

Environmental Services Department

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San José Uses Innovative Financing to Build Environmental Innovation Center
First municipally-sponsored project in California to use New Markets Tax Credits

San José, CA – The City of San José, long a center of technology innovation, is now leading the way with innovative financing by closing an approximately \$27 million New Markets Tax Credits financing transaction to complete construction of the new San José Environmental Innovation Center (EIC) – a premier demonstration facility for emerging clean technology companies, a construction materials store, and a household hazardous waste facility. “Closing San José’s very first New Markets Tax Credit transaction exemplifies our City’s commitment to leverage public-private partnerships that help us advance key projects at a time when City resources are scarce,” stated San José’s Mayor Chuck Reed.

The financing represents the first municipally-sponsored project in California to use New Markets Tax Credits (NMTCs), a program of the United States Treasury’s Community Development Financial Institution (CDFI) Fund. “We had already exhausted other more traditional financing options such as grants and short- and long-term loans,” explained Kerrie Romanow, Acting Director of the City’s Environmental Services Department. “Our team saw the possibilities with the NMTC program and figured out how to take on multiple roles as lender, developer, and master tenant to not only make the program work for us but also lead the way for other cities looking to close project funding gaps.”

The City’s investment was leveraged with equity generated from tax credit allocations provided by three community development entities (CDEs). The total \$27 million NMTC allocation came from Brownfield Revitalization, LLC, the National Development Council’s [HEDC New Markets, Inc.](#), and the [Northern California Community Loan Fund](#) (NCCLF). JPMorgan Chase Bank, N.A. purchased the tax credits from all three CDEs and provided the critical equity needed to close the transaction. “Chase is pleased that our equity investment will help transform San José and Silicon Valley into a world center of clean technology innovation and environmental sustainability,” said Chase’s Vice President of Commercial Banking Elizabeth Tracey. “In partnership with the City, our investment is one more way we are helping the highest need neighborhoods in the Bay Area thrive in this challenging environment,

generating high-quality jobs in the green technology sector and nurturing sustainable businesses within the City of San José.”

The San José EIC was attractive to all of the financing partners for its unique and sustainable attributes that will help the City advance so many of its landmark Green Vision goals related to clean tech jobs, zero waste, green building, energy conservation, and renewable energy. Currently designed to achieve Leadership in Energy and Environmental Design (LEED) Gold certification from the U.S. Green Building Council, the City is striving to have the facility meet higher standards for Platinum certification. Construction of the EIC will involve the adaptive reuse and modernization of a historic warehouse and the project includes numerous sustainable site improvements and technologies that will serve both a functional purpose and provide educational opportunities for the public. For example, a utility metering and dashboard system will provide information about electricity usage; composting toilets will demonstrate an alternative method for reducing indoor water use; an advanced stormwater system (Modular Wetland Systems™) combines natural filtration with structural treatment of run-off prior to it entering local creeks and rivers; and structured void spaces (Silva Cells) underneath the pervious sidewalk pavements that will encourage tree growth and help with stormwater treatment. "The EIC is an extremely innovative project, and offers a great example for how municipalities can provide leadership and resources to community development," said Bret Batchelder, Managing Director of Brownfield Revitalization. "Brownfield Revitalization is excited to be a part of this project and very proud to add it to our portfolio."

The San José EIC will also directly benefit local job seekers with its Clean Tech Demonstration Center (CTDC) which is in alignment with a federal policy initiative to accelerate technology transfer by facilitating commercialization through local and regional partnerships. The project and its programming are expected to generate about 95 new on-site permanent jobs and 45 on-site construction jobs, with many more jobs generated around the Silicon Valley region resulting from the partnerships and networks of the CTDC. The CTDC will also integrate broad-spectrum workforce training opportunities for individuals seeking to enter the green economy. "NCCLF is proud to partner with the City of San José, JPMorgan Chase, and its fellow CDEs to help make the EIC a reality," said Ross Culverwell, Deputy Director of Lending for the Northern California Community Loan Fund. "In addition to the three community-serving tenants that will take up residence at the Center, NCCLF is very excited about the job creation, workforce development, and neighborhood revitalization aspects of the project." The high-impact project is a key component of the City's adopted Economic Development Strategy. The City's Environmental Services Department acquired the project site in 2006 and began the process of developing the vision and programming for the site, in collaboration with local community

stakeholders and various other City agencies including the Department Public Works and Office of Economic Development. “The NMTC financing provided the last critical piece to make the project a reality,” said Robert Davenport, President of the National Development Council, adding: “The City’s ability to access NMTCs to move this important project forward is a true testament to the vision, tenacity, creativity, and commitment of the City leaders and staff. NDC joins all of our financing partners in commending the City on this monumental achievement.”

The New Markets Tax Credit program is a Federal tax incentive established by Congress in 2000 to spur investments into operating businesses and real estate projects located in qualifying low-income communities. By permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in low-income areas, projects can realize savings through favorable financing. The project location meets the program’s eligibility criteria because it is a designated State Enterprise Zone with a household median income of 48.8% of area median.

Construction of the San José EIC began in September 2011 and is scheduled for completion in December 2012.

About San José’s Green Vision

The San José Green Vision, a 15-year plan adopted in 2007, charts ambitious goals for clean tech jobs, energy use reduction, renewable energy, green building, waste reduction, water reuse, sustainable development, clean fleet, trees, zero emission streetlights and interconnected trails. The plan is designed to lead us into a future of economic growth, environmental sustainability and an enhanced quality of life for our community. For more information, visit <http://greenvision.sanjoseca.gov/>.

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