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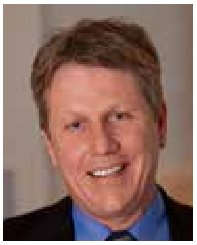
HISTORIC TAX CREDIT TOOL BOX

Rolling Acres in Vicksburg, Miss., Combines 4 Percent LIHTCs and 20 Percent HTCs



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It is not unusual to combine the 9 percent low-income housing tax credit (LIHTC) with the 20 percent federal historic tax credit (HTC).

The challenge of the 9 percent LIHTC process is that it is competitive with an extended timeframe.

Typically, in the 9 percent process, there is a competitive advantage for a property to have secured at least an HTC determination of eligibility (e.g., Part 1 approval) and ideally a Part 2–Description of Rehabilitation approval. This process requires substantial upfront investment of time and money with no assurances of success. It also extends the development schedule and creates a level of uncertainty.

An alternative strategy is to combine the 4 percent LIHTC with the 20 percent HTC. The benefit of the 4 percent LIHTC is that it is largely a credit by right, provided the state program has sufficient money to fund the program. This eliminates the uncertainty of securing the credit, obviates the substantial upfront development costs and allows a substantially more predictable development schedule. The obvious downside is that the subsidy is substantially less. The 4 percent LIHTC is a 30 percent subsidy versus 70 percent for the 9 percent LIHTC. This downside can be mitigated in states that have a state tax LIHTC, especially one that is also by right and not competitive.

Rolling Acres (Vicksburg, Miss.)

One recently completed development that employed this 4 percent LIHTC/20 percent HTC strategy is Rolling Acres in Vicksburg, Miss.

Rolling Acres is a public housing property on 65 acres about 2 miles north of downtown Vicksburg. Operated by the Housing Authority of Vicksburg

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(HAV), the complex has 153 affordable apartments in 113 ranch-style buildings set along meandering streets with low-rise knolls. Buildings are of one-story frame construction on concrete slab and feature brick accents, which vary from building to building to create a degree of individuality. Homes vary in size from studios to six bedrooms, though most are one- or two-bedroom units. Occupants range from senior citizens to families. The complex is marked by its low-density and suburban-like feel.

History of Rolling Acres

The complex opened in September 1971. Conceptual planning began over two years earlier. In March 1969, HAV issued a request for proposals for a turnkey development. HUD introduced the "turnkey" concept on an experimental basis in 1966 at the direction of HUD's first secretary, Robert Weaver. Under this program, the housing authority solicited bids from private developers to build a development with a particular number of units. Developers responded with a proposed site, a general plan and a statement of qualifications. For context, in 1969, 58 percent of public housing under construction nationwide was developed under the turnkey program.

Image: Courtesy of Heritage Consulting Group
Rolling Acres in Vicksburg, Miss., was recently rehabilitated using 4 percent low-income housing tax credit and 20 percent historic tax credit financing.

At HAV's Sept. 17, 1969, meeting, the agency selected Hamilton Collins as the developer. The company was a new corporation, a joint venture by Hamilton, Inc. of Vicksburg and Collins Building Services of Gulfport, Miss. Hamilton Inc. was a relatively new company and specialized in suburban residential tracts, including Riviera Heights, Greenbriar Estate and Hamilton Heights.

Following the selection of Hamilton, VHA sent an application to HUD that included 150 units of low-rent housing through the conventional turnkey program. The projected cost for the development was $2,864,500 with per-room unit costs pegged at $2,800 per family unit and $4,000 per elderly unit.

Rolling Acres was completed in the summer of 1971. A survey of family unit tenants shows that nearly all were employed, typically with low-paying jobs as

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delivery drivers, maids, laborers, waitresses or janitors. Eight percent appear to have been unemployed. Most were married; those who were not appear to have been divorced women with children. Over half had a telephone, representing an added expense and a luxury. Of the elderly, 50 percent were married; most of the unmarried were women. As with the rest of the complex, half had a telephone. Generally, turnover was low at approximately 3 percent a year.

To a large degree, Rolling Acres was an expression of President Lyndon Johnson's Great Society vision. The regulatory and statutory framework for public housing dated back to the 1930s, with the passage of the Wagner-Stegall Act. For the most part, funding for public housing was lean through the Eisenhower and Kennedy administrations. Johnson's efforts–including the Housing and Community Development Act of 1965 and the Housing and Urban Development Act of 1968–set off the largest volume of housing construction in American history. Specific to public housing, by 1970, public housing units built, under construction or planned reached just beyond 1.1 million.

Rolling Acres is noteworthy as a broad-based concept that focused primarily on government improving available housing stock. In 1960, 80 percent of the area's housing stock was 30 or more years old. One-third of all housing stock was substandard. Deficiencies included no toilet and/or no bath or shower. Only 32 percent were considered sound. The remaining third was considered "deteriorated."

Rolling Acres was HAV's first foray into developing and operating public housing. The project focused largely on elevating the standard of living within the community. Hence the suburban-style development, the low-density subdivision with ample greenspace, the reliance on the ranch-style building form with driveways, front and rear yards, and amenities such as air conditioning. The goal was to create a good quality of life for its residents and Rolling Acres is largely indistinguishable from other subdivision areas built by Hamilton.

The Rehabilitation of Rolling Acres

Rehabilitation planning for the recent LIHTC/HTC development began in spring 2016. Just shy of 50 years old, the property was well maintained and the buildings and site remained in fair to good condition. Many roofs and windows had been replaced in the 1980s, but building systems and materials were reaching the end of their useful life. In particular, interior spaces were tired and bathrooms and kitchens were largely outdated.

The development of the scope of work developed by VAH and M3A architects of Jackson, Miss., focused on repairing the building envelope and modernizing interior spaces. No new construction was planned, nor were any major interior alterations. The rehabilitation concentrated on updating finishes and fixtures. The development budget was approximately $5 million.

The development used both the 4 percent LIHTCs and the federal and state HTCs. To initiate the HTC process, the Part 1–Evaluation of Significance was submitted in March 2017 and approved by the National Park Service (NPS) June 26, 2017. The Part 2–Description of Rehabilitation was submitted in August 2017 and approved without conditions Nov. 20, 2017, by the NPS. Construction is now finalizing and the Part 3–Certification of Completed Work is scheduled to be submitted this month.

Mississippi HTC

The development budget was relatively small. The reliance on the 4 percent LIHTC in lieu of the large 9 percent LIHTC offered the benefit of time, but significantly impacted the level of subsidy. To mitigate this loss of subsidy, the property relied on the

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Mississippi state HTC. The Mississippi HTC is a 25 percent credit that parallels and works seamlessly with the 20 percent federal HTC and may be used against a Mississippi state income tax liability. Upon completion of the project and payment of the review fee, the Mississippi Department of Archives and History issues a certificate for the use of the credits.

Project Challenges

While NPS approved the Part 2 application without conditions, Rolling Acres faced one major hurdle. The property was built in 1971, making the resource 48 years old. This timeframe is not unusual in the arc of public housing development. Funding for public housing was lean until the late 1960s and the gestation period means that most modern public housing is just at the cusp of 50 years old. The largess of public funding also meant a backlog of approvals by the federal government. In 1976, President Richard Nixon shifted public housing from construction to a voucher system and placed a moratorium on new construction. Many locally significant projects were not completed until the mid-1970s.

In those instances when a property is less than 50 years old, the nominating documents (and the associated Part 1) must address Criteria Consideration G, which relates to "properties that have achieved significance within the last 50 years." Fundamentally, National Register properties should be 50 years old so that sufficient time has passed to understand their larger historic context. Criteria Consideration G recognizes that there may be some reasons properties less than 50 years old should be listed on the National Register. Criteria Consideration G requires a property to be considered exceptional. Exceptional importance does not mean a property cannot be locally important. It falls on the shoulders of the National Register preparer to justify "exceptional" importance. As one would imagine, states vary in their readiness to accept such justifications.

In the case of Rolling Acres, the justification relied on two aspects. First, that construction began more than 50 years ago, so completion overlapped the 50-year threshold only slightly. Second, that the historic context of public housing dated to the early 20th century and that the subject had been sufficiently assessed by scholars to understand how this resource fit into that continuum of history.

Conclusion

Most often, developments that combine the HTC and LIHTC rely on the larger, yet competitively awarded 9 percent LIHTC. One alternative strategy is to rely on the almost-automatic 4 percent LIHTC with the HTC. This strategy alleviates the requirement of a hefty upfront predevelopment investment, the uncertainly of the award and the impacts on schedules. The downside is that the LIHTC subsidy is substantially less. Many states have a noncompetitive state HTC, which balances the lower 4 percent LIHTC subsidy. One great example of executing this strategy is Rolling Acres. ❖

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