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HISTORIC TAX CREDIT TOOL BOX 🌿

Ray Sherman Place: Using Historic Tax Credits on Public Housing



CINDY HAMILTON, HERITAGE CONSULTING GROUP

Throughout the 20th century, different iterations of landmark housing legislation were passed that forever changed the built environment of cities and towns across the United States.

Beginning in the Great Depression, the federal government began funding the construction of public housing in an effort to provide adequate and affordable housing. Since that time, some 3,300 local public housing authorities (PHAs) have been established in towns, cities and counties in all 50 states.

Between 1934, when the first federal housing legislation was passed, and 1974, when President

Richard Nixon signed the Fair Housing Act, effectively ending large-scale construction of public housing, PHAs built public housing units at a pronounced rate. As we expand further into the 21st century, the properties that date to the mid- and late-20th century periods have already passed or will soon exceed 50 years, an important benchmark for potential listing in the National Register of Historic Places. In fact, a number of examples of public housing are already listed in the National Register and some of those are not yet 50 years old.

Image: Courtesy of Jesse Ramirez

The rehabilitation of Ray Sherman Place in El Paso, Texas, was completed in early 2021.

The historical and architectural significance of public housing paired with the large number of units spread across the country affords a significant opportunity to use historic tax credits (HTCs) to rehabilitate these buildings. HUD created the Rental Assistance Demonstration (RAD) program to give PHAs a tool to address the nationwide backlog of deferred maintenance. It is through this program that PHAs across the country embarked on the rehabilitation of public housing using HTC. Some housing authorities seek to self-develop, but most partner with a private developer experienced in using HTC.

In El Paso, Texas, the Housing Authority of the City of El Paso (HACEP) entered into one such public-private partnership with ITEX Group, a real estate development and property management company based in Texas. As a result of this partnership, the historic Ray Sherman Place was rehabilitated in a \$45 million development as part of a larger redevelopment portfolio.

ITEX Group

ITEX Group was founded in 1981 as Park Central Management and became ITEX Group in the early-2000s when Ike Akbari purchasing a controlling stake in the company. According to Ike's son Chris, who currently serves as CEO and president of the firm, ITEX began with four properties. Today, the company has "about 8,800 units that we own and operate," at both affordable and market rates across Colorado, Louisiana and Texas, said Chris Akbari.

Around 2012, the company undertook its first HTC rehabilitation, after which it continued to work with rehabilitations, "acquiring Section 8 and market-rate housing and renovating them." Akbari further noted that the company currently works "50/50" in rehabilitations and new construction.

ITEX's work with rehabilitations and the HTC program was a key component in its being awarded a contract with the HACEP in the mid-2010s, which ultimately resulted in the rehabilitation of Ray Sherman Place.

Ray Sherman Place

Ray Sherman Place was built in 1953 as the fourth public housing complex in the western Texas city of El Paso. The site consists of 28 two-story apartment buildings of various unit counts and one one-story management office and maintenance building. Demolition of public housing sites of a similar vintage in El Paso resulted in Ray Sherman Place being the second-oldest extant example of a public housing complex in the city.

Ray Sherman Place was financed with funding made available in the United States Housing Act of 1949. The property was specifically designed to alleviate the low-income housing shortage that El Paso was encountering in the mid-century period. As a result of its construction, 180 housing units opened in the extant southern section; the previously demolished northern section had 144 units. Ray Sherman Place was listed in the National Register of Historic Places in 2019 in anticipation of a historic tax credit rehabilitation.



Image: Courtesy of Jesse Ramirez
Ray Sherman Place consists of 28 apartment buildings and one management building situated in a large, square site.

The Rehabilitation of Ray Sherman Place

In 2017, plans for the rehabilitation of Ray Sherman Place began. The overall project included the replacement of doors and windows and updated finishes and appliances in all 29 buildings on the site,

as well as upgraded site work and the installation of a centralized parking lot.

In many instances, HTC projects involve a considerable amount of new construction or subdivision of historically open spaces. Although the work completed at Ray Sherman Place may be considered a “cleanup, fix-up,” Chris Akbari cautioned that the project included its fair share of challenges. Specifically, the replacement of windows and the installation of the central parking lot required considerable effort from the project team to ensure approval with the National Park Service (NPS).

The original windows at the site were traditional hung windows, featuring separated upper and lower sash. As part of the rehabilitation, the team was required to install egress windows, which require a casement-style of operability. The project team was able to identify a window manufacturer who was willing to customize a solution that would meet egress requirements, while meeting the requirements of the NPS. The resulting windows were unusual in that they appeared as if they were traditionally hung windows, but operated as a casement.

In addition to the windows, parking at the site was a challenge. Chris Akbari recalled the difficulties with getting parking at the site approved, noting, “the parking lot was a big deal. The amount of parking and the location of parking around the site were big problems.” At the center of the complex was an open space that was traditionally used as a “campus green.” The NPS believed this green space to be significant to the property and was reluctant to permit the conversion from green to asphalt. Making the case through parking and traffic studies to identify the

deficiencies in parking around the complex, a parking lot within the central open space was ultimately approved by the NPS.

With the two primary hurdles passed, the rehabilitation of Ray Sherman Place was completed in early 2021. The project highlights both the opportunities and challenges to using HTCs on public housing. This is particularly evident when examining the financial components to the transaction. Or, as Chris Akbari put it, “using HTCs at Ray Sherman Place made a lot of sense. The HTCs provided more capital coming in as soft debt that helped finance the project.”

Although the possibilities to use HTCs on public housing are evident, additional outside challenges persist. Akbari highlighted the occasional desire of PHAs to want to make substantive changes to the properties, such as the transformation of exteriors, updates to interior finishes and changes to unit sizes and layouts, which could be more readily achieved by new construction.

The successful partnership between HACEP and ITEX and their successful rehabilitation of Ray Sherman Place, however, illustrates the potential impact rehabilitations of this nature can have. Much like Ray Sherman Place, HACEP and ITEX partnered together to rehabilitate the Sun Plaza and Tays Place properties, both of which were also completed in 2021. With so many public housing authorities and housing stock throughout the country, countless opportunities to upgrade the quality of housing through the HTC program persist. ❖

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Cindy Hamilton is president of Heritage Consulting Group.

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