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## HISTORIC TAX CREDIT TOOL BOX

# Historic Tax Credit Success in Little Rock, Ark.



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**R**ecent articles in this space have focused on a particular historic tax credit (HTC) topic and how that topic was expressed in a particular development or two.

This month's article flips the narrative and looks at the genesis and ultimate success of three related HTC developments in Little Rock, Ark: the Fred W. Parris Towers, Cumberland Towers and Jesse Powell Towers.

### **Rental Assistance Demonstration**

The genesis of the three properties was Congress' creation of the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) program in the Consolidated Appropriations Acts of 2012, which became Public Law 112-55. At the time, there was a well-recognized issue regarding deferred maintenance in public housing. In 2012, an estimated 1.1 million units needed \$49 billion in repairs and as a result, an estimated 10,000 public housing units were lost every year.

RAD seeks to preserve public housing by providing local public housing authorities (PHAs) with the ability to leverage private capital to finance improvements and invest in the existing housing stock. RAD allows public housing units to change the type of federal housing assistance provided at the property by converting to project-based vouchers or project-based rental assistance. The RAD conversion allows a nonprofit or for-profit entity to own and manage the property, and by so doing, allows the owner to obtain other funding sources to repair the property, such as low-income housing tax credits, HTCs or state and local grants. In this way, the establishment of RAD allows PHAs to preserve and make improvements to affordable housing units that would otherwise be lost.

Initially, Congress capped the number of units that could be converted to 60,000. However, by October

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2014, HUD had received applications to convert more than 184,000 units. With that, 2015 federal legislation raised the cap to 185,000 units. A 2015 evaluation found that using existing resources of \$250 million, the program had leveraged approximately \$2.5 billion in capital investment. In 2017, the program was again reauthorized and in 2018, the cap was raised to 455,000 units.

### Historic Tax Credits and Public Housing

While LIHTC and HTC have been combined in transactions to create affordable housing before RAD, PHAs had largely been excluded from those transactions. RAD offered the opportunity to leverage HTCs as part of the capital package for public housing resources.

The timing of this initiative was particularly appropriate. The story of public housing is largely one of spurts of federal investment. Two spurts,

*Image: Courtesy of Heritage Consulting Group*  
**The Little Rock towers in Arkansas are three public housing properties that were rehabilitated with historic tax credits.**

one following the passage of the Wallace-Steagall Act in the late 1930s and one during World War II, resulted in the creation of 125,000 public housing units in 39 states. Following World War II, while the legislative intent of federal public housing continued and expanded, federal budget concerns largely limited actual construction. Funding constraints remained until President Lyndon B. Johnson’s administration. During his first term, LBJ made urban issues a centerpiece of his administration. He elevated the Housing and Home Finance Agency (HHFA) to a cabinet level position, formed HUD and directed Congress to expand government housing programs. Under Johnson’s leadership, the Housing Act of 1965 was passed, authorizing the construction of 60,000 units of public housing over the next four years. This was followed by the Housing and Urban Development Act of 1968, which set a goal of 26 million new dwellings, including 6 million new units for low- and moderate-income households over the next 10 years. Accordingly, the average number of public housing starts rose to more than 35,000 in the 1960s

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and by 1970, the total number of public housing units built, under construction or planned reached 1,155,300.

On a practical level, this construction boom means that hundreds of public housing resources are now coming of age in terms of the National Register 50-year threshold.

### The Little Rock Towers

Such was the case with the three Little Rock towers. They bore a striking similarity to each other: each a high-rise in a park-like setting, intended to house seniors with a holistic approach that included social and medical programs. The oldest was Fred W. Parriss Towers, completed in 1972. It was 14 stories in height with 250 units. Cumberland Tower was next, completed in 1974. It was an 11-story building with 178 units. Both were designed by Little Rock architects Wittenberg, Delony and Davis. The last of the three was Jesse Powell Towers, completed in 1975. It is a nine-story tower with 169 units, designed by Little Rock architects Stower & Stower.

Conceptually, all three towers were based on a public housing concept first physically expressed by the Victoria Plaza project in San Antonio, Texas. Conceived in 1956 and completed in 1959, Victoria Plaza was a nine-story, T-shaped tower with 185 units located on a 2-plus-acre site with fountained gardens and parking. Integral to the property, the first floor incorporated spaces for health, recreation, library and a senior counseling center. Access to the upper floors was via paired elevators to spacious yet flexible units. The architect for Victoria Plaza later played an integral role in developing federal standards for senior housing for first HHFA and then HUD.

As we know, HTC's are available for the certified rehabilitation of a certified historic structure. This second qualifier proved to be an immediate challenge.

First off, none of the buildings was more than 50 years old. Although planning for the towers began in the 1960s, the largess of federal funding under Johnson had resulted in significant backlogs for review and approval.

National Register program regulations require that any nomination of a building that is less than 50 years old address Criteria Consideration G, which references "exceptional importance." This phrase has been problematic in that some staff and state review committees define "exceptional" as meaning especially important and thus, a resource must rise above and be more significant than a property that is more than 50 years old. The framework for the criteria is broad and among other things includes resources that are physically fragile or endangered.

Unfortunately, unique property circumstances vary and rarely fit into neatly defined categories. For example, a school that is notable for its association with progressive education values arising in the 1920s but still operating as a school today would require an arbitrary end date for the period of significance to avoid Criteria Consideration G. Fundamentally, the challenge of Criteria Consideration G is to demonstrate that sufficient time has passed such that a historic perspective exists to allow a resource to be evaluated and understood within that context.

In the case of the Little Rock towers, the challenge was exacerbated by a relative lack of scholarly research on post-World War II public housing. In 2004, the National Park Service produced a Multiple Property Documentation (MPD) addressing public housing as a building type. Unfortunately, that MPD ends in 1949. Some National Register nominations and Section 106 reviews have addressed post-1949 public housing resources but generally have defaulted to architecture as the basis of evaluation. The history of postwar public

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housing has not been fully detailed. HUD is currently developing such a study for National Register purposes, but that study has not been issued.

The project developer, Wisconsin-based Gorman & Co., has a 30-year history focused on innovative redevelopment for affordable housing. Tackling the three historically similar Little Rock towers simultaneously offers the resources that allowed Heritage to complete both the primary and secondary research necessary to establish a scholarly framework for evaluating the resources on a national, state and local basis. Philosophically, Gorman & Co. was dedicated to a successful outcome of projects they considered fundamental to its organization's mission and values. Working closely with the Arkansas Historic Preservation program, under the leadership of Stacy Hurst, which recognized the fundamental historic preservation value of the Gorman Initiative, the project team was able to secure National Register listing for the three towers.

Once deemed a certified historic structure, the modernization of the buildings themselves was not

particularly challenging. Structurally, the buildings were solid. Gorman's strategy, in keeping with the goals of RAD, concentrated on upgrading systems and finishes within the existing floor plan. Common areas were upgraded to have a more hospitable feel while respecting the historic character-defining features. Part of the challenge was upgrading the buildings while they remained occupied, but solid communication among Little Rock's public housing agency, the Metropolitan Housing Alliance, Gorman's construction team and the tenants minimized impacts.

### Conclusion

Gorman & Company worked with the Little Rock's Metropolitan Housing Authority on a \$70 million renovation of the Parris, Cumberland and Powell Towers. This effort preserved and modernized 500-plus public housing units. The proposed work met the Secretary of Interior Standards and was largely without issue. The greatest challenge was certifying the three towers as historic structures. That hurdle was achieved by working collaboratively with the Arkansas State Historic Preservation Office, which recognized the historic value of the towers. ❖

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