



NOVOGRADAC

# Journal of Tax Credits™

Insights On Affordable Housing, Community Development, Historic Preservation, Renewable Energy and Opportunity Zones  
June 2020 ♦ Volume XI ♦ Issue VI

Published by Novogradac

## HISTORIC TAX CREDIT TOOL BOX 🌿

# The Changing HTC Landscape: An Interview with Developer Josh Jeffers of J. Jeffers & Co.



JOHN TESS, PRESIDENT HERITAGE CONSULTING GROUP

COVID-19 is affecting every facet of our lives. The changes are global and are changing not only the way that we do business now, but how we will do business in the future.

From Heritage's immediate perspective as historic preservation consultants, the historic rehabilitation industry has seen many changes in the industry beginning with the design review process at local, state and federal levels. While design review is not the focus of this particular article, it will be in the future. Beginning this month, it is our intent to address how different industry players are responding to the changes in the marketplace because of the COVID-19 pandemic.

This article focuses on Josh Jeffers, the founder, president and CEO of J. Jeffers & Co., a Milwaukee-based real estate development company that is quickly emerging as an industry leader.

**Q: Can you tell us about yourself and what you did prior to founding J. Jeffers and Co.?**

A: I grew up in Waukegan, Ill., and prior to starting my professional real estate career I earned a master's degree in public policy from the John F. Kennedy School of Government at Harvard University, and a bachelor's degree in finance and real estate from the University of Wisconsin-Madison.

Shortly thereafter, I worked in the private equity real estate industry. I started my career in 2003 in the acquisitions department of Walton Street Capital in Chicago. I had the opportunity to gain a lot of transactional experience in a short time, in both U.S. and international markets, and across

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office, retail, multifamily, industrial, hospitality and mixed-use asset types.

**Q: When starting J. Jeffers & Co. what was your vision for the company?**

A: Prior to forming J. Jeffers [in 2012], I realized that there was an opportunity for a different kind of real estate firm—one with a proficiency in the use of both private equity and tax credit equity. The goal was to leverage these complex financing sources to build a powerful vehicle for enhancing communities and creating value for both our investors and the communities we work in. The company is built on the principles of accountability, integrity and perseverance, all of which I believe are essential for achieving high-quality outcomes for all of our partners and stakeholders.

Our cross-functional teams collaborate on the full life cycle of each asset—from origination to closing, construction to stabilization, and ultimately to sale or refinance, including comprehensive asset management at each stage.

**Q: Where did your interest in historic rehabilitation come from?**

A: I think it goes all the way back to growing in up in Waukegan, which in the 1970s and 1980s, had fallen on hard times just like so many other so-called rust belt cities. The massive decline in economic output and ensuing job losses that occurred during that time left a lot of scars on the built environment—vacant old buildings, environmental contamination, urban blight, etc. I remember some very early, visceral desires to see those old buildings and blighted areas get cleaned up, get restored. However, even at an early age, I realized that pure restoration to an earlier era wasn't an option. That era was gone.

Buildings are designed to play a specific purpose in the economic eras in which they are constructed. Then the world changes. Sometimes it changes a lot and the built environment has to change with it. Buildings, historic buildings, need to be reimagined and adapted to meet the changing needs of users of real estate. If they



Image: Courtesy of J. Jeffers and Co.  
**The Mackie Building, which includes the former Milwaukee Grain Exchange, was restored by J. Jeffers & Co. in 2012.**

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can't change or be adapted, then they get torn down. And that's a shame.

I spent probably an unusual amount of time thinking about these ideas as a kid. It's not so much that I wanted to restore my hometown to what it once was, but rather I wanted to imagine what these old buildings could be in the new world order. What's



*Image: Courtesy of J. Jeffers and Co.*

**J. Jeffers and Co. is renovating the Horlick Complex, a 16-acre property in Racine, Wis.**

funny is that it never dawned on me to be a historic building developer until a year or two before I formed J. Jeffers, when I had the opportunity to actually renovate a historic building.

When that opportunity came up, it tapped into these deep-seated creative ideas going back to my days growing up, thinking about how to take a building's original design intent, its current condition and its highest and best use to redevelop it into something that strikes the right balance between historic preservation and economic relevance. It's a delicate balance. And then, layer on all the transactional complexities of the financing tools and incentives needed to make these projects possible, and, suffice it to say, I learned that historic development is not for the faint of heart.

**Q: On May 8, 2019, it was reported that you raised \$10 million in 80 minutes to assist in the rehabilitation of the Huron Building in downtown Milwaukee. Wow! What can you tell us about this?**

A: That's right—we actually raised \$16,157,000 in one day for one of our projects, the Huron Building, using an online platform called CrowdStreet.com. This goes back to our ability to stitch together complex financing resources, one of our core competencies as a company. J. Jeffers & Co. owns almost a full city block in downtown Milwaukee.

This particular block is home to two of the city's most iconic historic buildings, the Mackie Building (which houses the former Milwaukee Grain Exchange) and the Mitchell Building (named for Alexander Mitchell, one of the founding fathers of Milwaukee). We successfully restored those historic buildings in 2012 and 2016.

Behind one of the buildings was a larger, underutilized surface parking lot. As is often the case, once we restored the blighted buildings on the block and started cleaning up that part of the downtown, the surface lot started to become a much more attractive location for Class A office users. In response to the market demand that we created, we proposed building an 11-story new

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construction office tower on that site, called the Huron Building, in 2017.

Then in 2018, we were fortunate to land the law firm Husch Blackwell as our anchor tenant for nearly 50 percent of the building's rentable area. We closed on the financing for the \$62 million project in May 2019. Part of the capital stack for the project consisted of \$21.6 million in private equity that we raised from institutional and accredited individual investors. We ended up sourcing \$14 million of that \$21.6 million from CrowdStreet.com. CrowdStreet is an online exchange that brings together proven sponsors with tens of thousands of registered, accredited individual investors. There are several online companies that are active in this space.

Prior to our Huron offering, most of the fundraises that happened in this niche were a few million dollars. When we raised \$10 million for Huron in 80 minutes, or more than \$16 million in that single day, it set a national record. It was the first time anyone had ever raised so much money using one of these online platforms for a commercial real estate deal.

**Q: What have been some of the biggest impacts of the COVID-19 pandemic been on how you do business?**

A: I think that one of the biggest impacts of the pandemic are the effects of uncertainty in the development process. While there is always a degree of uncertainty in any development deal, one can always control the deal to a large extent. The problem with this pandemic is that there is less of a chance to control the deal, due to many unknowns in the areas of financing, construction and defining the market.

A second area of impact are today's changing communication patterns. Lately, I find myself in fact working harder and having more and more meetings

than I have had before the pandemic—and none of them are in-person, which is hard to adjust to. I look at myself as a fairly outgoing person and I am used to meeting with people. Now communication is more planned and there is less spontaneity. Not being able to have the same social interaction with people changes the dynamics of the communication.

A third area of impact I would cite is the ability to experiment and let the creative juices flow. Being able to create with a somewhat clean slate is easier to do in more certain times.

**Q: What are you doing to address the current changes to the real estate industry?**

A: Currently, we like most other companies, are working at home for the most part. There are still occasional trips to the office, abiding by the appropriate social distancing requirements and of course, construction projects continue.

Like most real estate developers, we are planning for the future and trying to be strategic in our decisions. We are currently finishing up some projects and we are in the planning or approval process of others. Projects basically are moving forward, just at a different pace. One has to remember that this thing at some point will be over and we cannot just sit still. Besides, sitting still is not in my nature.

The other important activity we are engaged in is adjusting how our team works, keeping up the morale and maintaining relationships within and out of the office.

It may seem strange to some, but during the COVID crisis, we have actually added four new members to our team to accommodate our anticipated continued growth in the future.

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I guess the best answer to this question is that we are learning and continuing to develop responses to this ever-changing business environment.

**Q: Can you tell us about some of your past and current rehabilitation projects?**

A: As a company, we are involved in rehabilitation, non-rehabilitation, adaptive reuse and new development. My first rehabilitation projects were smaller projects in which I used the credits myself. The first building where we syndicated the tax credits was the Mackie Building, rehabilitated in 2016, and where our offices are currently located.

Right now, two of our more exciting projects—which are well underway—include the Horlick Complex and Journal Square rehabilitation projects. What is exciting about both of these projects is their scale. Each one is well north of \$100 million in total development, which is a tremendous investment for the communities in which they are located. Each one represents the opportunity for combining some new construction within a primarily historic rehabilitation of a whole district, or collection of properties.

The Horlick Complex covers nearly 16 acres in the city of Racine, Wis. The complex was once home to one of the city's largest employers, the Horlick Malted Milk Company. In this project, we assembled the total site over a multiyear period for a large-scale mixed-use development. Uses will include multifamily residential, commercial, retail, light industrial, business incubator,

educational and recreational uses. I have no doubt in the potential for the Horlick redevelopment to act as a true catalyst for redevelopment in Racine. Journal Square is a complex of former newspaper buildings, located on a 2.34 acre site just west of downtown Milwaukee and across from the new Fiserv Forum, home of the Milwaukee Bucks. Another mixed-use development, this project scheduled for educational, hospitality, and housing purposes.

**Q: In looking in your crystal ball, what do you think the future holds for historic rehabilitation projects now and post-COVID-19 pandemic?**

A: Ah, the infamous crystal ball and historic rehabilitation. Since the inception of my company, I have always been drawn to rehabilitation projects. They are the types of projects that address the principles upon which J. Jeffers & Co. is built of accountability, integrity, and perseverance. Anyone who has ever been even remotely involved in a rehab project will understand what I am talking about.

In the end, besides being a catalyst for revitalization, historic rehabilitation just makes common sense and makes people feel good. It makes me feel good! I think all would agree what the country needs are positive activities that will raise the nation's spirits. I, for one, am betting on it. ❖

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*This interview was conducted by phone and video conferencing and was edited for clarity and brevity.*

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*This article first appeared in the June 2020 issue of the Novogradac Journal of Tax Credits.*

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