Chair Kevin Leecy.

"Our focus is on diversifying and strengthening our economy. Creative financing tools like New Market Tax Credits are versatile tools for tribes to utilize."

The need for a new building became even more urgent this spring when a fire destroyed a tribal government building that had served as an anchor in the community since 1976. As a consultant to BFCRC, Travois assisted the development team in closing the investment with a leverage loan from the band and NMTC allocation and equity from Wells Fargo. This is Wells Fargo's third NMTC transaction involving a tribal entity; Wells Fargo provided the first-ever NMTC financing to an American Indian tribe in May 2005.

"The NMTC program financing structure provided Bois Forte a source of long-term funding to the project that is substantially cheaper and on more favorable terms that would be conventionally available," explained Lee Winslett of Wells Fargo's Community Lending and Investment group. "This creates a domino effect that

allows Bois Forte to rent space at below-market lease rates, and tenants increase their benefits to end users – members of the Bois Forte Band of Chippewa."

Though it acted as a consultant on this project, Travois New Markets is also a nationally certified CDE, and it was recently awarded \$80 million in New Markets Tax Credits to invest in other Indian country economic development projects.

"We are proud of every aspect of this transaction," said Phil Glynn, director of Travois New Markets. "First, we are always interested in community facility projects and will be seeking to use our own new allocation in similar projects on other reservations. Second, we are always excited to be involved in projects when the tribal government is the leverage lender. Bois Forte has employed a financing strategy that should be a model for Indian country."

Projected community impacts include 139 construction jobs created and 70 permanent jobs retained. The groundbreaking

was held in August, and construction is scheduled to be complete in August 2010.

The NMTC program was created in December 2000 and is administered through the CDFI Fund by the U.S. Department of the Treasury. The NMTC program serves as a catalyst to encourage investment of private equity capital into low income communities and allows taxpayers, such as Wells Fargo, to receive a credit against federal income taxes for making equity investments in designated CDEs.

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. The CDE provides a qualified equity investment under favorable terms, such as a below-market interest rate and a longer-than-standard period of interest-only payments, to the qualified active low income community business. 