



Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

September 2017 • Volume VIII • Issue IX

Published by Novogradac & Company LLP

Boosters of National Comedy Center Love Lucy, NMTCs

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC & COMPANY LLP

It's no joke: The National Comedy Center (NCC) will open next summer in the hometown of legendary comedienne, Lucille Ball. Thanks to new markets tax credit (NMTC) equity, the NCC in Jamestown, N.Y., will feature a 35,000-square-foot immersive exhibit experience/museum, a year-round calendar of live performance and discussions on comedy, and an education component to support aspiring artists and provide comedy arts education.

It's a new, digital style of presentation—one that's creating plenty of additional economic activity.

Image: Courtesy of National Comedy Center Inc.

The National Comedy Center in Jamestown, N.Y., will include a theater where guests can watch classic comedy routines via hologram technology.



“First of all, we said it can't be like the static halls of fame, because they don't really work,” said Tom Benson, chairman of the NCC. “People don't come back. We needed to create a place where people will come back multiple times. We spent 3½ years working on that.”

The campus has 74 attraction components. Visitors will answer a series of questions that indicate their specific sense of humor. That information will be linked to a radio frequency identification (RFID) chip, embedded in a bracelet that operates as a ticket and allows them to interact with the components in a personalized way.

The comedy center should have a soft opening late next spring and an official grand opening during the 2018 comedy festival, the first week of August.

“The NCC shows how you can be innovative with new markets tax credits,” said Thomas Boccia, a partner in Novogradac & Company LLP's Cleveland office, who worked on the transaction. “The goal is to create development and jobs—and this does both in a big way.”

continued on page 2

continued from page 1

Transaction Comes Together

Ball is from Jamestown and donated memorabilia from her career and from the “I Love Lucy” television show to create a museum.

The Lucille Ball-Desi Arnaz Center opened, but a decade ago, a city-funded plan revealed Jamestown’s need for an attraction that could draw at least 100,000 people annually. “At that point, the National Comedy Center gave birth, because it’s a capstone that everyone recognized could benefit the city,” Benson said.

Benson and other members of the board of directors wanted more than “static” halls of fame such as the Rock and Roll Hall of Fame in Cleveland, the Pro Football Hall of Fame in Canton, Ohio, and the Baseball Hall of Fame in Cooperstown, N.Y.

An annual weeklong, 50-event comedy festival that honors Ball was used to tell the story and create momentum. The comedy festival draws 20,000 people every August.

“People come from all over the world [to the comedy festival] and they wanted to take that and broaden it with the National Comedy Center,” said Jennifer Westerbeck, senior business development associate at U.S. Bank, the sole investor in the property.

Meanwhile, an adjacent \$12 million train station development was funded partly through historic tax credit (HTC) equity in 2012. Benson said he asked Boccia, with whom he worked on the train station property, whether the NCC could qualify for the NMTC. Boccia said it would, but the challenge would be in getting an NMTC allocation, since it was unconventional.

After more years of work, Empire State New Market Corporation, a subsidiary of Empire State Development tasked with management of its NMTC program, stepped up to provide an NMTC allocation for the project. Two other CDEs came on board, along with several other financial partners. The transaction closed April 20.

“Without the help of Novogradac; the Buffalo law firm Canon, Heyman and Weiss; and consultant Rise

continued on page 3

Image: Courtesy of National Comedy Center Inc.

The National Comedy Center will be funded by equity from new markets tax credits (NMTCs), as well as several other sources. It is being built in Jamestown, N.Y., which has double the national poverty rate.



continued from page 2

Community Capital, we would never had been able to successfully move through the NMTC maze and get to closing,” Benson said.

Basics

NCC officials say the property—designed by Jack Rouse Associates—will bring at least 100,000 visitors per year to Jamestown, resulting in a \$23 million annual boost to the local economy. Jamestown has an unemployment rate of nearly 14 percent and a poverty rate that’s double the national average.

The footprint of the National Comedy Center includes an addition, the adaptive reuse of a train station and warehouse, and a connector between them.

Visitors will be taken on a personalized interactive journey through all media types and time zones, from radio to tweets. They will also be able to create comic strips, share a situation comedy writer’s room experience, do comedy karaoke, insert themselves into iconic comedy scenes via a green screen and more. In addition, there will be a theater where guests can see classic comedy routines via cutting-edge hologram technology.

“You can come back tomorrow and the experience will be different,” Benson said. “It’s going to be a blockbuster.” The attraction will rely on a massive content management system that will be updated regularly. “That’s a significant advantage,” Benson said. “We don’t have to invest in bricks and mortar to update.”

“I love the concept of it,” said Patricia Monahan, senior investment officer at Mascoma Community Development, one of the CDEs. “It’s almost a library of comedy. This project will take the art of comedy and preserve it for future generations.”

Nontraditional Transaction

For many veteran NMTC insiders, this was unique.

“I initially thought ‘this is odd,’” said Aisha Benson, who manages the NMTC program at TruFund Financial Services Inc., one of the CDEs through its subsidiary Empowerment Reinvestment Fund. “It’s very different, even from the projects we have, which are usually around operating businesses and community facilities. But I loved the idea from the beginning. It’s innovative and unique. I thought it provides a great opportunity for families to have something to share. Thriving communities need hospitals, schools, businesses, but you also need a place to go for fun and education. I loved the idea that this project was outside the box, but still met all of our CDE goals around quality job creation and catalytic impact.”

Jonevan Hornsby, president of Empire State New Market Corporation, was an early supporter of the project and recognized its challenges as well.

“We believe that the unusual nature of the project is one of its key strengths. In particular, one of the issues in nonmetro projects is that there are limited industries in rural communities,” Hornsby said. “This project expands the industries—tourism and comedy—that already exist in Jamestown, Chautauqua County and the Western New York region. It will draw visitors, who vacation at the local lakes or visit Niagara Falls, with another major entertainment outlet that keeps them in the region longer, to spend additional dollars and generate additional economic activity.”

U.S. Bank’s Westerbeck said her organization was pleased to commit to the investment. “We were happy to be chosen early as the investor,” Westerbeck said. “The hurdles were that it wasn’t a traditional new markets deal and it doesn’t provide pure large job stories. You

continued on page 4

continued from page 3

have to go deeper into the indirect impact, so it's harder to get CDEs to focus. ... Once we really could get in front of CDEs and give them an idea of what could happen, it helped."

Financing

Empire State New Market Corporation, TruFund and Mascoma allocated the NMTCs and U.S. Bank was the investor. Rise Community Capital was the financial advisor and worked post-closing with the sponsor team and each of the financing parties to ensure the financing and community impacts are generated and reported.

"We featured this project in our application [for NMTC allocation]," Aisha Benson said. "This was a project that, from its introduction, we thought really added value to its community. It's very clearly catalytic and it received tremendous support from local stakeholders and local and state government."

"We're a relatively new CDE and in 2015, we became nationally certified," said Mascoma's Monahan. "This was the first year we could allocate on a national basis. When we learned about this project, we were attracted to Lucille Ball's vision to use comedy as an economic tool to revitalize her hometown. What better opportunity to present nationally when everybody can relate to comedy and there coincides a strong likelihood of fostering ancillary development in Jamestown and western New York."

The project also received \$3.8 million from Empire State Development, I LOVE NY and New York State Office of Parks, Recreation and Historic Preservation through three rounds of the Regional Economic Development Council Initiative.

There is a \$5 million commitment through the Buffalo Billion initiative, which is administered by Empire State

Development and millions of dollars in grants from various local, regional and national organizations.

Catalytic Effect

The NCC's impact is dramatic. An abandoned nine-story hotel nearby is being renovated with a planned \$12 million investment. A 10-story building adjacent to the property is being turned into a mixed-use property with retail, offices, hotels and condominiums.

"A key was the participation of a regional developer and hotel owner who renovated and reopened a long-shuttered hotel, mainly because of the National Comedy Center," said Hornsby. "Without this project, it was clear that they would not invest in Jamestown. The project sponsor provided numerous other examples, such as the opening or expansion of restaurants and other businesses, all of which are verified by the city of Jamestown."

"This went from pie in the sky to being a part of the long-term tourism and economic development plan of New York state," Tom Benson said, citing the desire to capitalize on the 8 million people a year who visit Niagara Falls, about 90 miles away. "The economic impact is staggering, even if the number of people [coming from Niagara Falls] is small."

At the end of the day, the NCC is the completion of a decades-long dream to fulfill the wishes of the First Lady of Comedy.

"The National Comedy Center board of directors' mission was to make this come to fruition," Tom Benson said. "We wanted to fulfill Lucy's dream and downtown Jamestown needs synergistic development." ❖

continued on page 5

continued from page 4

National Comedy Center

FINANCING

- ◆ \$11 million new markets tax credit (NMTC) allocation from Empire State New Market Corporation
- ◆ \$8 million NMTC equity from U.S. Bank Community Development Corporation
- ◆ \$8 million NMTC allocation from Empowerment Reinvestment Fund
- ◆ \$5 million NMTC allocation from Mascoma Community Development LLC
- ◆ \$5 million grant from New York State Buffalo Billion II Program
- ◆ \$3.8 million from Empire State Development and New York State Office of Parks, Recreation and Historic Preservation
- ◆ \$3.3 million grant from New York State Empire State Development
- ◆ \$3.2 million grant from the Gebbie Foundation
- ◆ \$3 million grant from Ralph C. Wilson Jr. Foundation
- ◆ \$2 million grant from the Oishei Foundation
- ◆ \$1.6 million grant from U.S. Department of Commerce Economic Development Administration
- ◆ \$500,000 grant from Sheldon Foundation
- ◆ \$500,000 grant from Lenna Foundation
- ◆ \$400,000 grant from Chautauqua Region Community Foundation
- ◆ \$100,000 grant from Johnson Foundation
- ◆ \$80,000 grant from Darrah Foundation

This article first appeared in the September 2017 issue of the Novogradac Journal of Tax Credits.

© Novogradac & Company LLP 2017 - All Rights Reserved

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided – any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Mark Shelburne
James R. Kroger, CPA
Owen P. Gray, CPA

Thomas Boccia, CPA
Daniel J. Smith, CPA

COPY

SENIOR EDITOR

Brad Stanhope

ASSIGNMENT EDITOR

Teresa Garcia

SENIOR WRITER

Mark O'Meara

CONTENT MANAGEMENT SPECIALIST

Elizabeth Orfin

CONTRIBUTING WRITERS

Jodie Fish
Melissa Ly
Forrest Milder

Joseph Poduska
Ryan Rieger
John M. Tess

ART

CARTOGRAPHER

David R. Grubman

PRODUCTION

Alexandra Louie
James Matuszak

Jesse Barredo

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Alex Ruiz
alex.ruiz@novoco.com
415.356.8088

ADVERTISING INQUIRIES

Carol Hough
carol.hough@novoco.com
415.223.6145

EDITORIAL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED OTHERWISE.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX ADVISOR.

ADVISORY BOARD

LOW-INCOME HOUSING TAX CREDITS

Bud Clarke	BOSTON FINANCIAL INVESTMENT MANAGEMENT
Jana Cohen Barbe	DENTONS
Tom Dixon	BOSTON CAPITAL
Rick Edson	HOUSING CAPITAL ADVISORS INC.
Richard Gerwitz	CITI COMMUNITY CAPITAL
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella	U.S. BANCORP COMMUNITY DEV. CORP.
Philip Melton	BELLWETHER ENTERPRISE
Thomas Morton	PILLSBURY WINTHROP SHAW PITTMAN LLP
Mary Tingerthal	MINNESOTA HOUSING FINANCE AGENCY
Rob Wasserman	U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Michael Kotin	KAY KAY REALTY
Michael Snowden	HIGHRIDGE COSTA HOUSING PARTNERS
Gianna Solari	SOLARI ENTERPRISES INC.

HOUSING AND URBAN DEVELOPMENT

Flynn Janisse	RAINBOW HOUSING
Ray Landry	DAVIS-PENN MORTGAGE CO.
Denise Muha	NATIONAL LEASED HOUSING ASSOCIATION
Monica Sussman	NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman	COMMUNITY REINVESTMENT FUND
Merrill Hoopengardner	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
Scott Lindquist	DENTONS
Matthew Philpott	U.S. BANCORP COMMUNITY DEV. CORP.
Ruth Sparrow	FUTURES UNLIMITED LAW PC
Elaine DiPietro	BLOOMING VENTURES LLC

HISTORIC TAX CREDITS

John Leith-Tetrault	NATIONAL TRUST COMM. INVESTMENT CORP.
Bill MacRostie	MACROSTIE HISTORIC ADVISORS LLC
John Tess	HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Bill Bush	STEM INC.
Benjamin Cook	NEXTPower CAPITAL
Jim Howard	DUDLEY VENTURES
Forrest Milder	NIXON PEABODY LLP

© Novogradac & Company LLP
 2017 All rights reserved.
 ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.